

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.
Petitioner

v.

VIRNETX, INC. and SCIENCE APPLICATION INTERNATIONAL
CORPORATION
Patent Owner

Case IPR2013-00349
Patent 6,502,135

Before SALLY C. MEDLEY, KARL D. EASTHOM, and STEPHEN C.
SIU, *Administrative Patent Judges*.

EASTHOM, *Administrative Patent Judge*.

DECISION
Request for Rehearing
37 C.F.R. § 42.71(d)

Petitioner, Apple Inc., requests rehearing of the Decision on Institution (Paper 14), which denies institution of *inter partes* review of claims 1-10, 12-15, and 18 of U.S. Patent No. 6,502,135 under 35 U.S.C. §§ 311-319. Rehear. Req. 1, 15 (Paper 15). Petitioner requests the Board to reverse its decision. *Id.* The request is *denied*.

BACKGROUND

In its Decision on Institution, the Board determined that the Petition, challenging claims 1-10, 12-15, and 18, was not filed timely within the statutory period of 35 U.S.C. § 315(b). Dec. on Inst. 5. Therefore, the Board declined to institute an *inter partes* review.

Section 315(b) follows:

(b) PATENT OWNER'S ACTION.—An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

In denying review, the Board found that Petitioner was served with a complaint alleging infringement of the '135 Patent during two relevant occasions—the “2010 litigation” and the “2012 litigation.”¹ Dec. on Inst. 3. The Board also found that the former complaint was served more than one year before Petitioner filed the present Petition, the latter, less than one year. *Id.* The Board further found that a jury upheld the validity of the asserted claims in the 2010 litigation, and the district court entered judgment finding

¹ *VirnetX Inc. v. Cisco Systems, Inc. et al.*, Civ. Act. No. 6:10-cv-00417-LED (E.D. Tex., filed Aug. 11, 2010) (the “2010 litigation”), and *VirnetX Inc. v. Apple Inc.*, Civ. Act. No. 6:12-cv-00855-LED (E.D. Tex., filed Nov. 6, 2012) (the “2012 litigation”).

those claims valid. *Id.* The verdict form involving Petitioner, defendant Apple Inc. in the 2010 litigation, shows that the jury upheld the validity of claims 1, 3, 7, and 8 of the '135 patent, claims challenged in the Petition. *See Ex. 2002.*

Applying the plain meaning to “a complaint” in 35 U.S.C. § 315 (b), the Board determined that the Petition was time barred under the statute: “the Petition ‘was filed more than 1 year after the date on which the [P]etitioner . . . [wa]s served with a complaint alleging infringement of the patent.’ *See* 35 U.S.C. § 315 (b). Therefore, according to the statute, ‘[a]n inter partes review may not be instituted.’” Dec. on Inst. 4 (quoting § 315 (b)).

ANALYSIS

Petitioner argues in its rehearing request that the Board “misapprehended Petitioner’s arguments and incorrectly applied § 315 (b).” Rehear. Req. 1. Petitioner maintains that the Board’s statutory interpretation “is illogical . . . and contrary to clearly expressed legislative intent.” *Id.* at 2.

The Board summarized Petitioner’s arguments as follows:

Petitioner argues that its Petition is timely because it was filed less than one year after the date on which it was served with “**any** complaint”—i.e., the complaint in the 2012 litigation. Pet. 2. Petitioner argues that under the plain language of section 315(b), filing a petition within one year of “any complaint,” such as the December 2012 complaint, nullifies the effect of the earlier, August 2010 complaint, on the timeliness of this Petition.

Dec. on Inst. 3 (quoting the Petition).

Petitioner now maintains, contrary to the Board’s characterization set forth above, that Petitioner did not argue in its Petition that the 2012

complaint effectively nullifies the 2010 complaint. Rehear. Req. 1. This argument is misplaced because Petitioner argued that “[t]he August 2010 complaint does not foreclose the present petition, as Patent Owner served a **new complaint** on Petitioner asserting infringement of the ’135 patent in **December of 2012.**” Pet. 1 (Paper 1). Focusing on the “new” 2012 complaint, Petitioner attempted to equate “a complaint” in the statute with “any complaint,” arguing as follows: “a petition filed within 1 year of the date **any** complaint alleging infringement of the patent is served on a petitioner is timely under the plain statutory language of § 315(b).” Pet. 2. Petitioner also argued that “Congress designed the IPR authority to be an option to contest validity of a patent **concurrently** with district court proceedings [i.e., the 2012 litigation] involving the same patent.” *Id.* at 2.

The Board addressed Petitioner’s arguments, and determined, as noted above, that under the plain meaning of “a complaint” under § 315(b), the 2010 complaint qualifies as “a complaint” that time bars the Petition. The Board also determined that “Petitioner does not explain persuasively how allowing a review outside the statutory one year limit based on the filing of another complaint corresponds to a ‘clearly expressed legislative intent’ that prevails over the plain meaning.” Dec. on Inst. 4.

In its Rehearing Request, Petitioner presents selected segments from the legislative history to buttress its argument that the statute only applies to concurrent litigation, in this case, the 2012 litigation. *See* Rehear. Req. 3–6. Petitioner also asserts, for the first time, that the statute “is plainly ambiguous.” *Id.* at 9. This appears contrary to the arguments made in the Petition, wherein Petitioner urged the Board to follow the plain meaning, thereby indicating it is not ambiguous: “Rather than attempting to decipher

which scenarios would be improper, the Board should follow the plain meaning of § 315 (b), and find a petition timely if it is filed within 1 year of the date **any** complaint alleging infringement of the patent is served on a Petitioner.” Pet. 3.

These new rehearing arguments are improper. *See* 37 C.F.R. § 42.71(d). The Board could not have misapprehended or overlooked an argument presented for the first time in a rehearing request. Moreover, Petitioner has not shown that the Board abused its discretion by erring in determining that the plain meaning of the statute bars the Petition. *See* 37 C.F.R. § 42.71(c) (“a panel will review the [rehearing] decision for an abuse of discretion”).²

Expanding its Petition argument, Petitioner now asserts that the legislative history provides a simple reason for restricting the time bar to concurrent litigation, i.e., “litigation-simplifying benefits,” as follows: “The statutory design of the IPR authority envisions that IPR proceedings will be conducted **concurrently** with district court litigation involving the same patent. The reason is simple – an IPR, once completed, will reduce the number of issues the district court must ultimately resolve.” Rehear. Req. 4.

Contrary to Petitioner’s new argument, even if Congress intended to reduce issues in district courts, this does not overcome the plain meaning involved in Congress’s carefully balanced statutory scheme that applies the time bar to “a complaint.” Petitioner effectively urges the Board to read the

² An abuse of discretion may be determined if a decision is based on an erroneous interpretation of law, if a factual finding is not supported by substantial evidence, or if the decision represents an unreasonable judgment in weighing relevant factors. *Arnold Partnership v. Dudas*, 362 F.3d 1338, 1340 (Fed. Cir. 2004).

following exception into the statute: the time limitation shall not apply to patent infringement litigation unless it is concurrent with the filing of the petition. Petitioner's arguments do not account for the specific exception that Congress expressly created: "The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c)." 35 U.S.C. § 315 (b).

This express joinder exception signifies that Congress did not intend to create another implied exception to the time bar for concurrent district court litigation. Despite this clear statutory scheme, Petitioner cites to different portions of the legislative history to support its view. For example, Petitioner quotes Senator Kyl: "[T]he present bill does coordinate *inter partes* . . . review with litigation . . . setting a time limit for seeking . . . review if the petitioner . . . is sued for infringement of the patent." Rehear. Req. 6 (quoting H.R. RPT. 112-98, at 45, emphasis by Petitioner). Petitioner also points to Congress's "'fundamental purpose' of replacing part of the litigation." Rehear. Req. 5 (citing 157 Cong. Rec. S1364 (Mar 8, 2011)).

Although Congress intended to create a cost-efficient alternative to district court litigation, it does not follow that the time bar only applies to concurrent litigation. *See id.* (describing a "fundamental purpose . . . to provide a cost-efficient alternative to litigation"). As quoted above, the legislative history generally describes time limits for petitions after suits "for infringement of the patent," without restriction to concurrent litigation. As another example, a representative discussed a "deadline for a party to file a petition for an IPR . . . *after it is sued for infringement of the same patent.*" Transcript of Markup of H.R. 1249, 79, House of Rep. Comm. on the

Judiciary (April 14, 2011) (emphasis added). Again, the deadline (i.e., time bar) applies after a suit for *infringement of the same patent* (i.e., like the 2010 litigation at issue here). Similarly, the statute applies the time bar after “a complaint alleging *infringement of the patent*.” 35 U.S.C. § 315(b) (emphasis added).

Congress did not intend to allow a defendant to lose a patent infringement suit in district court, and then file an IPR petition challenging the same patent after the one year time bar expires. In addition to running counter to the statute’s plain meaning, that would thwart several of Congress’s intents. Such a petition would not be in the alternative to the terminated litigation. In addition, it would thwart Congress’s intent to ensure “quiet title”: Congress “recognizes the importance of quiet title to patent owners to ensure continued investment resources.” Report on HR 1249, 48 (June 1, 2011). Changes to the statutory structure “are not to be used as tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks Doing so would frustrate the purpose of the section as providing quick and alternatives to litigation.” *Id.* A “quiet title” allows a patent holder who has won a district court infringement suit to obtain investment funding, *see id.*, and, if necessary, enforce its patent by suing a serial infringer (i.e., after the first suit) without fear of a later administrative attack that challenges the same patent.

Contrary to Petitioner’s related arguments, Congress did not limit the reach of the time bar in § 315(b) to *asserted claims* in a patent. Rehear. Req. 6 (arguing that § 315(b) does not apply to “unasserted claims”).³ Rather, as

³ Petitioner’s point here is not clear—the claims asserted in the 2010 litigation are challenged in the Petition, as noted above. *See Ex. 2002.*

noted, Congress imposed a time limit that runs from “a complaint” in a suit for infringement of “the patent.” As discussed above, if Congress intended to exempt certain infringement suits involving the same patent from the one year time bar, it would have added another exception to the existing joinder exception.

Petitioner also argues that it would have been “**impossible** to satisfy” the Board’s reading of § 315(b), because that reading forces Petitioner to “fil[e] a petition before the IPR law was even enacted.” *See* Rehear. Req. 4; *accord id.* at 11–12. According to Petitioner, the Board’s “application of § 315(b) is . . . illogical,” because Congress did not intend to “unconditionally bar” a whole class of patents involved in “pre-AIA lawsuits”—i.e., lawsuits involving “patents that had been asserted against a petitioner prior to the enactment of the AIA.” *See* Rehear. Req. 11.

Petitioner’s reading, which apparently does not apply to terminated lawsuits, only bars concurrent litigants whose district court cases had been pending for over a year prior to the AIA effective date. In both situations, it would have been impossible to comply with the time bar. Contrary to Petitioner’s approach, the Board applies the time bar evenly to “a complaint,” according to the statute, in concurrent and terminated litigation, whether filed pre- or post-AIA.

Petitioner alternatively suggests in a footnote that the Board may resolve any ambiguities involving multiple lawsuits by “simply reading § 315(b) as applying only to actions commenced **after** the date the IPR authority was enacted.” Rehear. Req. 12, n. 2. Petitioner does not point the Board to support for this interpretation, which amounts to creating a new effective AIA date for patents involved in the AIA. Chapter 31, which

includes 35 U.S.C. 315, “applies to any patent issued before, on, or after Sept. 16, 2012.” PATENT TRADEMARK AND COPYRIGHT LAWS, 145, n. 33 (Samuels, June 13, ed.)(Inter Partes Review). Creating a new effective date also runs contrary to the plain meaning of § 315(b), which applies the time bar in an even fashion to “a complaint” served in past and concurrent litigation, served pre-AIA or post-AIA.⁴

Petitioner raises other arguments regarding the speedy resolution of concurrent reexamination proceedings in the office. *See* Rehear. Req. 12–15. The Board remains sympathetic to Petitioner’s concerns about obtaining just and speedy results before the PTO. Nevertheless, these concerns about concurrent reexamination proceedings do not show that the Board misapprehended the plain meaning of 35 U.S.C. § 315(b).

Deciding, at this late rehearing stage, that the time bar does not apply to various litigant classes pursuant to Petitioner’s alternative interpretations, or creating a new effective date for the AIA, would circumvent the careful balance underlying the plain meaning of the statute and would be unfair to Patent Owner, other patent holders, and various other stakeholders.

DECISION on REHEARING

Petitioner’s sought-after relief is DENIED.

⁴ Even if a basis exists to alter the effective date of the AIA for some patents, this alternative reading would force the Board to allow petitions to be instituted even when certain pre-AIA filed infringement lawsuits had transpired for several years after the AIA effective date, lawsuits ranging from those filed years prior to the enactment, up to those filed one day prior to the enactment.

Case IPR2013-00349

Patent 6,502,135

For Petitioner Apple Inc.:

Jeffrey P. Kushan

Joseph A. Micallef

SIDLEY AUSTIN LLP

jkushan@sidley.com

jmicallef@sidley.com

For Patent Owner VirnetX, Inc.:

Joseph E. Palys

Naveen Modi

FINNEGAN, HENDERSON, FARABOW

GARRETT & DUNNER, L.L.P.

joseph.palys@finnegan.com

naveen.modi@finnegan.com