

No. 2018-1197

---

---

IN THE  
**United States Court of Appeals**  
FOR THE FEDERAL CIRCUIT

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

v.

CISCO SYSTEMS, INC.,  
*Defendant,*

APPLE INC.,  
*Defendant-Appellant.*

---

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

---

**OPPOSITION OF VIRNETX INC. AND LEIDOS, INC. TO APPLE INC.'S  
MOTION TO VACATE DENIAL OF REHEARING AND FOR LEAVE  
TO FILE A SECOND PETITION FOR REHEARING AND REHEARING  
EN BANC AND/OR A SUPPLEMENTAL BRIEF**

---

Bradley Wayne Caldwell  
Jason Dodd Cassady  
John Austin Curry  
CALDWELL CASSADY & CURRY  
2101 Cedar Springs Road  
Suite 1000  
Dallas, TX 75201  
(214) 888-4848 (telephone)  
(214) 888-4849 (fax)

Jeffrey A. Lamken  
*Counsel of Record*  
Michael G. Pattillo, Jr.  
MOLOLAMKEN LLP  
The Watergate, Suite 660  
600 New Hampshire Avenue, N.W.  
Washington, D.C. 20037  
(202) 556-2000 (telephone)  
(202) 556-2001 (fax)  
jlamken@mololamken.com

*Counsel for VirnetX Inc.*

*(Additional Counsel Listed on Inside Cover)*

---

---

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

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

*Counsel for VirnetX Inc.*

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

*Counsel for Leidos, Inc.*

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

VirnetX Inc. v. Cisco Systems, Inc.

Case No. 18-1197

**CERTIFICATE OF INTEREST**

Counsel for the:

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

**VirnetX Inc.**

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

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

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

Avanci LLC: Luke F. McLeroy  
 Caldwell Cassady & Curry PC: Bradley W. Caldwell, Christopher S. Stewart, Daniel R. Pearson, Hamad M. Hamad, Jason D. Cassady, John A. Curry, John F. Summers, Justin T. Nemunaitis.  
 Fish & Richardson PC: Andrew T. Gorham.  
 Gruber Hail Johansen Shank LLP: Jason S. McManis.  
 McKool Smith: Seth R. Hasenour, Trent E. Campione, Douglas A. Cawley, Mitchell R. Sibley, Rosemary T. Snider, Ryan A. Hargrave, Stacie G. McNulty, Christopher L. Limpus, Samuel F. Baxter.  
 Parker, Bunt & Ainsworth PC: Ramzi R. Khazen, Robert C. Bunt, Robert M. Parker.  
 Ward, Smith & Hill PLLC: Thomas J. Ward, Jr., Claire A. Henry.  
 MoloLamken LLP: Jeffrey A. Lamken; Michael G. Pattillo, Jr.; Rayiner I. Hashem; James A. Barta; Allison M. Gorsuch

FORM 9. Certificate of Interest

Form 9  
Rev. 10/17

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

- VirnetX Inc. v. Apple Inc., Nos. 17-1591, -1592, -1593 (Fed. Cir.)
- VirnetX Inc. v. The Mangrove Partners Master Fund, Ltd., Nos. 17-1368, -1383 (Fed. Cir.)
- VirnetX Inc. v. Iancu, Nos. 17-2593, -2594 (Fed. Cir.)
- VirnetX Inc. v. Cisco Sys., Inc., No. 18-1751 (Fed. Cir.)
- VirnetX Inc. v. Apple Inc., No. 19-1050 (Fed. Cir.)
- Control No. 95/001,679 (USPTO)
- Control No. 95/001,682 (USPTO)
- Control No. 95/001,697 (USPTO)
- Control No. 95/001,714 (USPTO)

8/15/2019

Date

/s/ Jeffrey A. Lamken

Signature of counsel

Jeffrey A. Lamken

Printed name of counsel

Please Note: All questions must be answered

cc: All counsel of record

Reset Fields

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

VirnetX Inc. v. Cisco Systems, Inc.

Case No. 18-1197

**CERTIFICATE OF INTEREST**

Counsel for the:

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

Leidos, Inc.

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

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

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

Urrabazo Law, P.C.: Donald Urrabazo  
MT2 Law Group: Andy Tindel

FORM 9. Certificate of Interest

Form 9  
Rev. 10/17

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

- VirnetX Inc. v. Apple Inc., Nos. 17-1591, -1592, -1593 (Fed. Cir.)
- VirnetX Inc. v. The Mangrove Partners Master Fund, Ltd., Nos. 17-1368, -1383 (Fed. Cir.)
- VirnetX Inc. v. Iancu, Nos. 17-2593, -2594 (Fed. Cir.)
- VirnetX Inc. v. Cisco Sys., Inc., No. 18-1751 (Fed. Cir.)
- VirnetX Inc. v. Apple Inc., No. 19-1050 (Fed. Cir.)
- Control No. 95/001,679 (USPTO)
- Control No. 95/001,682 (USPTO)
- Control No. 95/001,697 (USPTO)
- Control No. 95/001,714 (USPTO)

8/15/2019

Date

/s/ Donald Urrabazo

Signature of counsel

Donald Urrabazo

Printed name of counsel

Please Note: All questions must be answered

cc: All counsel of record

Reset Fields

**TABLE OF CONTENTS**

	<u>Page</u>
BACKGROUND .....	4
ARGUMENT .....	9
I. Apple’s Motion Should Be Denied Because It Presents No Legitimate Basis for Seeking Rehearing—Much Less a Second Time.....	9
II. Apple’s Motion Should Be Denied Because the 17-1591 Decision Has No Collateral Estoppel Effect in This Case.....	11
A. This Court Already Heard, and Rejected, Apple’s Collateral Estoppel Arguments.....	11
B. Apple’s Collateral Estoppel Arguments Defy Fundamental Legal Principles .....	14
III. Apple’s Speculation About Future Events in Other Cases Does Not Justify a Second Rehearing Petition—or Any Other Form of Further Delay.....	16
IV. The Judgment Does Not Need To Be Amended .....	19
CONCLUSION .....	21

**TABLE OF AUTHORITIES**

	<u>Page(s)</u>
<b>CASES</b>	
<i>Catalina Lighting, Inc. v. Lamps Plus, Inc.</i> , 295 F.3d 1277 (Fed. Cir. 2002) .....	21
<i>Colo. River Water Conservation Dist. v. United States</i> , 424 U.S. 800 (1976).....	19
<i>Fresenius USA, Inc. v. Baxter Int’l Inc.</i> , 721 F.3d 1330 (Fed. Cir. 2013) .....	4, 10, 15
<i>Gaia Techs., Inc. v. Reconversion Techs., Inc.</i> , 104 F.3d 1298 (1997).....	10
<i>Huddleston v. Dwyer</i> , 322 U.S. 232 (1944).....	10
<i>Parklane Hosiery Co. v. Shore</i> , 439 U.S. 322 (1979).....	14
<i>Smartflash LLC v. Apple Inc.</i> , 621 F. App’x 995 (Fed. Cir. 2015) .....	19
<i>United States v. Lee</i> , 358 F.3d 315 (5th Cir. 2004) .....	14
<i>VirnetX Inc. v. Cisco Sys., Inc.</i> , 748 F. App’x 332 (Fed. Cir. 2019) .....	6
<i>VirnetX, Inc. v. Cisco Sys., Inc.</i> , 767 F.3d 1308 (Fed. Cir. 2014) .....	<i>passim</i>
<i>Wang Labs, Inc. v. Mitsubishi Elecs. Am., Inc.</i> , 103 F.3d 1571 (Fed. Cir. 1997) .....	20
<i>XY, LLC v. Trans Ova Genetics, LC</i> , 890 F.3d 1282 (Fed. Cir. 2018) .....	14, 15



**STATUTES & RULES**

35 U.S.C. § 317(b).....8, 17  
Fed. Cir. R. 35.....2  
Fed. Cir. R. 35(b)(2).....2, 10  
Fed. Cir. R. 40(a)(4).....2, 9

Apple's request to file a successive rehearing petition should be denied. Apple does not come close to meeting the standard for filing a second rehearing petition; this Court could not have been unaware of Apple's position when it denied the first rehearing petition; and Apple's arguments lack merit in any event. Apple's bid for further delay is unwarranted. This case has been litigated for nine years. Three trials have been held, each resulting in a verdict for VirnetX. This Court upheld the validity of VirnetX's asserted patent claims in a prior appeal. On January 15, 2019, this Court upheld the damages award under review here. Almost eight months later, on August 1, 2019, this Court denied Apple's petition for rehearing and rehearing en banc—*after* accepting supplemental briefing from Apple concerning the supposed consequences of various appeals from PTO proceedings involving the asserted patents. This Court has entered judgment in those PTO appeals. The judgment in this case remains fully supported by claims upheld by this Court. Yet Apple now seeks to vacate the denial of rehearing; file a *second* petition for rehearing; and prolong this litigation further still. The motion should be denied and this case put to rest.

Rehearing petitions are “rarely appropriate” where, as here, “the appeal was the subject of a nonprecedential opinion by the panel of judges that heard it.” Fed. Cir. R. 35 Practice Note. Leave to file a *successive* rehearing petition is a taller order still. It is truly extraordinary relief granted only in exceptional circum-

stances. Apple cites no such exceptional circumstances here. Its motion to file a successive petition does not even attempt to show that the panel’s non-precedential Rule 36 decision commits an error of fact or law, Fed. Cir. R. 40(a)(4), or otherwise raises “precedent-setting questions of exceptional importance” as required to support rehearing en banc, Fed. Cir. R. 35(b)(2). Indeed, Apple’s proposed second rehearing petition would not suggest any error in the panel decision on any of the issues Apple appealed here—infringement, damages, willfulness, and pre-judgment interest.

Instead, Apple asserts that rehearing is necessary so that this Court can consider the supposed collateral estoppel effects of the Court’s decision in Case No. 17-1591 on patent validity—an issue *not* raised in this appeal. Apple asserts that “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.” Mot. 14. Apple claims it “could not have raised its arguments based on” the 17-1591 Decision in its prior rehearing petition because that decision “issued only thirty minutes before the Court denied Apple’s petition for rehearing.” *Id.* at 1.

But this Court denied rehearing with a complete understanding of Apple’s view of the potential effects of the 17-1591 Decision. Apple has asserted its position at every turn. It addressed the supposed effects in its motion to stay this

appeal pending the PTO appeals (including the 17-1591 appeal). At oral argument, the panel questioned the parties extensively on possible implications of the PTO appeals for this case—including what should happen under the result the panel ultimately reached in its 17-1591 Decision. Apple raised those issues in its rehearing petition. And this Court allowed Apple to file a supplemental brief arguing that the Court’s decision in Case No. 18-1751—which upheld invalidation of certain claims of the ’504 patent—should be given collateral estoppel effect with respect to related claims of the ’211 patent in both this case and Case No. 17-1591. The panel then found those arguments “unpersuasive,” holding that “Apple has failed to show why collateral estoppel is appropriate under these circumstances.” 17-1591 Op. 24 n.15.

The same panel that decided that case (No. 17-1591) decided this one. That it denied rehearing in this case within an hour of issuing the 17-1591 Decision is no coincidence. Apple’s collateral estoppel arguments simply defy settled law, as the Court understood. Apple should not be permitted to further prolong this suit through a successive rehearing petition to relitigate a position this Court has already rejected.

Apple’s real goal is delay—as evidenced by its request that this case continue to be held pending resolution of all PTO proceedings concerning the asserted patents, including PTO proceedings on remand and appeal. Mot. 19-20.

But this is Apple's *eighth* such request for a stay of these proceedings based on the false notion that courts must give absolute priority to PTO validity determinations over Article III court validity determinations. Apple made the same request in its last rehearing petition. While this Court held the petition pending resolution of the two cases argued simultaneously with this one, it declined to grant Apple's expansive request for an indefinite stay pending all possible PTO proceedings, appeals, remand proceedings, and further appeals. There is no reason for a different result now. After three different decisions of this Court reviewing PTO proceedings, the verdict remains fully supported by patent claims that have not been cancelled. *See Fresenius USA, Inc. v. Baxter Int'l Inc.*, 721 F.3d 1330, 1334 (Fed. Cir. 2013). Apple's motion should be denied and this case should proceed to resolution.

### **BACKGROUND**

This is an appeal from a district court judgment for VirnetX. In a first trial, the jury found that Apple's VPN on Demand infringed claims of VirnetX's '135 and '151 Patents, and that Apple's FaceTime infringed claims of VirnetX's '504 and '211 Patents. The jury found all four patents not invalid, and awarded damages for both VPN on Demand and FaceTime infringement. On appeal, this Court affirmed the finding of validity, but vacated the infringement verdict as to FaceTime and remanded for a new trial on damages. *VirnetX, Inc. v. Cisco Sys.*,

*Inc.*, 767 F.3d 1308, 1313-14 (Fed. Cir. 2014) (“*VirnetX I*”). On remand, a jury found that FaceTime infringed claims 1, 2, 5, and 27 of the ’504 Patent, and claims 36, 47, and 51 of the ’211 Patent. It also awarded damages for Apple’s infringement as to both VPN on Demand and FaceTime. Appx8-9. Apple then brought the instant appeal, Case No. 18-1197.

In the meantime, VirnetX appealed several PTO decisions that had found certain claims asserted in this case to be unpatentable. In Case No. 17-1591, Apple challenged all asserted claims of the ’504 and ’211 Patents based on the Provino reference, and Cisco challenged all asserted claims of the ’211 Patent based on the Lendenmann reference. 17-1591 Op. 4, 6. In Case No. 18-1751, Cisco challenged all asserted claims of the ’504 Patent based on the Lendenmann reference. And in Case No. 17-1368, an entity called Mangrove Partners challenged claims of the ’135 and ’151 Patents.

At the outset of this appeal (No. 18-1197), Apple moved to stay the case pending the appeals of the PTO proceedings. ECF No. 32. Apple argued that those appeals would soon result in invalidation of all asserted claims, foreclosing further proceedings in this case. This Court denied Apple’s stay request. The Court then ordered that this case and the 17-1591 and 17-1368 cases be argued to the same panel.

On January 6, 2019, this Court heard argument in this case together with the 17-1591 and 17-1368 cases. At argument, Apple addressed at length the potential implications of the appeals from the PTO proceedings on this case. Tr. 0:37-3:52, 26:00-27:10, 38:40-41:20. Indeed, the Court specifically asked Apple about the impact on this case if the Court reached the result it ultimately did reach in its 17-1591 Decision: “If we kick the Apple reexams and the Cisco reexams remain, how does that affect the damages result in the district court litigation?” Tr. 40:25-41:20 (Moore, J.). Nine days later, on January 15, 2019, this Court summarily affirmed the judgment in this case under Rule 36. *VirnetX Inc. v. Cisco Sys., Inc.*, 748 F. App’x 332 (Fed. Cir. 2019).

Apple sought panel rehearing and rehearing en banc. ECF No. 78. Apple’s petition addressed damages, jury instructions, and computation of pre-judgment interest. Apple also requested that this Court stay its decision on rehearing “at least” pending this Court’s decisions in the 17-1591 and 17-1368 cases, and possibly also the 18-1751 case. *Id.* at 16-18 & n.7.

Apple’s rehearing petition remained pending for nearly five months. During that time, all of the PTO appeals for which Apple had asked the Court to hold its rehearing petition were decided. While this Court affirmed the PTO’s findings of unpatentability as to some asserted claims, it reversed as to others. In the 18-1751 Decision, this Court held that the PTAB had failed to explain how the asserted

Lendenmann reference disclosed the “authentication” requirement of claims 5, 12, and 13 of the ’504 Patent. 18-1751 Op. 7-8. The Court thus remanded for further proceedings. *Id.* at 10. In the 17-1368 Decision, this Court held that substantial evidence did not support the Board’s finding that claims of the ’151 Patent were invalid over the asserted Kiuchi reference, and that the Board had erred in its construction of the relevant claims of the ’135 Patent. 17-1368 Op. 23. The Court remanded for further proceedings. *Id.*

After the 18-1751 Decision issued, Apple filed a supplemental brief in this case and in the then-still-pending 17-1591 case. ECF No. 86; 17-1591 ECF No. 96. Apple urged that “[t]he preclusive effect” of the 18-1751 Decision—which affirmed unpatentability findings as to certain claims of the ’504 Patent—required holding claims of the **’211 Patent** invalid in both the 17-1591 case and in this case. ECF No. 86 at 1-2, 9. Apple asserted that the claims of the ’211 Patent are “virtually identical to the corresponding claims” of the ’504 Patent, and argued that because they are “not patentably distinct,” invalidation of a claim of the ’504 Patent in the 18-1751 case required invalidation of the supposedly corresponding ’211 Patent claim as a matter of “collateral estoppel.” *Id.* at 9. Apple also argued that, “at the very least,” the judgment in this case (No. 18-1197) must be vacated and remanded for the district court to remove from the judgment asserted ’504 Patent claims held invalid in the 18-1751 case. *Id.* at 13-14. VirnetX filed



responsive supplemental briefs explaining why collateral estoppel did not apply across the patents as Apple claimed, and why no alteration of the judgment was required because the judgment did not list specific claims. *See* ECF No. 92; 17-1591 ECF No. 105.

On August 1, 2019, this Court issued the 17-1591 Decision. It held that pre-AIA 35 U.S.C. § 317(b) required the PTO to terminate Apple’s reexamination proceeding upon this Court’s affirmance of patent validity in *VirnetX I*. 17-1591 Op. 28. It thus vacated the PTO’s unpatentability findings as to claims 1-35 of the ’504 Patent and claims 36-59 of the ’211 Patent—claims Apple but not Cisco had challenged—and remanded with instructions to terminate the reexamination as to those claims. *Id.* The Court affirmed the PTO’s unpatentability findings as to claims of the ’504 and ’211 Patents that were not subject to § 317(b). *Id.*

The Court specifically addressed the arguments Apple made in its supplemental brief “regarding the relationship between this case and other recently decided matters”—in particular, Apple’s “argu[ment] that collateral estoppel renders various claims of the ’504 and ’211 patents invalid.” 17-1591 Op. 24 n.15. The Court found Apple’s argument in part moot (as to claims whose invalidity the Court affirmed on the merits), and “[o]therwise . . . unpersuasive.” *Id.* “Apple,” this Court held, “has failed to show why collateral estoppel is appropriate under these circumstances.” *Id.*

That same day, this Court denied Apple's petition for rehearing and rehearing en banc in this case. ECF No. 97.

The damages verdict in this case remains fully supported by claims not found to be invalid by this Court in any proceeding. Claim 5 of the '504 Patent supports the infringement verdict for FaceTime, and several claims of the '135 and '151 Patents support the infringement verdict for VPN on Demand.

### **ARGUMENT**

#### **I. APPLE'S MOTION SHOULD BE DENIED BECAUSE IT PRESENTS NO LEGITIMATE BASIS FOR SEEKING REHEARING—MUCH LESS A SECOND TIME**

Apple's motion to file a second petition for rehearing and rehearing en banc should be denied for the simple reason that it presents no legitimate basis for seeking rehearing. With respect to panel rehearing, it identifies no "points of law or fact overlooked or misapprehended by the court" in affirming the judgment below. Fed. Cir. R. 40(a)(4). Indeed, Apple's motion does not address any issue actually presented in this appeal—not infringement, damages, jury instructions, or pre-judgment interest. Apple instead attempts to introduce entirely new collateral estoppel arguments addressed solely to the validity of the asserted claims—an issue that has not been part of this case since a previous panel affirmed their validity in the prior appeal in *VirnetX I*. There is nothing for the panel here to "rehear."

Nor does Apple's motion identify any "precedent-setting questions of exceptional importance" as required to support rehearing en banc. Fed. Cir. R. 35(b)(2). Apple's proposed second petition for rehearing, attached to its motion, purports to present the issue "[w]hether this Court may affirm infringement and damages judgments where it has held unpatentable asserted claims of the patents-in-suit or claims indistinguishable therefrom." ECF 99-2 at 1. But the Court already answered that question in *Fresenius USA, Inc. v. Baxter International Inc.*, 721 F.3d 1330 (Fed. Cir. 2013). There, it held that "cancellation" of the asserted claims by the PTO can preclude affirmance of an infringement judgment, because cancellation "extinguishes the underlying basis for suits based on the patent." *Id.* at 1344. This case involves no such important question of first impression. Instead, it involves Apple's efforts to interject intensely case-specific collateral estoppel arguments into the case after summary affirmance by unpublished order. That is not a "precedent-setting" question of "exceptional importance" warranting rehearing en banc.

Apple thus fails to show that rehearing would be warranted. *A fortiori*, Apple's motion fails to establish the truly exceptional circumstances needed to justify leave to file a *second* en banc petition after its first one was denied. The only two cases Apple cites granting such relief—*Huddleston v. Dwyer*, 322 U.S. 232 (1944), and *Gaia Technologies, Inc. v. Reconversion Technologies, Inc.*, 104

F.3d 1298 (1997)—both involved intervening changes in the governing law that rendered the decisions on appeal incorrect. Apple cites no change in law here that renders this Court’s summary affirmance on the issues of infringement, damages, jury instructions, and pre-judgment interest incorrect.

Apple instead argues that it is entitled to file a second petition for rehearing because it “could not have raised its [collateral estoppel] arguments” while its first petition for rehearing was pending, given that the 17-1591 Decision “issued only thirty minutes before the Court denied Apple’s petition for rehearing.” Mot. 1. That is misleading. As explained below, this Court was well aware of the 17-1591 Decision, and Apple’s collateral estoppel arguments, at the time it denied Apple’s first petition. There is no basis for Apple to file a second petition.

**II. APPLE’S MOTION SHOULD BE DENIED BECAUSE THE 17-1591 DECISION HAS NO COLLATERAL ESTOPPEL EFFECT IN THIS CASE**

**A. This Court Already Heard, and Rejected, Apple’s Collateral Estoppel Arguments**

Apple argues that “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.” Mot. 14. But Apple already raised essentially the same argument, and this Court already rejected that argument when denying Apple’s first petition for rehearing. There is no reason to permit Apple to raise it again in a second petition.

As discussed above, Apple extensively presented its views on the implications of the PTO appeals for this case before the panel issued its summary affirmance. *See pp. 5-6, supra.* Apple then reiterated those arguments at length while its petition for rehearing was pending. After this Court issued its decision in the 18-1751 case, Apple filed supplemental briefs in both this case and the then-still-pending 17-1591 case. *See ECF No. 86; 17-1591 ECF No. 96.* Apple urged that “[t]he preclusive effect” of the 18-1751 Decision, which affirmed unpatentability findings as to certain claims of the **'504 Patent**, required holding claims of the **'211 Patent** invalid in both the 17-1591 case and this case. ECF No. 86 at 1-2, 9. Apple asserted that the claims of the '211 Patent are “virtually identical to the corresponding claims” of the '504 Patent and argued that, because they are “not patentably distinct,” invalidation of a claim of the '504 Patent in the 18-1751 case required invalidation of the supposedly corresponding '211 Patent claim as a matter of “collateral estoppel.” *Id.* at 9.

This Court, however, rejected that “collateral estoppel” argument for purposes of both this case and the 17-1591 case. In the subsequent 17-1591 Decision, the Court specifically addressed Apple’s arguments “regarding the relationship between this case and other recently decided matters,” in particular Apple’s “argu[ment] that collateral estoppel renders various claims of the '504 and '211 patents invalid.” 17-1591 Op. 24 n.15. The Court found Apple’s argument in

part moot, and “[o]therwise . . . unpersuasive.” *Id.* “Apple,” the Court held, “failed to show why collateral estoppel is appropriate under these circumstances.” *Id.* The same day it issued that decision, the Court likewise rejected Apple’s collateral estoppel argument with respect to *this* case when it denied Apple’s petition for rehearing and rehearing en banc. ECF No. 97.

The collateral estoppel argument Apple seeks to present in its second petition for rehearing en banc is, for all practical purposes, identical to the argument it presented in its earlier supplemental brief. Apple again argues that collateral estoppel is warranted because the relevant claims of the ’504 and ’211 patents are “indistinguishable,” Mot. 11, and “not patentably distinct,” *id.* at 14. The only difference is that Apple would now have collateral estoppel run the other way: Where it previously urged that a finding with respect to a claim of the ’504 Patent was preclusive as to a corresponding claim of the ’211 Patent, it now urges that a finding with respect to a claim of the ’211 Patent is preclusive as to a corresponding claim of the ’504 Patent. This Court already rejected the principle behind Apple’s collateral estoppel argument as “unpersuasive,” 17-1591 Op. 24 n.15, and unworthy of en banc review, ECF No. 97. Apple’s motion to file a successive rehearing petition so it can raise the same argument yet again should be denied.

**B. Apple’s Collateral Estoppel Arguments Defy Fundamental Legal Principles**

This Court was right to reject Apple’s collateral estoppel theory as “unpersuasive.” 17-1591 Op. 24 n.15. It defies settled legal principles.

1. Collateral estoppel “precludes a plaintiff from relitigating” an issue identical to one decided in another proceeding. *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 329 (1979). But Apple cannot invoke collateral estoppel here, because VirnetX is not relitigating validity in this appeal. Validity was conclusively decided for purposes of this case years ago with this Court’s decision in *VirnetX I*. It is thus *Apple* that is improperly attempting to “relitigat[e] . . . issues expressly . . . decided by the appellate court.” *United States v. Lee*, 358 F.3d 315, 321 (5th Cir. 2004). Apple cannot invoke collateral estoppel with respect to an issue that is no longer live in this case.

Apple invokes *XY, LLC v. Trans Ova Genetics, LC*, 890 F.3d 1282 (Fed. Cir. 2018), as holding that affirmance of a PTO unpatentability determination “has an immediate issue-preclusive effect on any pending or co-pending actions involving the patent.” Mot. 12 (quoting 890 F.3d at 1294). But *XY* addressed only the effect on “pending district court findings of no invalidity,” where there are “co-pending appellate” cases addressing validity. 890 F.3d at 1294 & n.8. That is not the case here—validity is not a “pending” issue in this appeal. *XY* nowhere holds that a PTO unpatentability determination has collateral estoppel effect in a case where

invalidity was conclusively resolved in a prior appeal and is no longer at issue in that case. Indeed, *XY* disclaimed any broad rule that “in the event of conflict the administrative agency’s decision ‘moots’ the district court’s decision,” instead suggesting that “an affirmance of an invalidity finding, whether from a district court or the Board,” may have “a collateral estoppel effect.” *Id.* at 1294. If anything, that reasoning suggests that this Court’s earlier finding of no invalidity in *VirnetX I* should have been preclusive in the later PTO proceedings.

2. Apple erroneously suggests that *Fresenius USA, Inc. v. Baxter International Inc.*, 721 F.3d 1330 (Fed. Cir. 2013), supports “the application of collateral estoppel here.” Mot. 13. In fact, it says the opposite. *Fresenius* held that “a final PTO decision” of invalidity, “affirmed by this court,” must “be given effect in pending infringement cases that are not yet final.” 721 F.3d at 1346. But the Court emphasized that the PTO’s decision “is binding *not* because of collateral estoppel.” *Id.* at 1344 (emphasis added). Rather, it is only the PTO’s ultimate “*cancellation*” of asserted claims that “extinguishes the underlying basis for suits based on the patent,” thus requiring vacatur of the infringement judgment. *Id.* (emphasis added). Here, however, the PTO *has not cancelled* any of the asserted claims—and it ultimately may never cancel claims (including claim 5 of the ’504 Patent) that this Court has ordered it to reconsider and that are sufficient to support the damages judgment here. 18-1751 Op. 7. There is no legal basis to disturb the



judgment in this case based on this Court's decisions in any of the PTO appeals. Apple's misplaced "collateral estoppel" argument does not warrant an extraordinary second rehearing petition.

**III. APPLE'S SPECULATION ABOUT FUTURE EVENTS IN OTHER CASES DOES NOT JUSTIFY A SECOND REHEARING PETITION—OR ANY OTHER FORM OF FURTHER DELAY**

Apple demands not only that this Court grant rehearing, but that it "hold the case open" pending resolution of all "proceedings concerning the patents-in-suit, including companion appeals and related PTO proceedings." Mot. 20-21. Even if the Court (properly) refuses to reach out and find claim 5 of the '504 Patent unpatentable in these proceedings, Apple asserts that "such a finding is all but inevitable" in "another case." *Id.* at 14-15. But Apple made similar promises in its first motion to stay this appeal almost two years ago, arguing that the 17-1591 appeal would result in invalidation of the asserted claims. ECF No. 32-1 at 5-6. Yet the 17-1591, 17-1368, and 18-1751 cases have all been decided, and sufficient patent claims remain to support VirnetX's damages award in full. Apple's latest arguments for delay are speculation on top of speculation. They do not support the extraordinary relief of allowing a second en banc petition or an indeterminate stay.

1. Apple now urges that it "intends to petition for rehearing and rehearing en banc in the 17-1591 case," Mot. 15, which vacated the Board's unpatentability determination for claim 5 of the '504 Patent (among others) on the

ground that pre-AIA 35 U.S.C. §317(b) precluded Apple from maintaining a reexamination proceeding against the '504 Patent after this Court affirmed its validity in *VirnetXI*. 17-1591 Op. 28. But there is absolutely no reason to believe rehearing en banc would be granted. While Judge Reyna dissented from the result in that case, the issue is not a question of exceptional importance that would merit en banc review. The applicable statutory provision pertains only to inter partes reexaminations; was repealed seven years ago by the AIA; and would affect only a small and ever-decreasing number of cases. There is no reason to think the Court would take the exceptional step of granting en banc review of that “very narrow” issue. *Id.* at 8. And even if it did, Apple would still have to prevail on the § 317(b) issue, facing the uphill battle of showing that the majority’s seventeen-page analysis of the “controlling case law, the statutory text, and Congress’s intent,” was incorrect. *Id.* at 7-24.

Apple likewise invokes, in a separate 28(j) letter, the fact that Cisco intends to seek rehearing of the 18-1751 Decision. ECF No. 100. Apple’s theory depends on a speculative triple bank shot: *If* Cisco can obtain rehearing, Cisco *might* convince the Court to invalidate claim 5 of the '504 Patent in the 18-1751 case under a disputed collateral estoppel theory based on the judgment concerning claim 5 of the '211 Patent in the separate 17-1591 case. *Id.* *If* all that happens, Apple contends, *then* it would be appropriate to modify *this* judgment. But any theory

dependent on a party—much less another party—obtaining en banc review in another matter, and then prevailing, is far too attenuated to provide grounds for a second en banc petition, or an indeterminate stay, in this case.

Apple’s reliance on other proceedings fares no better. In the 18-1751 case, claim 5 will be the subject of further PTO proceedings involving a complex question of whether the prior art discloses authentication of DNS queries. 18-1751 Op. 7. And on remand in the 17-1368 case, the PTO will have to go back to the drawing board with respect to the patents infringed by VPN on Demand, including having to revisit claim construction. 17-1368 Op. 22-23. Those decisions will themselves be subject to appeal. If any claims are ultimately cancelled at the end of those proceedings—and there is no guarantee they will be—such a result may be years away. How that far-off, speculative possibility supports the extraordinary relief of leave to file a second en banc petition in this case, or an indefinite stay of this already decided case, is a mystery.

2. Ultimately, Apple’s motion makes clear that Apple does not seek to avoid an adverse result from the mere “happenstance of docket management.” Mot. 19. Instead, it seeks indefinite delay to give PTO validity determinations absolute priority over Article III court validity determinations—no matter how far off those PTO decisions and no matter how long the odds Apple will prevail in those decisions. Apple has already made that request for delay *four times* in this

appeal alone, most recently in its supplemental brief in support of its first rehearing petition. ECF No. 86 at 13-14; ECF No. 92 at 10-12. (Four additional, serial requests to the district court earned Apple an award of enhanced damages for its “gamesmanship.” Appx65.) There is no basis for such relief. *See Smartflash LLC v. Apple Inc.*, 621 F. App’x 995, 1000-04 (Fed. Cir. 2015).

Nor do the traditional stay factors—simplification of issues, stage of the case, prejudice to the opposing party—warrant such relief. *See* ECF No. 92 at 11. Article III courts have a “virtually unflagging obligation” to exercise their jurisdiction absent traditional stay requirements. *Colo. River Water Conservation Dist. v. United States*, 424 U.S. 800, 817 (1976). A court cannot simply choose to defer completely to a federal agency where, as here, it has concurrent jurisdiction with the agency over the same issues.

The Court has repeatedly rejected Apple’s requests for an indefinite delay of these district-court infringement proceedings pending final disposition of the PTO proceedings. Apple offers no reason for a different result now. For that reason too, Apple’s motion for a second rehearing petition should be denied.

#### **IV. THE JUDGMENT DOES NOT NEED TO BE AMENDED**

Apple urges that, “at the very least,” this Court must vacate the judgment and remand for “the district court to remove those portions [of the judgment] adjudging Apple of infringing the ’211 patent and claims 1, 2, and 27 of the ’504

patent,” the unpatentability of which was affirmed in the 17-1591 Decision. Mot. 10. Not so.

Apple raised essentially the same argument in its supplemental brief in support of its rehearing petition. ECF No. 86 at 13-14. After the 18-1751 Decision affirmed invalidity findings as to certain claims of the '504 Patent, Apple urged that, “at the very least, the district court judgment should be vacated and remanded to remove those portions adjudging Apple of infringing” the invalidated claims. *Id.* at 13. By denying rehearing nonetheless, this Court necessarily rejected that argument. ECF No. 97.

The 17-1591 Decision changes nothing. As VirnetX explained in its supplemental brief, the final judgment in this case nowhere mentions specific patents or claims. ECF No. 92 at 9-10; Appx69. They are subsidiary jury findings merged into the final judgment. ECF No. 92 at 9. The 17-1591 Decision affirmed invalidity findings as to additional asserted claims, beyond those addressed in the 18-1751 Decision. However, as before, the damages award remains fully supported by the remaining claims, and thus vacatur and amendment of the judgment would “neither expand[] nor contract[]” Apple’s liability. *Wang Labs, Inc. v. Mitsubishi Elecs. Am., Inc.*, 103 F.3d 1571, 1572 (Fed. Cir. 1997).<sup>1</sup> A second

---

<sup>1</sup> Apple urges that “damages must be redetermined” “[n]ow that VirnetX no longer has a cause of action based on the '504 and '211 patents” to support infringement by Apple’s FaceTime. Mot. 18. But that assumes that Apple has already prevailed

rehearing petition that again urges this Court to vacate the judgment and remand so the district court can re-enter the same judgment is inappropriate.

### CONCLUSION

The Court should deny Apple's motion to vacate the denial of rehearing and for leave to file a second petition for rehearing and rehearing en banc and/or supplemental brief.

---

on its collateral estoppel theory—which obviously is not the case. And Apple's statement that “the jury's damages award was predicated on the assumption that Apple infringed *four* valid patents,” *id.*, does not suggest the judgment must be amended now, either. Consistent with established principles, *see Catalina Lighting, Inc. v. Lamps Plus, Inc.*, 295 F.3d 1277, 1291-92 (Fed. Cir. 2002), both sides agreed that damages should be awarded at the “same [per-unit] rate,” on an agreed number of units, regardless of which patents or how many claims were infringed, Dkt. 1036, at 70 (Apple's closing statement); *see id.* at 42-43; Dkt. 1033, at 73. Cancellation of fewer than all asserted claims from the '211 and '504 patents thus “[would]n't affect [damages] at all.” Oral Arg. 41:00-41:11 (Moore, J.).

August 15, 2019

Respectfully submitted,

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

*Counsel for Leidos, Inc.*

/s/ Jeffrey A. Lamken

Jeffrey A. Lamken  
*Counsel of Record*  
Michael G. Pattillo, Jr.  
Rayiner I. Hashem  
James A. Barta  
MOLOLAMKEN LLP  
The Watergate, Suite 660  
600 New Hampshire Avenue, N.W.  
Washington, D.C. 20037  
(202) 556-2000 (telephone)  
(202) 556-2001 (fax)  
jlamken@mololamken.com

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

Bradley Wayne Caldwell  
Jason Dodd Cassady  
John Austin Curry  
CALDWELL CASSADY & CURRY  
2101 Cedar Springs Road  
Suite 1000  
Dallas, TX 75201  
(214) 888-4848 (telephone)  
(214) 888-4849 (fax)

*Counsel for VirnetX Inc.*

**CERTIFICATE OF SERVICE**

I certify that today, August 15, 2019, I caused the foregoing document to be electronically filed with the Clerk of the Court for the U.S. Court of Appeals for the Federal Circuit using the appellate CM/ECF system. All participants in the case are registered CM/ECF users and will be served by the appellate CM/ECF system.

August 15, 2019

/s/ Jeffrey A. Lamken



**CERTIFICATE OF COMPLIANCE**

1. This document complies with the type-volume limitation of Fed. R. App. P. 27(d)(2)(A) because this document contains 5,028 words, excluding the parts exempted by Fed. R. App. P. 27(d)(2) and Fed. R. App. P. 27(a)(2)(B).
2. This document complies with the typeface requirements of Fed. R. App. P. 32(a)(5) and the type style requirements of Fed. R. App. P. 32(a)(6) because this document has been prepared in a proportionally spaced typeface using Microsoft Word in Times New Roman 14 point font.

August 15, 2019

/s/ Jeffrey A. Lamken