

No. 2018-1197

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UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

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VIRNETX INC., LEIDOS, INC.,

*Plaintiffs-Appellees,*

*v.*

CISCO SYSTEMS, INC.,

*Defendant,*

APPLE INC.,

*Defendant-Appellant.*

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On Appeal from the United States District Court for the Eastern District of Texas,  
No. 6:10-cv-00417-RWS, Judge Robert Schroeder, III

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**MOTION OF DEFENDANT-APPELLANT APPLE INC. TO VACATE  
DENIAL OF REHEARING AND FOR LEAVE TO FILE A SECOND  
PETITION FOR REHEARING AND REHEARING *EN BANC* AND/OR A  
SUPPLEMENTAL BRIEF**

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## CERTIFICATE OF INTEREST

Counsel for Appellant Apple Inc. certifies the following:

1. The full name of every party or *amicus* represented by me is:

Apple Inc.

2. The name of the real party in interest represented by me is:

Not applicable.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or *amicus curiae* represented by me are:

None.

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

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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:

- *VirnetX Inc. v. Apple Inc.*, Nos. 17-1591, -1592, -1593 (Fed. Cir.) (VirnetX's appeals from Apple and Cisco reexaminations holding unpatentable claims of U.S. Patent Nos. 7,418,504 ("the '504 patent") and 7,921,211 ("the '211 patent"))
- *VirnetX Inc. v. The Mangrove Partners Master Fund, Ltd.*, Nos. 17-1368, -1383 (Fed. Cir.) (VirnetX's appeals from IPRs holding unpatentable claims of U.S. Patent Nos. 6,502,135 ("the '135 patent") and 7,490,151 ("the '151 patent"))
- *VirnetX Inc. v. Iancu*, Nos. 17-2593, -2594 (Fed. Cir.) (VirnetX's appeals from IPRs holding unpatentable claims of '504 and '211 patents) (stayed pending resolution of Appeal Nos. 17-1591, -1592, -1593)
- *VirnetX Inc. v. Cisco Systems, Inc.*, No. 18-1751 (Fed. Cir.) (VirnetX's appeal from Cisco reexamination holding unpatentable claims of '504 patent)
- *VirnetX Inc. v. Apple Inc.*, No. 19-1050 (Fed. Cir.) (Apple's appeal from district court judgment awarding damages in related case involving '135, '151, '504, and '211 patents)
- *VirnetX Inc. v. Cisco Systems, Inc.*, No. 19-1671 (Fed. Cir.) (VirnetX's appeal from Cisco reexamination holding unpatentable claims of '135 patent)
- *Inter Partes* Reexamination No. 95/001,682 (PTO) (Apple reexamination of '135 patent)

- *Inter Partes* Reexamination No. 95/001,697 (PTO) (Cisco reexamination of '151 patent)
- *Inter Partes* Reexamination No. 95/001,714 (PTO) (Apple reexamination of '151 patent)

Dated: August 7, 2019

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Pursuant to Federal Rule of Appellate Procedure 27 and Federal Circuit Rule 27, Defendant-Appellant Apple Inc. respectfully moves to vacate this Court's denial of rehearing and rehearing *en banc* and requests leave to file a second petition for panel rehearing and rehearing *en banc*, or alternatively a supplemental brief, in light of this Court's decision in *VirnetX Inc. v. Apple Inc.*, \_\_ F.3d \_\_, 2019 WL 3483194 (Fed. Cir. Aug. 1, 2019) ("the 17-1591 Decision"). Apple could not have raised its arguments based on the 17-1591 Decision in this proceeding in its prior petition for rehearing or supplemental briefing, because the 17-1591 Decision issued only thirty minutes before the Court denied Apple's petition for rehearing. Accordingly, Apple respectfully requests that the Court vacate its denial of rehearing and rehearing *en banc* and permit Apple to file a second petition for rehearing, or a supplemental brief, in light of this intervening event. *See, e.g., Gaia Techs., Inc. v. Reconversion Techs., Inc.*, 104 F.3d 1298 (Fed. Cir. 1997) (granting leave to file a second petition for rehearing to address intervening authority).

Apple does not make this request lightly, but the timing of this Court's orders makes it necessary. The district court judgment is based in part on a finding that Apple infringed claims 1, 2, 5, and 27 of the '504 patent and claims 36, 47, and 51 of the '211 patent. The 17-1591 Decision now means that all the asserted claims of the '211 patent and claims 1, 2, and 27 of the '504 patent have been affirmed as unpatentable. 17-1591 Decision, 2019 WL 3483194, at \*13 (affirming as

unpatentable, among others, claims 36, 47, and 51 of the '211 patent); *VirnetX Inc. v. Cisco Sys., Inc.*, No. 18-1751, 2019 WL 2714615, at \*4 (Fed. Cir. June 28, 2019) (nonprecedential) (“the 18-1751 Decision”) (affirming as unpatentable, among others, claims 1, 2, and 27 of the '504 patent). At the very least, this requires that the underlying infringement judgment be vacated and the case remanded for the district court to remove those portions adjudging Apple of infringing the '211 patent and claims 1, 2, and 27 of the '504 patent.<sup>1</sup>

The 17-1591 Decision has a further consequence, however. It affirmed as unpatentable claim 5 of the '211 patent, which is indistinguishable from claim 5 of the '504 patent, the lone remaining asserted claim of the '504 patent:

'211 Patent Claim Affirmed As Unpatentable (No. 17-1591)	'504 Patent Claim
5. The system of claim 2, wherein the domain name service system is configured to authenticate the query using a cryptographic technique.	5. The system of claim 2, wherein the domain name service system is configured to authenticate the query using a cryptographic technique.

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<sup>1</sup> See *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340 (Fed. Cir. 2013) (“[W]hen a claim is cancelled, the patentee loses any cause of action based on that claim, and any pending litigation in which the claims are asserted becomes moot.”); *Imperium IP Holdings (Cayman), Ltd. v. Samsung Elecs. Co.*, 757 F. App’x 974, 980 (Fed. Cir. 2019) (nonprecedential) (holding that liability was precluded based on Court affirming claims as unpatentable); *Translogic Tech., Inc. v. Hitachi, Ltd.*, 250 F. App’x 988 (Fed. Cir. 2007) (nonprecedential) (vacating district court judgment based on this Court’s decision affirming Board’s rejection of asserted claims); see also *Prism Techs. LLC v. Sprint Spectrum L.P.*, 757 F. App’x 980, 987 (Fed. Cir. 2019) (nonprecedential) (district court properly vacated judgment after this Court affirmed unpatentability), cert. denied, 2019 WL 2009843 (U.S. June 10, 2019).

Claim 5 of the '504 patent depends from its claims 1 and 2, which are patentably indistinct from claims 1 and 2 of the '211 patent—and claims 1 and 2 of **both** patents have also been affirmed as unpatentable. 17-1591 Decision, 2019 WL 3483194, at \*13 (affirming as unpatentable, among others, claims 1 and 2 of the '211 patent); 18-1751 Decision, 2019 WL 2714615, at \*4 (affirming as unpatentable, among others, claims 1 and 2 of the '504 patent); *see also infra* pp. 11-12.

Therefore, *all* asserted claims of two of the patents—the '504 and '211 patents—that underlie the judgment appealed here are unpatentable. No cause of action may now persist based on those two patents, which were the only ones found infringed by Apple's FaceTime feature. Accordingly, the infringement judgment for those patents should be vacated in its entirety and the damages judgment vacated and remanded for a redetermination of damages without regard to FaceTime. *See supra* note 1.

Even if this Court does not hold claim 5 of the '504 patent unpatentable in this proceeding, it will still inevitably be held unpatentable in at least one of the three separate pending proceedings in which the PTO directly held claim 5 of the '504 patent unpatentable. VirnetX is collaterally estopped from asserting the patentability of claim 5 of the '504 patent in those pending proceedings, because it is indistinguishable from invalidated claim 5 of the '211 patent. Therefore, at the very

least, this Court should hold this case pending related proceedings that should and will result in invalidation of claim 5 of the '504 patent.

Plaintiffs-Appellees VirnetX Inc. and Leidos, Inc. oppose this motion and will file a response.

## BACKGROUND

This case presents an extraordinary collision of judicial and PTO proceedings concerning the four patents-in-suit. As the Court knows, the district court entered a \$439 million judgment against Apple for infringement of two sets of patents:

- the FaceTime feature in certain of Apple's iPhone, iPad, iPod touch, Mac, and OS X products was found to infringe claims 1, 2, 5, and 27 of the '504 patent and claims 36, 47, and 51 the '211 patent; and
- the VPN On Demand feature in certain of Apple's iPhone, iPad, and iPod touch (but not Mac or OS X) products was found to infringe claims 1, 3, 7, and 8 of the '135 patent and claim 13 of the '151 patent.

The PTO held unpatentable every asserted claim of the four patents-in-suit, in nine final decisions following reexamination and IPR proceedings brought by Apple, Cisco, and others.<sup>2</sup> All nine of the final PTO decisions were appealed to this Court, and five of them—consolidated into Appeal No. 17-1368 concerning the '135 and '151 patents and Appeal No. 17-1591 concerning the '504 and '211 patents—were

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<sup>2</sup> See *supra* Certificate of Interest at ii-iii.

argued on the same day and before the same panel as this appeal, pursuant to the Court’s April 2018 *sua sponte* order that they be treated as companion cases.

The panel summarily affirmed the district court’s judgment in this case within a week of oral argument. Apple timely petitioned for rehearing and rehearing *en banc*, arguing in part that this Court should hold the petition for rehearing pending resolution of, at least, the two consolidated unpatentability appeals, in order to ensure that a multimillion-dollar judgment based on unpatentable claims is not affirmed based solely on the order in which the proceedings are resolved. ECF No. 78, Pet. for Reh’g 16-18 & n.7.

While Apple’s petition for rehearing was pending, a separate panel of this Court issued its decision in another case in which the Patent Trial and Appeal Board (“the Board”) had found the relevant claims of the ’504 patent unpatentable. 18-1751 Decision, 2019 WL 2714615. The 18-1751 Decision affirmed the Board’s rejection of most claims of the ’504 patent, and remanded asserted claim 5 and unasserted claims 12 and 13 of the ’504 patent to the Board for further proceedings on a narrow question. Apple sought and was granted leave to file supplemental briefing in this case regarding the effect of the 18-1751 Decision. ECF Nos. 85, 86, 93.

On August 1, 2019, this panel issued the 17-1591 Decision. As relevant here, the panel affirmed the Board’s rejection of claims 36-60 of the ’504 patent and

claims 1-60 of the '211 patent, and divided 2-1 on the Board's authority to reject claims 1-35 of the '504 patent in a reexamination requested by Apple. 17-1591 Decision, 2019 WL 3483194.

As a result of the 18-1751 and 17-1591 Decisions, all asserted claims of the '211 patent (claims 36, 47, and 51) and asserted claims 1, 2, and 27 of the '504 patent have been affirmed as unpatentable. Asserted claim 5 of the '504 patent does not currently stand invalidated, but its unpatentability will continue to be at issue in Apple's forthcoming rehearing petition in No. 17-1591, in further proceedings following this Court's 18-1751 Decision, and in VirnetX's appeal from the Board's separate unpatentability determination in *VirnetX Inc. v. Iancu*, Nos. 17-2593, -2594 (Fed. Cir.).

As is explained more fully below and in Apple's proposed second petition for rehearing/supplemental brief submitted herewith, the 17-1591 Decision's determination that claim 5 of the '211 patent is unpatentable necessarily means that claim 5 of the **'504 patent**—which is indistinguishable from it—must also be unpatentable. That conclusion means that ***all claims asserted against FaceTime*** are unpatentable, thus warranting vacatur of the infringement judgment for those patents and vacatur of the damages award, to be redetermined to reflect only units that contain the VPN On Demand feature.

In the normal course, Apple would have brought this fact to the *en banc* Court's attention in this matter following the 17-1591 Decision and while its rehearing petition was still pending. However, approximately thirty minutes after the 17-1591 Decision, the Court denied Apple's petition for rehearing and rehearing *en banc* in this appeal. Apple accordingly makes this submission to urge the panel or the *en banc* Court to vacate the denial of rehearing, accept Apple's proposed second petition for rehearing and rehearing *en banc* and/or treat it as a supplemental brief and, based on the arguments therein, vacate the judgment below and remand for further proceedings. In the alternative, the Court should at the very least vacate the denial of rehearing and hold the case until the ongoing unpatentability proceedings resolve the unpatentability of claim 5 of the '504 patent and any remaining asserted claims. It is only a matter of time—and likely not very much time—before all claims asserted against at least FaceTime are adjudged unpatentable. Allowing a \$439 million judgment to stand based on those claims would be manifestly unjust.

## ARGUMENT

### **VACATUR OF THE DENIAL OF REHEARING AND CONSIDERATION OF A SECOND PETITION FOR REHEARING OR SUPPLEMENTAL BRIEFING IS WARRANTED TO ADDRESS THE EFFECT OF THE 17-1591 DECISION AND TO PREVENT A MANIFEST INJUSTICE.**

#### **A. The 17-1591 Decision Has Outcome-Altering Consequences For This Appeal That Apple Could Not Have Raised Earlier.**

Apple respectfully requests that the Court vacate the denial of rehearing in order to consider the second petition for rehearing submitted herewith or alternatively to treat the petition as a supplemental brief in support of Apple's original petition for rehearing.

This Court "has the power to entertain successive petitions for rehearing" before the mandate issues. 16AA Wright & Miller, *Fed. Prac & Proc. Juris.* § 3986 (4th ed.) (citing *Huddleston v. Dwyer*, 322 U.S. 232, 236-237 (1944) (vacating Tenth Circuit's decision denying second petition for rehearing filed six months after entry of judgment)). Leave to file a second petition for panel rehearing and rehearing *en banc* is warranted where an intervening decision directly affects the outcome of the underlying appeal. *See Gaia Techs., Inc. v. Reconversion Techs., Inc.*, 104 F.3d 1298 (Fed. Cir. 1997) (granting leave to file a second petition for rehearing to address an intervening Supreme Court decision); *see also Huddleston*, 322 U.S. at 236-237 (vacating denial of second petition for rehearing and remanding for consideration of an intervening decision by the Oklahoma Supreme Court).

Further proceedings in this matter are warranted because, as is explained below and in Apple’s second petition for rehearing/supplemental brief, the judgment in this case cannot stand in light of the 17-1591 Decision’s holding that all asserted claims of the ’211 patent (claims 36, 47, and 51) and claim 5 of the ’211 patent, which is indistinguishable from claim 5 of the ’504 patent, are unpatentable. While Apple timely notified the Court of the 18-1751 Decision in a Rule 28(j) letter and in a supplemental brief submitted on July 1, 2019, it could not do the same regarding the 17-1591 Decision, because the Court issued its order denying Apple’s petition for rehearing and rehearing *en banc* in this appeal approximately thirty minutes after it issued the 17-1591 Decision.

Because the 17-1591 Decision materially alters the correct disposition of this appeal, and the Court denied Apple’s petition for rehearing before Apple had any chance to explain why, the order denying rehearing should be vacated and Apple’s concurrent submission should be accepted for filing, either as a second petition for rehearing or as a supplemental brief supporting Apple’s original petition for rehearing.

**B. The 17-1591 Decision Makes Plain That The Asserted Claims Of The ’504 And ’211 Patents Are Unpatentable, Thus Compelling Vacatur-In-Part Of The District Court Judgment.**

The 17-1591 Decision, combined with the Court’s earlier 18-1751 Decision, makes plain that all claims of the two patents asserted against FaceTime—claims 1,

2, 5, and 27 of the '504 patent and claims 36, 47, and 51 of the '211 patent—are unpatentable. In the 18-1751 Decision, this Court affirmed the Board's rejection of, among others, asserted claims 1, 2, and 27 of the '504 patent and remanded asserted claim 5 (and unasserted claims 12 and 13) of the '504 patent to the Board for further proceedings on a narrow question. 18-1751 Decision, 2019 WL 2714615. In the 17-1591 Decision, this Court affirmed the Board's rejection of, among others, *all* asserted claims (claims 36, 47, and 51) of the '211 patent. 17-1591 Decision, 2019 WL 3483194. As a combined result of the 18-1751 and 17-1591 Decisions, claims 1, 2, and 27 of the '504 patent and all asserted claims of the '211 patent have been affirmed as unpatentable. Therefore, at the very least, this Court should vacate the denial of rehearing, vacate-in-part the district court's infringement judgment and order the district court to remove those portions adjudging Apple of infringing the '211 patent and claims 1, 2, and 27 of the '504 patent. *See supra* note 1; *see also* *Retractable Techs., Inc. v. Becton, Dickinson & Co.*, 653 F.3d 1296, 1311 (Fed. Cir. 2011) (reversing-in-part district court judgment that some claims were infringed while leaving intact judgment that other claims were infringed).<sup>3</sup>

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<sup>3</sup> The district court judgment incorporates its opinion denying Apple's motions for judgment as a matter of law challenging both the jury's infringement findings and the damages award. Appx69; Appx16, Appx39.

Of the asserted claims of the '504 patent, only claim 5 has yet to be affirmed as unpatentable by this Court. But the 17-1591 Decision makes plain that claim 5 of the '504 patent is unpatentable as well, because it is indistinguishable from claim 5 of the '211 patent, which the 17-1591 Decision also affirmed as unpatentable. Claim 5 of both patents depends from claim 2, which in turn depends from claim 1:

'211 Patent Claims Affirmed As Unpatentable (No. 17-1591)	'504 Patent Claims (Claims 1 and 2 Affirmed As Unpatentable (No. 18-1751))
<p>1. A system for providing a domain name service for establishing a secure communication link, the system comprising:</p> <p>a domain name service system configured <b>and arranged</b> to be connected to a communication network, store a plurality of domain names and corresponding network addresses, receive a query for a network address, and <b>indicate in response to the query whether</b> the domain name service system supports establishing a secure communication link.</p>	<p>1. A system for providing a domain name service for establishing a secure communication link, the system comprising:</p> <p>a domain name service system configured to be connected to a communication network, to store a plurality of domain names and corresponding network addresses, to receive a query for a network address, and to <b>comprise an indication that</b> the domain name service system supports establishing a secure communication link.</p>
<p>2. The system of claim 1 wherein at least one of the plurality of domain names comprises a top-level domain name.</p>	<p>2. The system of claim 1 wherein at least one of the plurality of domain names comprises a top-level domain name.</p>
<p>5. The system of claim 2, wherein the domain name service system is configured to authenticate the query using a cryptographic technique.</p>	<p>5. The system of claim 2, wherein the domain name service system is configured to authenticate the query using a cryptographic technique.</p>

Appx167; Appx244 (emphases added). Claim 2 is identical in both patents, and while there are very minor differences in language between independent claim 1 of

the '504 and '211 patents, they do not carry patentable weight (*see* ECF No. 86 at 4-9), and VirnetX has never argued otherwise; if anything, the differences broaden the '504 patent—as VirnetX itself has recognized (*see* VirnetX Suppl. Br. 12-13, ECF No. 105 (No. 17-1591)). Moreover, claims 1 and 2 of the '504 patent **and** claims 1 and 2 of the '211 patent have all been affirmed as unpatentable. 17-1591 Decision, 2019 WL 3483194, at \*13; 18-1751 Decision, 2019 WL 2714615, at \*4. Accordingly, there is no basis for treating dependent claim 5 of the '504 patent as anything but unpatentable.

“Collateral estoppel protects a party from having to litigate issues that have been fully and fairly tried in a previous action and adversely resolved against a party-opponent.” *Ohio Willow Wood Co. v. Alps South, LLC*, 735 F.3d 1333, 1342 (Fed. Cir. 2013). “[A]s a result of collateral estoppel, a judgment of invalidity in one patent action renders the patent invalid in any later actions based on the same patent.” *MaxLinear, Inc. v. CF CRESPE LLC*, 880 F.3d 1373, 1376 (Fed. Cir. 2018) (quoting *Mycogen Plant Sci., Inc. v. Monsanto Co.*, 252 F.3d 1306, 1310 (Fed. Cir. 2001), *vacated on other grounds*, 535 U.S. 1109 (2002)); *see also XY, LLC v. Trans Ova Genetics*, 890 F.3d 1282, 1294 (Fed. Cir. 2018) (“[A]ffirmance [of the Board’s unpatentability determination] … has an immediate issue-preclusive effect on any pending or co-pending actions involving the patent.”).

This Court “does not limit collateral estoppel to patent claims that are identical” to those affirmed as unpatentable. *Ohio Willow Wood*, 735 F.3d at 1342. Rather, where “the differences between the unadjudicated patent claims and adjudicated patent claims do not materially alter the question of invalidity, collateral estoppel applies.” *Id.*; *see also MaxLinear*, 880 F.3d at 1377 (“[T]he collateral-estoppel effect of an administrative decision of unpatentability generally requires the invalidation of related claims that present identical issues of patentability[.]”); *In re Arunachalam*, 709 F. App’x 699, 703 (Fed. Cir. 2017) (nonprecedential) (applying collateral estoppel where “any differences between the two sets of claims are not material such that those differences would affect the patentability of the challenged claims”); *Allergan, Inc. v. Sandoz, Inc.*, 681 F. App’x 955, 960 (Fed. Cir. 2017) (nonprecedential) (affirming application of collateral estoppel where asserted claims “are substantially similar to the invalidated claims”); *Bourns, Inc. v. United States*, 537 F.2d 486, 497 (Ct. Cl. 1976) (applying collateral estoppel where “substance of the adjudicated and unadjudicated claims must be viewed as the same”).

Although this Court previously affirmed the jury’s determination that the asserted claims of the ’211 and ’504 patents are not invalid, *VirnetX, Inc. v. Cisco Systems, Inc.*, 767 F.3d 1308 (Fed. Cir. 2014), that does not alter the application of collateral estoppel here; this Court “must apply intervening legal developments affecting the asserted patent’s validity.” *Fresenius*, 721 F.3d at 1342. And this

Court’s “precedent holds that the defense of collateral estoppel based on a final judgment of patent invalidity in another suit can ‘be timely made at any stage of the affected proceedings.’” *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573, 1579 (Fed. Cir. 1994) (quoting *Dana Corp. v. NOK, Inc.*, 882 F.2d 505, 507 (Fed. Cir. 1989)); *see also Blonder-Tongue Labs., Inc. v. University of Illinois Found.*, 402 U.S. 313, 350 (1971) (permitting estoppel argument by “one facing a charge of infringement of a patent that has once been declared invalid”); *Prism*, 757 F. App’x at 987 (affirming district court’s decision to vacate damages judgment after this Court found underlying patents invalid in another action even though defendant had not pressed invalidity challenges at trial or on appeal); *XY*, 890 F.3d at 1294-1295 (applying collateral “estoppel *sua sponte* to avoid ‘unnecessary judicial waste’ from remanding an issue that has a clear estoppel effect”). Apple has “raised the issue [of collateral estoppel] during [this] pending litigation at virtually the earliest possible date.” *Mendenhall*, 26 F.3d at 1580. Under these circumstances, this Court should apply collateral estoppel and invalidate claim 5 of the ’504 patent in this appeal, because it is not patentably distinct from claim 5 of the ’211 patent that this Court affirmed as unpatentable in the 17-1591 Decision.

The Court need not await a specific finding of unpatentability of claim 5 of the ’504 patent in a different case; the 17-1591 Decision itself contains sufficient findings to compel that result. But even if the Court believed that a specific finding

of unpatentability in another case were needed, such a finding is all but inevitable. The Board previously found claim 5 of the '504 patent unpatentable in two separate proceedings: the reexamination decision that the Court remanded for further consideration in the 18-1751 Decision, and another appeal pending before this Court, *VirnetX Inc. v. Iancu*, Nos. 17-2593, -2594 (Fed. Cir.). Because claim 5 of the '504 patent is indistinguishable from claim 5 of the '211 patent—which the Court has affirmed as unpatentable in the 17-1591 Decision—VirnetX is collaterally estopped from asserting the patentability of claim 5 of the '504 patent in those proceedings. *See supra* pp. 11-14. Moreover, Apple intends to petition for rehearing and rehearing *en banc* in the 17-1591 case because, as Judge Reyna correctly recognized in dissent, the Board's unpatentability determination for claim 5 of the '504 patent in Apple's reexamination proceeding was proper, and the panel majority erred in applying 35 U.S.C. § 317(b) estoppel to vacate the Board's unpatentability determination for claim 5. 17-1591 Decision, 2019 WL 3483194, at \*13 (Reyna, J., dissenting in part). (Notably, no member of the panel suggested that the Board's factual finding that the prior art rendered claim 5 of the '504 patent unpatentable was substantively incorrect.) Accordingly, it is only a matter of time—and likely not much time—before this Court affirms that claim 5 of the '504 patent is unpatentable.

VirnetX cannot reasonably defend claim 5 of the '504 patent at this point. Despite having challenged separate decisions of the Board rejecting claims 1-60 of

the '211 patent and claims 1-60 of the '504 patent, VirnetX has never made any arguments suggesting that claim 5 of the '504 patent should be assessed differently from now-invalidated claim 5 of the '211 patent. To the contrary, VirnetX treated the “authentication” limitations identically across claim 5 of both patents. *See* VirnetX Opening Br. 63-66 (No. 17-1591) (equating the “authentication” limitation in the '504 and '211 patents).<sup>4</sup>

VirnetX had a full and fair opportunity to litigate claim 5 of the '211 patent, which was addressed in the same briefing as claim 5 of the '504 patent. VirnetX defended claim 5 of the '211 patent (along with claim 5 of the '504 patent) before the Board, and appealed the Board's rejection through this Court's 17-1591 Decision, relying on identical arguments for both patents. And VirnetX cannot assert that it had “inadequate representation or an impaired opportunity to litigate in” the 17-1591 case. *See Papst Licensing GMBH & Co. KG v. Samsung Elecs. Am., Inc.*, 924 F.3d 1243, 1251 (Fed. Cir. 2019); *see also Soverain Software LLC v.*

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<sup>4</sup> VirnetX filed a terminal disclaimer, limiting the term of the '211 patent to that of the '504 patent, to overcome an obviousness-type double patenting rejection during prosecution, further suggesting that the two patents' claims are commensurate in scope. *See* ECF No. 86, Apple Supp. Br. 8-9. That provides “a strong clue that a patent examiner and, by concession, the applicant, thought the claims in the continuation lacked a patentable distinction over the parent.” *SimpleAir, Inc. v. Google LLC*, 884 F.3d 1160, 1168 (Fed. Cir. 2018); *see Indivior Inc. v. Dr. Reddy's Labs., S.A.*, 752 F. App'x 1024, 1035 (Fed. Cir. 2018) (nonprecedential) (“While not dispositive, the filing of a terminal disclaimer here is a ‘strong clue’ that the claims of the '305 patent are patentably indistinct from those of the '514 patent.”).

*Victoria's Secret Direct Brand Mgmt., LLC*, 778 F.3d 1311, 1316 (Fed. Cir. 2015). VirnetX was capably represented in the 17-1591 Decision, and it briefed and presented arguments as to claim 5 of both patents equally. Nor can VirnetX argue that it did not have adequate incentive to litigate in the 17-1591 Decision; VirnetX “litigated all the way through to final written decision” and to an appellate decision by this Court. *See Papst Licensing*, 924 F.3d at 1252 (applying issue preclusion where patentee litigated all the way through final written decisions and dropped appeal on eve of oral argument). Any suggestion by VirnetX that it lacked incentive to litigate the validity of claim 5 of the '211 patent in the 17-1591 Decision borders on absurd, given that it is indistinguishable from one of the claims asserted against Apple in this case.

In sum, there is no reason to continue to treat claim 5 of the '504 patent as patentable where the indistinguishable claim 5 of the '211 patent is not. Allowing VirnetX to maintain a judgment based on that claim would be manifestly unjust. Accordingly, the Court should at a minimum vacate the district court's judgment and remand for dismissal of the infringement claims based on the '211 and '504 patents.

### **C. The Unpatentability Determinations For The '504 And '211 Patents Require A Remand To Redetermine Damages.**

“[W]hen a claim is cancelled, the patentee loses any cause of action based on that claim, and any pending litigation in which the claims are asserted becomes moot.” *Fresenius*, 721 F.3d at 1340. This Court regularly vacates or reverses

judgments upon this Court's affirmance of an unpatentability determination, even before the claims found unpatentable are formally cancelled. *See, e.g., Imperium*, 757 F. App'x at 980 (holding that liability was precluded based on Court affirming claims as unpatentable); *Translogic*, 250 F. App'x 988 (vacating district court judgment based on this Court's decision affirming Board's rejection of asserted claims); *see also Prism*, 757 F. App'x at 987 (district court properly vacated judgment after this Court affirmed unpatentability).

As Apple previously explained in its motion to stay the appeal, the jury's damages award was predicated on the assumption that Apple infringed **four** valid patents; it did not differentiate on a patent-by-patent basis. ECF No. 32 at 6. And the patents at issue cover different accused products and have different issue dates and therefore different damages periods. Specifically, the accused Mac and OS X products contain FaceTime and not VPN On Demand and were found to infringe the '504 and '211 patents, but not the '135 and '151 patents. Appx1818(60:19-23); Appx2009(74:17-25); Appx2283(57:8-12); Appx10470-10471. Now that VirnetX no longer has a cause of action based on the '504 and '211 patents, the Mac and OS X products no longer infringe and no damages can be awarded for them. As a result, damages must be redetermined now that, at a minimum, those products must be removed from the judgment. *See* Appx1820-1821(62:17-63:8).

Because the asserted claims of the '504 and '211 patents are unpatentable, this Court should vacate and remand the infringement and damages judgments. *See XY*, 890 F.3d at 1294 & n.7 (remanding for district court to consider impact on damages award of this Court's *sua sponte* application of collateral estoppel based on patent affirmed as unpatentable).

**D. This Court Should Grant This Motion To Avoid A Manifest Injustice.**

It would be manifestly unjust for Apple to be required to pay a judgment—let alone one of this magnitude—based on patent claims that, as this Court's recent 17-1591 Decision establishes, should never have issued at all. Judgments should turn on the law, not the happenstance of docket management. *County of Sacramento v. Lewis*, 523 U.S. 833, 845-846 (1998) (“[T]he touchstone of due process is protection of the individual against arbitrary action of government[.]”).

“[C]ourts have long recognized a strong federal patent policy against enforcing an unexecuted judgment of patent liability at least where all of the following circumstances are present: the patent claims underlying that judgment have been held invalid by another decision having sufficient finality for this purpose; proceedings on direct review of the judgment have not yet been completed; and no agreement exists making portions of the judgment final.” *Prism*, 757 F. App'x at 987 (citing *Blonder-Tongue Labs.*, 402 U.S. at 349-350). The unpatentability of the '504 and '211 patent claims alone warrants vacatur and remand. Moreover,

additional proceedings before this Court and the PTO could also lead to a determination that the asserted claims of the other two patents-in-suit (the '135 and '151 patents) are unpatentable, which would mean that Apple owes VirnetX nothing at all.

Apple recognizes that this request is extraordinary, but it is compelled by the timing of the decisions in these interrelated cases. Before this Court *sua sponte* ordered that this appeal be argued to the same panel as five of the nine PTO appeals, those PTO appeals were on track to be argued and decided earlier because they were docketed well before this appeal. *See* ECF No. 78 at 6, 16. The panel's Rule 36 decision placed this case on a faster timeline than the PTO appeals.

The events of August 1 reinforced the problem: the 17-1591 Decision issued that day demonstrated (when combined with the earlier 18-1751 Decision) that the district court judgment rests on claims of the '504 and '211 patents that are unpatentable. But the denial of Apple's rehearing petition made it impossible for Apple to present, or this Court to consider, the effect of the 17-1591 Decision except through this extraordinary mechanism.

This Court can start to rectify the problems created by these accidents of timing. Even if it does not vacate the district court judgment now—though it should—the Court should at the very least vacate the denial of rehearing and grant this motion for leave to file a second petition for rehearing and rehearing *en banc* or

a supplemental brief, and hold the case open pending resolution of the numerous unpatentability proceedings concerning the patents-in-suit, including companion appeals and related PTO proceedings. This Court has held rehearing petitions pending resolution of related proceedings in other matters. *E.g., Carnegie Mellon Univ. v. Marvell Tech. Grp., Ltd.*, 805 F.3d 1382 (Fed. Cir. 2015) (*en banc*) (per curiam); *Click-to-Call Techs., LP v. Ingenio, Inc.*, 899 F.3d 1321, 1328 (Fed. Cir. 2018). It should do the same here, in order to ensure that a judgment worth hundreds of millions of dollars is not affirmed based on patent claims that, under this Court's own decisions, either stand invalidated or soon will be.

## **CONCLUSION**

The Court should vacate the denial of rehearing and grant leave to file a second petition for rehearing and rehearing *en banc* and/or supplemental brief.

Respectfully submitted,

/s/ William F. Lee

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August 7, 2019

**CERTIFICATE OF SERVICE**

I hereby certify that, on this 7th day of August, 2019, I filed the foregoing motion with the Clerk of the United States Court of Appeals for the Federal Circuit via the CM/ECF system, which will send notice of such filing to all registered CM/ECF users.

/s/ William F. Lee

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## CERTIFICATE OF COMPLIANCE

Pursuant to Fed. R. App. P. 32(g), the undersigned hereby certifies that this motion complies with the type-volume limitation of Fed. R. App. P. 27(d)(2).

1. Exclusive of the exempted portions of the motion, as provided in Fed. Cir. Rule 27(d), the motion contains 5,194 words.
2. The petition has been prepared in proportionally spaced typeface using Microsoft Word 2010 in 14 point Times New Roman font. As permitted by Fed. R. App. P. 32(g), the undersigned has relied upon the word count feature of this word processing system in preparing this certificate.

/s/ William F. Lee

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August 7, 2019

**No. 2018-1197**

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**UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT**

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VIRNETX INC., LEIDOS, INC.,

*Plaintiffs-Appellees,*

*v.*

CISCO SYSTEMS, INC.,

*Defendant,*

APPLE INC.,

*Defendant-Appellant.*

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On Appeal from the United States District Court for the Eastern District of Texas,  
No. 6:10-cv-00417-RWS, Judge Robert Schroeder, III

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**SECOND PETITION OF DEFENDANT-APPELLANT APPLE INC.  
FOR REHEARING AND REHEARING *EN BANC* AND/OR  
SUPPLEMENTAL BRIEF**

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---

## CERTIFICATE OF INTEREST

Counsel for Appellant Apple Inc. certifies the following:

1. The full name of every party or *amicus* represented by me is:

Apple Inc.

2. The name of the real party in interest represented by me is:

Not applicable.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or *amicus curiae* represented by me are:

None.

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

WILMER CUTLER PICKERING HALE AND DORR LLP: Jonathan G. Cedarbaum, Rebecca Bact, Leah Litman (former), James L. Quarles III (former)

KIRKLAND & ELLIS, LLP: Robert A. Appleby, Gregory S. Arovas, Akshay S. Deoras, David N. Draper, Jeanne M. Heffernan, Joseph A. Loy, Thomas V. Matthew (former), F. Christopher Mizzo, John C. O'Quinn, Steve Papazian (former), Aaron D. Resetarits, Leslie M. Schmidt

ALBRITTON LAW FIRM: Eric M. Albritton

BLANK ROME LLP: Stephen E. Edwards

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DUANE MORRIS LLP: Megan W. Olesek

FINDLAY CRAFT PC: Roger B. Craft, Eric H. Findlay

GOODWIN PROCTER, LLP: Marcia H. Sundeen

JACKSON WALKER LLP: Leisa T. Peschel

POTTER MINTON, A PROFESSIONAL CORPORATION: Allen F. Gardner (former), Michael E. Jones

WILLIAMS MORGAN, PC: Ruben S. Bains, Christopher N. Cravey (former) Kyung T. Kim (former), Terry D. Morgan, Matthew R. Rodgers (former), Danny L. Williams (former), Scott E. Woloson (former)

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:

- *VirnetX Inc. v. Apple Inc.*, Nos. 17-1591, -1592, -1593 (Fed. Cir.) (VirnetX's appeals from Apple and Cisco reexaminations holding unpatentable claims of U.S. Patent Nos. 7,418,504 ("the '504 patent") and 7,921,211 ("the '211 patent"))
- *VirnetX Inc. v. The Mangrove Partners Master Fund, Ltd.*, Nos. 17-1368, -1383 (Fed. Cir.) (VirnetX's appeals from IPRs holding unpatentable claims of U.S. Patent Nos. 6,502,135 ("the '135 patent") and 7,490,151 ("the '151 patent"))
- *VirnetX Inc. v. Iancu*, Nos. 17-2593, -2594 (Fed. Cir.) (VirnetX's appeals from IPRs holding unpatentable claims of '504 and '211 patents) (stayed pending resolution of Appeal Nos. 17-1591, -1592, -1593)
- *VirnetX Inc. v. Cisco Systems, Inc.*, No. 18-1751 (Fed. Cir.) (VirnetX's appeal from Cisco reexamination holding unpatentable claims of '504 patent)
- *VirnetX Inc. v. Apple Inc.*, No. 19-1050 (Fed. Cir.) (Apple's appeal from district court judgment awarding damages in related case involving '135, '151, '504, and '211 patents)
- *VirnetX Inc. v. Cisco Systems, Inc.*, No. 19-1671 (Fed. Cir.) (VirnetX's appeal from Cisco reexamination holding unpatentable claims of '135 patent)
- *Inter Partes* Reexamination No. 95/001,682 (PTO) (Apple reexamination of '135 patent)

- *Inter Partes* Reexamination No. 95/001,697 (PTO) (Cisco reexamination of '151 patent)
- *Inter Partes* Reexamination No. 95/001,714 (PTO) (Apple reexamination of '151 patent)

Dated: August 7, 2019

/s/ William F. Lee

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## STATEMENT OF COUNSEL

Based on my professional judgment, I believe the panel decision is contrary to the following decisions of the Supreme Court and this Court: *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971); *Fresenius USA, Inc. v. Baxter International, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013); *Ohio Willow Wood Co. v. Alps South, LLC*, 735 F.3d 1333, 1342 (Fed. Cir. 2013); *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573 (Fed. Cir. 1994).

Based on my professional judgment, I believe this appeal requires an answer to the following precedent-setting question of exceptional importance:

Whether this Court may affirm infringement and damages judgments where it has held unpatentable asserted claims of the patents-in-suit or claims indistinguishable therefrom.

/s/ William F. Lee  
WILLIAM F. LEE

## INTRODUCTION

This case presents an extraordinary collision of judicial and PTO proceedings. The panel summarily affirmed a \$439 million infringement judgment and the panel and full Court denied rehearing, even though this Court has affirmed decisions holding unpatentable all asserted claims in two of the patents-in-suit or claims indistinguishable therefrom. The Court has never countenanced such an outcome before, and it should not do so here.

The district court judgment is based in part on a finding that Apple infringed claims 1, 2, 5, and 27 of the '504 patent and claims 36, 47, and 51 of the '211 patent. This Court's decision in *VirnetX Inc. v. Apple Inc.*, \_\_ F.3d \_\_, 2019 WL 3483194, at \*13 (Fed. Cir. Aug. 1, 2019) ("the 17-1591 Decision"), combined with the Court's earlier decision in *VirnetX Inc. v. Cisco Systems, Inc.*, No. 18-1751, 2019 WL 2714615, at \*4 (Fed. Cir. June 28, 2019) ("the 18-1751 Decision"), now means that all asserted claims of the '211 patent and claims 1, 2, and 27 of the '504 patent have been affirmed as unpatentable. At the very least, this requires that the underlying infringement judgment be vacated and the case remanded for the district court to remove those portions adjudging Apple of infringing those claims.<sup>1</sup>

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<sup>1</sup> See *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340 (Fed. Cir. 2013) ("[W]hen a claim is cancelled, the patentee loses any cause of action based on that claim, and any pending litigation in which the claims are asserted becomes moot."); *Imperium IP Holdings (Cayman), Ltd. v. Samsung Elecs. Co.*, 757 F. App'x 974, 980 (Fed. Cir. 2019) (nonprecedential); *Translogic Tech., Inc. v.*

The 17-1591 Decision has a further consequence, however. It affirmed as unpatentable claim 5 of the '211 patent, which is indistinguishable from claim 5 of the '504 patent, the lone remaining asserted claim of the '504 patent. *See infra* pp. 7-8. Claim 5 of the '504 patent depends from its claims 1 and 2, which are patentably indistinct from claims 1 and 2 of the '211 patent—and claims 1 and 2 of **both** patents have also been affirmed as unpatentable. 17-1591 Decision, 2019 WL 3483194, at \*13 (affirming as unpatentable, among others, claims 1 and 2 of the '211 patent); 18-1751 Decision, 2019 WL 2714615, at \*4 (affirming as unpatentable, among others, claims 1 and 2 of the '504 patent); *see also infra* pp. 7-8.

Therefore, **all** asserted claims of two of the patents—the '504 and '211 patents—that underlie the judgment appealed here are unpatentable. No cause of action may now persist based on those two patents, which were the only ones found infringed by Apple's FaceTime feature. Accordingly, the infringement judgment for those patents should be vacated and the damages remanded for redetermination of damages without regard to FaceTime. *See supra* note 1.

Even if this Court does not hold claim 5 unpatentable in this proceeding, claim 5 will still inevitably be held unpatentable in at least one of the three separate

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*Hitachi, Ltd.*, 250 F. App'x 988 (Fed. Cir. 2007) (nonprecedential); *see also Prism Techs. LLC v. Sprint Spectrum L.P.*, 757 F. App'x 980, 987 (Fed. Cir. 2019) (nonprecedential), cert. denied, 2019 WL 2009843 (U.S. June 10, 2019).

pending proceedings in which the PTO directly held claim 5 of the '504 patent unpatentable. VirnetX is collaterally estopped from asserting the patentability of claim 5 of the '504 patent in those proceedings, because it is indistinguishable from invalidated claim 5 of the '211 patent. Therefore, at the very least, this Court should hold this case pending related proceedings that should and will result in invalidation of claim 5 of the '504 patent.

## **BACKGROUND**

As the Court knows, the district court entered a \$439 million judgment against Apple for infringement of two sets of patents:

- the FaceTime feature in certain of Apple's iPhone, iPad, iPod touch, Mac, and OS X products was found to infringe claims 1, 2, 5, and 27 of the '504 patent and claims 36, 47, and 51 the '211 patent; and
- the VPN On Demand feature in certain of Apple's iPhone, iPad, and iPod touch (but not Mac or OS X) products was found to infringe claims 1, 3, 7, and 8 of the '135 patent and claim 13 of the '151 patent.

In nine final decisions, the PTO held unpatentable every asserted claim of the four patents-in-suit.<sup>2</sup> Five appeals from such PTO decisions—consolidated into Appeal No. 17-1368 concerning the '135 and '151 patents and Appeal No. 17-1591 concerning the '504 and '211 patents—were argued on the same day and

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<sup>2</sup> See *supra* Certificate of Interest at ii-iii.

before the same panel as this appeal, pursuant to the Court’s April 2018 *sua sponte* order that they be treated as companion cases.

The panel summarily affirmed the district court’s judgment within a week of oral argument. Apple timely petitioned for rehearing and rehearing *en banc*, arguing in part that this Court should hold the petition pending resolution of, at least, the two consolidated unpatentability appeals, in order to ensure that a multimillion-dollar judgment based on unpatentable claims is not affirmed based solely on the order in which the unpatentability proceedings are resolved. ECF No. 78, Pet. for Reh’g 16-18 & n.7.

While Apple’s petition for rehearing was pending, a separate panel of this Court decided another case in which the Patent Trial and Appeal Board (“the Board”) had found the relevant claims of the ’504 patent unpatentable. 18-1751 Decision, 2019 WL 2714615. The 18-1751 Decision affirmed the Board’s rejection of most claims of the ’504 patent, and remanded asserted claim 5 and unasserted claims 12 and 13 of the ’504 patent to the Board for further proceedings on a narrow question. Apple sought and was granted leave to file supplemental briefing in this case regarding the effect of the 18-1751 Decision. ECF Nos. 85, 86, 93.

On August 1, 2019, this panel issued the 17-1591 Decision. As relevant here, the panel affirmed the Board’s rejection of claims 36-60 of the ’504 patent

and claims 1-60 of the '211 patent, and divided 2-1 on the Board's authority to reject claims 1-35 of the '504 patent in a reexamination requested by Apple. 17-1591 Decision, 2019 WL 3483194.

As a result of the 18-1751 and 17-1591 Decisions, all asserted claims of the '211 patent (claims 36, 47, and 51) and asserted claims 1, 2, and 27 of the '504 patent have been affirmed as unpatentable. Asserted claim 5 of the '504 patent does not currently stand invalidated, but its unpatentability will continue to be at issue in Apple's forthcoming rehearing petition in No. 17-1591, in further proceedings following this Court's 18-1751 Decision, and in VirnetX's appeal from the Board's separate unpatentability determination in *VirnetX Inc. v. Iancu*, Nos. 17-2593, -2594 (Fed. Cir.). And as is explained more fully below, the 17-1591 Decision's determination that claim 5 of the '211 patent is unpatentable necessarily means that claim 5 of the **'504 patent**—which is indistinguishable from it—must also be unpatentable.

## ARGUMENT

### **I. REHEARING IS WARRANTED BECAUSE THE 17-1591 DECISION MAKES PLAIN THAT THE ASSERTED CLAIMS OF THE '504 AND '211 PATENTS ARE UNPATENTABLE, THUS COMPELLING VACATUR-IN-PART OF THE DISTRICT COURT JUDGMENT.**

The 18-1751 and 17-1591 Decisions together affirmed as unpatentable claims 1, 2, and 27 of the '504 patent and all asserted claims of the '211 patent. *See supra* pp. 5-6. Therefore, at the very least, this Court should vacate-in-part the

district court's infringement judgment and order the district court to remove those portions adjudging Apple of infringing those claims. *See supra* note 1; *Retractable Techs., Inc. v. Becton, Dickinson & Co.*, 653 F.3d 1296, 1311 (Fed. Cir. 2011) (reversing-in-part district court judgment that some claims were infringed while leaving intact judgment that other claims were infringed).<sup>3</sup>

Of the asserted claims of the '504 patent, only claim 5 has yet to be affirmed as unpatentable by this Court. But the 17-1591 Decision makes plain that claim 5 of the '504 patent is unpatentable as well, because it is indistinguishable from claim 5 of the '211 patent, which the 17-1591 Decision also affirmed as unpatentable. Claim 5 of both patents depends from claim 2, which in turn depends from claim 1:

'211 Patent Claims Affirmed As Unpatentable (No. 17-1591)	'504 Patent Claims (Claims 1 and 2 Affirmed As Unpatentable (No. 18-1751))
<p>1. A system for providing a domain name service for establishing a secure communication link, the system comprising:</p> <p>a domain name service system configured <b>and arranged</b> to be connected to a communication network, store a plurality of domain names and corresponding network</p>	<p>1. A system for providing a domain name service for establishing a secure communication link, the system comprising:</p> <p>a domain name service system configured to be connected to a communication network, to store a plurality of domain names and corresponding network addresses, to</p>

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<sup>3</sup> The district court judgment incorporates its opinion denying Apple's motions for judgment as a matter of law challenging both the jury's infringement findings and damages award. Appx69; Appx16; Appx39.

addresses, receive a query for a network address, and <i>indicate in response to the query whether</i> the domain name service system supports establishing a secure communication link.	receive a query for a network address, and to <i>comprise an indication that</i> the domain name service system supports establishing a secure communication link.
2. The system of claim 1 wherein at least one of the plurality of domain names comprises a top-level domain name.	2. The system of claim 1 wherein at least one of the plurality of domain names comprises a top-level domain name.
5. The system of claim 2, wherein the domain name service system is configured to authenticate the query using a cryptographic technique.	5. The system of claim 2, wherein the domain name service system is configured to authenticate the query using a cryptographic technique.

Appx167; Appx244 (emphases added). Claim 2 is identical in both patents, and while there are very minor differences in language between independent claim 1 of the '504 and '211 patents, they do not carry patentable weight (*see* ECF No. 86 at 4-9), and VirnetX has never argued otherwise; if anything, the differences broaden the '504 patent—as VirnetX itself has recognized (*see* VirnetX Suppl. Br. 12-13, ECF No. 105 (No. 17-1591)). Moreover, claims 1 and 2 of the '504 patent *and* claims 1 and 2 of the '211 patent have all been affirmed as unpatentable. 17-1591 Decision, 2019 WL 3483194, at \*13 (affirming as unpatentable, among others, claims 1 and 2 of the '211 patent); 18-1751 Decision, 2019 WL 2714615, at \*4 (affirming as unpatentable, among others, claims 1 and 2 of the '504 patent). Accordingly, there is no basis for treating dependent claim 5 of the '504 patent as anything but unpatentable.

This Court “does not limit collateral estoppel to patent claims that are identical” to those affirmed as unpatentable. *Ohio Willow Wood Co. v. Alps South, LLC*, 735 F.3d 1333, 1342 (Fed. Cir. 2013). Rather, where “the differences between the unadjudicated patent claims and adjudicated patent claims do not materially alter the question of invalidity, collateral estoppel applies.” *Id.*; *see also MaxLinear, Inc. v. CF CRESPE LLC*, 880 F.3d 1373, 1377 (Fed. Cir. 2018) (“[T]he collateral-estoppel effect of an administrative decision of unpatentability generally requires the invalidation of related claims that present identical issues of patentability[.]”); *In re Arunachalam*, 709 F. App’x 699, 703 (Fed. Cir. 2017) (nonprecedential) (applying collateral estoppel where “any differences between the two sets of claims are not material such that those differences would affect the patentability of the challenged claims”); *Allergan, Inc. v. Sandoz, Inc.*, 681 F. App’x 955, 960 (Fed. Cir. 2017) (nonprecedential) (affirming application of collateral estoppel where asserted claims “are substantially similar to the invalidated claims”); *Bourns, Inc. v. United States*, 537 F.2d 486, 497 (Ct. Cl. 1976) (applying collateral estoppel where “the substance of the adjudicated and unadjudicated claims must be viewed as the same”).

Although this Court previously affirmed the jury’s determination that the asserted claims of the ’211 and ’504 patents are not invalid, *VirnetX, Inc. v. Cisco Systems, Inc.*, 767 F.3d 1308 (Fed. Cir. 2014), that does not alter the application of

collateral estoppel here; this Court “must apply intervening legal developments affecting the asserted patent’s validity.” *Fresenius*, 721 F.3d at 1342. And this Court’s “precedent holds that the defense of collateral estoppel based on a final judgment of patent invalidity in another suit can ‘be timely made at any stage of the affected proceedings.’” *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573, 1579 (Fed. Cir. 1994) (quoting *Dana Corp. v. NOK, Inc.*, 882 F.2d 505, 507 (Fed. Cir. 1989)); *see also Blonder-Tongue Labs., Inc. v. University of Illinois Found.*, 402 U.S. 313, 350 (1971) (permitting estoppel argument by “one facing a charge of infringement of a patent that has once been declared invalid”); *Prism*, 757 F. App’x at 987 (affirming district court’s decision to vacate damages judgment after this Court found underlying patents invalid in another action even though defendant had not pressed invalidity challenges at trial or on appeal); *XY, LLC v. Trans Ova Genetics*, 890 F.3d 1282, 1294-1295 (Fed. Cir. 2018) (applying collateral “estoppel *sua sponte* to avoid ‘unnecessary judicial waste’ from remanding an issue that has a clear estoppel effect”). Apple has “raised the issue [of collateral estoppel] during [this] pending litigation at virtually the earliest possible date.” *Mendenhall*, 26 F.3d at 1580.

The Court need not await a specific finding of unpatentability of claim 5 of the ’504 patent in a different case; the 17-1591 Decision itself contains sufficient findings to compel that result. But even if the Court believed that a specific

finding of unpatentability in another case were needed, such a finding is all but inevitable. The Board previously found claim 5 of the '504 patent unpatentable in two separate proceedings: the reexamination decision that the Court remanded for further consideration in the 18-1751 Decision, and another appeal pending before this Court, *VirnetX Inc. v. Iancu*, Nos. 17-2593, -2594 (Fed. Cir.). Because claim 5 of the '504 patent is indistinguishable from claim 5 of the '211 patent—which the Court has affirmed as unpatentable in the 17-1591 Decision—VirnetX is collaterally estopped from asserting the patentability of claim 5 of the '504 patent in those proceedings. *See supra* pp. 7-10. Moreover, Apple intends to petition for rehearing and rehearing *en banc* in the 17-1591 case because, as Judge Reyna correctly recognized in dissent, the Board's invalidation of claim 5 of the '504 patent in Apple's reexamination proceeding was proper, and the panel majority erred in applying 35 U.S.C. § 317(b) estoppel to vacate the Board's invalidation of claim 5. 17-1591 Decision, 2019 WL 3483194, at \*13 (Reyna, J., dissenting in part). (Notably, no member of the panel suggested that the Board's factual finding that the prior art rendered claim 5 of the '504 patent unpatentable was substantively incorrect.) Accordingly, it is only a matter of time—and likely not much time—before this Court affirms that claim 5 of the '504 patent is unpatentable.

VirnetX cannot reasonably defend claim 5 of the '504 patent at this point. Despite having challenged separate decisions of the Board rejecting claims 1-60 of the '211 patent and claims 1-60 of the '504 patent, VirnetX has never made any arguments suggesting that claim 5 of the '504 patent should be assessed differently from now-invalidated claim 5 of the '211 patent. To the contrary, VirnetX treated the "authentication" limitations identically across claim 5 of both patents. *See* VirnetX Opening Br. 63-66 (No. 17-1591) (equating the "authentication" limitation in the '504 and '211 patents).<sup>4</sup>

VirnetX had a full and fair opportunity to litigate claim 5 of the '211 patent, which was addressed in the same briefing as claim 5 of the '504 patent. VirnetX defended claim 5 of the '211 patent (along with claim 5 of the '504 patent) before the Board, and appealed the Board's rejection through this Court's 17-1591 Decision, relying on identical arguments for both patents. And VirnetX cannot assert that it had "inadequate representation or an impaired opportunity to litigate in" the 17-1591 case. *See Papst Licensing GMBH & Co. KG v. Samsung Elecs. Am., Inc.*, 924 F.3d 1243, 1251 (Fed. Cir. 2019); *see also Soverain Software LLC v.*

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<sup>4</sup> VirnetX filed a terminal disclaimer, limiting the term of the '211 patent to that of the '504 patent, to overcome an obviousness-type double patenting rejection during prosecution. *See* ECF No. 86, Apple Supp. Br. 8-9. That provides "a strong clue that a patent examiner and, by concession, the applicant, thought the claims in the continuation lacked a patentable distinction over the parent." *SimpleAir, Inc. v. Google LLC*, 884 F.3d 1160, 1168 (Fed. Cir. 2018); *see Indivior Inc. v. Dr. Reddy's Labs., S.A.*, 752 F. App'x 1024, 1035 (Fed. Cir. 2018) (nonprecedential).

*Victoria's Secret Direct Brand Mgmt., LLC*, 778 F.3d 1311, 1316 (Fed. Cir. 2015). VirnetX was capably represented in the 17-1591 Decision, and it briefed and presented arguments as to claim 5 of both patents equally. Nor can VirnetX argue that it did not have adequate incentive to litigate in the 17-1591 Decision; VirnetX “litigated all the way through to final written decision” and to an appellate decision by this Court. *See Papst Licensing*, 924 F.3d at 1252 (applying issue preclusion where patentee litigated all the way through final written decisions and dropped appeal on eve of oral argument). Any suggestion by VirnetX that it lacked incentive to litigate the validity of claim 5 of the '211 patent in the 17-1591 Decision borders on absurd, given that it is indistinguishable from one of the claims asserted against Apple in this case.

In sum, there is no reason to continue to treat claim 5 of the '504 patent as patentable where the indistinguishable claim 5 of the '211 patent is not. Allowing VirnetX to maintain a judgment based on that claim would be manifestly unjust. Accordingly, the Court should at a minimum vacate the district court's judgment and remand for dismissal of the infringement claims based on the '211 and '504 patents.

## II. REHEARING IS WARRANTED BECAUSE THE UNPATENTABILITY DETERMINATIONS FOR THE '504 AND '211 PATENTS REQUIRE A REMAND TO REDETERMINE DAMAGES.

“[W]hen a claim is cancelled, the patentee loses any cause of action based on that claim, and any pending litigation in which the claims are asserted becomes moot.” *Fresenius*, 721 F.3d at 1340. This Court regularly vacates or reverses judgments following affirmance of an unpatentability determination, even before the claims found unpatentable are formally cancelled. *See, e.g., Imperium*, 757 F. App’x at 980 (holding that liability was precluded based on Court affirming claims as unpatentable); *Translogic*, 250 F. App’x 988 (vacating district court judgment based on this Court’s decision affirming Board’s rejection of asserted claims); *see also Prism*, 757 F. App’x at 987 (district court properly vacated judgment after this Court affirmed unpatentability).

As Apple previously explained, the jury’s damages award was predicated on the assumption that Apple infringed **four** valid patents; it did not differentiate on a patent-by-patent basis. ECF No. 32 at 6. And the patents at issue cover different accused products and have different issue dates and therefore different damages periods. Specifically, the accused Mac and OS X products contain FaceTime and not VPN On Demand and were found to infringe the '504 and '211 patents, but not the '135 and '151 patents. Appx1818(60:19-23); Appx2009(74:17-25); Appx2283(57:8-12); Appx10470-10471. Now that VirnetX no longer has a cause

of action based on the '504 and '211 patents, the Mac and OS X products no longer infringe and no damages can be awarded for them. As a result, vacatur is warranted for redetermination of damages with those products removed from the judgment. *See* Appx1820-1821(62:17-63:8); *see also* *XY*, 890 F.3d at 1294 & n.7 (remanding for district court to consider impact on damages award of this Court's *sua sponte* application of collateral estoppel based on patent affirmed as unpatentable).

### **III. AT A MINIMUM, THIS COURT SHOULD HOLD THIS PETITION PENDING RESOLUTION OF THE UNPATENTABILITY PROCEEDINGS TO AVOID A MANIFEST INJUSTICE.**

It would be manifestly unjust for Apple to be required to pay a judgment—let alone one of this magnitude—based on patent claims that, as this Court's recent 17-1591 Decision establishes, should never have issued at all. Judgments should turn on the law, not the happenstance of docket management. *County of Sacramento v. Lewis*, 523 U.S. 833, 845-846 (1998) (“[T]he touchstone of due process is protection of the individual against arbitrary action of government[.]”).

“[C]ourts have long recognized a strong federal patent policy against enforcing an unexecuted judgment of patent liability at least where all of the following circumstances are present: the patent claims underlying that judgment have been held invalid by another decision having sufficient finality for this purpose; proceedings on direct review of the judgment have not yet been

completed; and no agreement exists making portions of the judgment final.” *Prism*, 757 F. App’x at 987 (citing *Blonder-Tongue Labs.*, 402 U.S. at 349-350). The unpatentability of the ’504 and ’211 patent claims alone warrants vacatur and remand. Moreover, additional proceedings before this Court and the PTO could also lead to a determination that the asserted claims of the other two patents-in-suit (the ’135 and ’151 patents) are unpatentable, which would mean that Apple owes VirnetX nothing at all.

Before this Court *sua sponte* ordered that this appeal be argued to the same panel as five of the nine PTO appeals, those earlier-docketed PTO appeals were on track to be argued and decided earlier. *See* ECF No. 78 at 6, 16. The panel’s Rule 36 decision placed this case on a faster timeline than the PTO appeals.

This Court can start to rectify the problems created by these accidents of timing. Even if it does not vacate the district court judgment now—though it should—the Court should at the very least hold the case open pending resolution of the numerous unpatentability proceedings concerning the patents-in-suit, including companion appeals and related PTO proceedings.<sup>5</sup> This Court has held rehearing petitions pending resolution of related proceedings in other matters. *E.g.*, *Carnegie Mellon Univ. v. Marvell Tech. Grp., Ltd.*, 805 F.3d 1382 (Fed. Cir. 2015) (*en banc*) (per curiam); *Click-to-Call Techs., LP v. Ingenio, Inc.*, 899 F.3d 1321, 1328 (Fed.

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<sup>5</sup> *See supra* Certificate of Interest at ii-iii.

Cir. 2018). It should do likewise here, in order to ensure that a judgment worth hundreds of millions of dollars is not affirmed based on patent claims that, under this Court's own decisions, either stand invalidated or soon will be.

## CONCLUSION

The petition should be granted, or at least held in abeyance pending resolution of the related unpatentability proceedings.

Respectfully submitted,

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August 7, 2019

# ADDENDUM

NOTE: This disposition is nonprecedential.

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

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**VIRNETX INC., LEIDOS, INC.,**  
*Plaintiffs-Appellees*

v.

**CISCO SYSTEMS, INC.,**  
*Defendant*

**APPLE INC.,**  
*Defendant-Appellant*

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2018-1197

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Appeal from the United States District Court for the  
Eastern District of Texas in No. 6:10-cv-00417-RWS,  
Judge Robert Schroeder, III.

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**JUDGMENT**

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JEFFREY A. LAMKEN, MoloLamken LLP, Washington,  
DC, argued for all plaintiffs-appellees. Plaintiff-appellee  
VirnetX Inc. also represented by JAMES A. BARTA,  
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DONALD SANTOS URRABAZO, Urrabazo Law, P.C., Los Angeles, CA, for plaintiff-appellee Leidos, Inc. Also represented by ANDY TINDEL, Mann, Tindel & Thompson, Tyler, TX.

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THIS CAUSE having been heard and considered, it is

ORDERED and ADJUDGED:

PER CURIAM (PROST, *Chief Judge*, MOORE and REYNA, *Circuit Judges*).

**AFFIRMED. See Fed. Cir. R. 36.**

ENTERED BY ORDER OF THE COURT

January 15, 2019

Date

/s/ Peter R. Marksteiner

Peter R. Marksteiner

Clerk of Court

NOTE: This order is nonprecedential.

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

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**VIRNETX INC., LEIDOS, INC.,**  
*Plaintiffs-Appellees*

v.

**CISCO SYSTEMS, INC.,**  
*Defendant*

**APPLE INC.,**  
*Defendant-Appellant*

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2018-1197

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Appeal from the United States District Court for the  
Eastern District of Texas in No. 6:10-cv-00417-RWS, Judge  
Robert Schroeder, III.

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**ON PETITION FOR PANEL REHEARING AND  
REHEARING EN BANC**

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Before PROST, *Chief Judge*, NEWMAN, LOURIE, DYK, MOORE, O'MALLEY, REYNA, WALLACH, TARANTO, CHEN, and HUGHES, *Circuit Judges*\*.

PER CURIAM.

**O R D E R**

Appellant Apple Inc. filed a combined petition for panel rehearing and rehearing en banc. A response to the petition was invited by the court and filed by Appellees Leidos, Inc. and VirnetX Inc. The petition was referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc was referred to the circuit judges who are in regular active service.

Upon consideration thereof,

IT IS ORDERED THAT:

The petition for panel rehearing is denied.

The petition for rehearing en banc is denied.

The mandate of the court will issue on August 8, 2019.

FOR THE COURT

August 1, 2019

Date

/s/ Peter R. Marksteiner

Peter R. Marksteiner

Clerk of Court

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\* Circuit Judge Stoll did not participate.

**CERTIFICATE OF SERVICE**

I hereby certify that, on this 7th day of August, 2019, I filed the foregoing Second Petition of Defendant-Appellant Apple Inc. for Rehearing And Rehearing *En Banc* And/Or Supplemental Brief with the Clerk of the United States Court of Appeals for the Federal Circuit via the CM/ECF system, which will send notice of such filing to all registered CM/ECF users.

/s/ William F. Lee

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**CERTIFICATE OF COMPLIANCE**

Pursuant to Fed. R. App. P. 32(g), the undersigned hereby certifies that this petition complies with the type-volume limitation of Fed. R. App. P. 35(b)(2).

1. Exclusive of the exempted portions of the petition, as provided in Fed. Cir. Rule 35(c)(2), the petition contains 3,897 words.
2. The petition has been prepared in proportionally spaced typeface using Microsoft Word 2010 in 14 point Times New Roman font. As permitted by Fed. R. App. P. 32(g), the undersigned has relied upon the word count feature of this word processing system in preparing this certificate.

/s/ William F. Lee

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August 7, 2019