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PAUL HASTINGS LLP
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EXAMINER

PEIKARI, BEHZAD

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PAPER

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.



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THIRD PARTY REQUESTER'S CORRESPONDENCE ADDRESS

Date: October 16, 2019

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**Transmittal of Communication to Third Party Requester
Inter Partes Reexamination**

REEXAMINATION CONTROL NO. : 95001682
PATENT NO. : 6502135
ART UNIT : 3992

Enclosed is a copy of the latest communication from the United States Patent and Trademark Office in the above-identified reexamination proceeding. 37 CFR 1.903.

Prior to the filing of a Notice of Appeal, each time the patent owner responds to this communication, the third party requester of the inter partes reexamination may once file written comments within a period of 30 days from the date of service of the patent owner's response. This 30-day time period is statutory (35 U.S.C. 314(b)(2)), and, as such, it cannot be extended. See also 37 CFR 1.947.

If an ex parte reexamination has been merged with the inter partes reexamination, no responsive submission by any ex parte third party requester is permitted.

All correspondence relating to this inter partes reexamination proceeding should be directed to the Central Reexamination Unit at the mail, FAX, or hand-carry addresses given at the end of the communication enclosed with this transmittal.



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Inter Partes Reexamination Proceeding
Control No.: 95/001,682
Filed: July 11, 2011
For: U.S. Patent No. 6,502,135

**DECISION GRANTING
RENEWED PETITION TO
TERMINATE REEXAMINATION
PROCEEDING**

This decision addresses the following petition papers:

- Patent owner's June 2, 2017 petition entitled "Patent Owner's Renewed Petition to Terminate *Inter Partes* Reexamination Proceeding" (patent owner's June 2, 2017 renewed petition to terminate); and
- Requester's June 16, 2017 opposition paper entitled "Petition in Opposition to Patent Owner's Renewed Petition to Terminate *Inter Partes* Reexamination Proceeding" (requester's June 16, 2017 opposition).

Patent owner's June 2, 2017 renewed petition to terminate, requester's June 16, 2017 opposition, and the record as a whole, are before the Office of Patent Legal Administration for consideration.

SUMMARY

Patent owner's June 2, 2017 renewed petition under 37 CFR 1.182 to terminate reexamination of claims 1-9 of U.S. Patent No. 6,502,135 (the '135 patent) in *inter partes* reexamination proceeding control number 95/001,682 (the '1682 proceeding) is **granted**.

The estoppel provisions of pre-AIA 35 U.S.C. 317(b) apply to any rejection of claims 1-9 of the '135 patent in the '1682 proceeding. Any rejection which is presently applied against claims 1-9 of the '135 patent, i.e., the patent under reexamination, in the '1682 reexamination proceeding **will not be further maintained by the Office**. No further rejection of claims 1-9 of the '135 patent **will be made** in the '1682 reexamination proceeding.

The determination in this decision not to maintain, in the '1682 reexamination proceeding, any rejection of claims 1-9 of the '135 patent is made pursuant to the estoppel provisions of pre-AIA 35 U.S.C. 317(b), and is **not a "non-adoption of" or a "determination not to make" such a rejection within the meaning of 37 CFR 41.61**. For this reason, any notice of appeal or cross-

appeal of the present determination in the '1682 reexamination proceeding not to make or maintain a rejection of claims 1-9 of the '135 patent will be held to be **defective**.

Prosecution in the '1682 reexamination proceeding with respect to claims 10-18 of the '135 patent **will continue**. The '1682 reexamination proceeding will be forwarded to the Central Reexamination Unit (CRU) for processing and issuance of a new Right of Appeal Notice (RAN) consistent with this decision.

BACKGROUND

In August 2010, the patent owner, VirnetX Inc. (VirnetX), sued the requester, Apple Inc. (Apple), and also Cisco Systems, Inc. (Cisco), in district court, alleging infringement of four patents, U.S. Patent Nos. 6,502,135 (the '135 patent); 7,490,151 (the '151 patent); 7,418,504 (the '504 patent); and 7,921,211 (the '211 patent) (the litigation).

In July 2011, Apple filed requests for *inter partes* reexaminations of the '135 and '151 patents (control nos. 95/001,682 (the '1682 proceeding) and 95/001,697 (the '1697 proceeding), respectively). In August 2011, Cisco filed a request for *inter partes* reexamination of the '151 patent (control no. 95/001,714 (the '1714 proceeding)). In October 2011, Apple filed requests for *inter partes* reexaminations of the '504 and '211 patents (control nos. 95/001,788 (the '1788 proceeding) and 95/001,789 (the '1789 proceeding), respectively).

On December 13, 2012, the Office merged the '1682 proceeding with another *inter partes* reexamination proceeding, control no. 95/001,679. On September 17, 2014, the Office severed the merged proceeding. Prosecution in the '1682 proceeding continued, separately from the prosecution in *inter partes* reexamination proceeding control no. 95/001,679.

In the district court action, a jury found the asserted claims of the '135, '151, '504, and '211 patents infringed and not invalid, awarding damages to VirnetX. On appeal, the United States Court of Appeals for the Federal Circuit (the Federal Circuit) affirmed the jury's finding of no invalidity for the asserted claims of the '135, '151, '504, and '211 patents. *VirnetX, Inc. v. Cisco Systems, Inc.*, 767 F.3d 1308 (Fed. Cir. 2014) (*VirnetX I*). The Federal Circuit also affirmed the jury's finding of infringement for certain claims of the '135 and '151 patents, vacated the infringement finding for the '504 and '211 patents, and vacated the damages award relating to all four patents. The Federal Circuit then remanded for further proceedings involving the infringement and damages issues. The requester, Apple, did not file a request for rehearing or a petition for a writ of certiorari for review by the Supreme Court of the United States (the Supreme Court), and the time for filing a petition for writ of certiorari expired.

Meanwhile, in the '1788 and '1789 reexamination proceedings, the examiner found all claims of the '504 and '211 patents unpatentable. The patent owner, VirnetX, appealed the examiner's decisions to the Patent Trial and Appeal Board (PTAB). The PTAB affirmed the examiner's rejections of all of the claims of the '504 and '211 patents.

The patent owner also filed petitions to terminate reexamination of certain claims of the '504 and '211 patents in the '1788 and '1789 reexamination proceedings, respectively. On June 30, 2015, the Office dismissed these petitions.

The patent owner appealed the PTAB's decisions affirming the examiner's rejections of all of the claims of the '504 and '211 patents in the '1788 and '1789 reexamination proceedings to the Federal Circuit, and also moved to remand, arguing that the opinion in *VirnetX I* rendered the earlier district court decision "final" within the meaning of pre-AIA 35 U.S.C. 317(b).

The appeals of the PTAB's decisions in the '1788 and '1789 reexamination proceedings were consolidated at the Federal Circuit.

On August 1, 2019, the Federal Circuit held, *inter alia*, that the opinion in *VirnetX I* rendered the earlier district court's decision "final" within the meaning of pre-AIA 35 U.S.C. 317(b). The Federal Circuit vacated the Office's determination that the estoppel provisions of pre-AIA 35 U.S.C. 317(b) did not apply, and remanded with instructions to terminate the '1788 and '1789 reexaminations with respect to certain claims of the '504 and '211 patents. *VirnetX, Inc. v. Apple, Inc.*, 931 F.3d 1363, (Fed. Cir., August 1, 2019) (*VirnetX II*).

Meanwhile, in the '1682 proceeding, the Office dismissed, on July 1, 2015, patent owner's earlier petition to terminate reexamination of "at least" claims 1-9 of the '135 patent (the July 1, 2015 petition decision). The Office determined that the district's court's decision in *VirnetX I* was not final within the meaning of pre-AIA 35 U.S.C. 317(b). However, in view of the Federal Circuit's intervening decisions in *VirnetX II* and *Fairchild (Taiwan) Corp. v. Power Integrations, Inc.*, 854 F.3d 1364 (Fed. Cir. 2017), the Office, upon reconsideration, determines that the district court's decision is "final" within the meaning of pre-AIA 35 U.S.C. 317(b), as set forth below.

DECISION

On July 1, 2015, the Office dismissed patent owner's earlier petition to terminate reexamination of "at least" claims 1-9 of the '135 patent in the '1682 proceeding (the July 1, 2015 petition decision). The patent owner now files the present renewed petition to terminate reexamination of only claims 1-9 of the '135 patent in the '1682 proceeding.

The patent owner argues that termination of the prosecution of claims 1-9 of the '135 patent in the '1682 proceeding is required by pre-AIA 35 U.S.C. 317(b), which provides, in pertinent part (emphasis added):

Once a **final decision** has been entered against a party in a civil action arising in whole or in part under section 1338 of title 28, that the party has not sustained its burden of proving the invalidity of any patent claim in suit . . . then neither that party nor its privies may thereafter request an inter partes reexamination of any such patent claim on the basis of issues which that party or its privies raised or could have raised in such civil action or inter partes reexamination proceeding, and an inter partes reexamination requested by that party or its privies on the basis of such issues may not thereafter be maintained by the Office . . . This subsection does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent and Trademark Office at the time of the inter partes reexamination proceedings.

The Office analyzes whether an *inter partes* reexamination proceeding (or reexamination of any claim of an *inter partes* reexamination proceeding) must be terminated pursuant to pre-AIA 35 U.S.C. 317(b) by determining:

1. Whether the third party requester was a party to the litigation;
2. Whether the decision is final, i.e., after all appeals;
3. Whether the court decided that the requester/party had not sustained its burden of proving the invalidity of any claim in suit of the patent, which claim is also under reexamination; and
4. Whether the issues raised in the reexamination proceeding are the same as issues that were raised, or are issues that could have been raised, by the requester in the civil action.

For the reasons stated below, elements 1-4 have been sufficiently shown to have been satisfied. The requester does not dispute that elements 1 and 3 have been shown to have been satisfied, and provides little argument that element 4 has not been shown to have been satisfied.¹ The requester, however, disputes that element 2 has been sufficiently shown to have been satisfied.

Element 1 Has Been Shown to Have Been Satisfied

To satisfy element 1, the patent owner must sufficiently show that the third party requester was a party to the litigation.

The patent owner informed the Office that claims 1, 3, 7, and 8 of the '135 patent, which is the patent under reexamination, were the subject of a civil action, *VirnetX Inc. v. Cisco Systems, Inc. et al.*, Case No. 6:10-cv-00417 (E.D. Tex.) (the litigation). The patent owner submitted, with its earlier petition (filed on March 23, 2015), copies of several court documents, including the district court's "Final Judgment Pursuant to Fed. R. Civ. P. 54(b)", dated February 27, 2013 (the district court's February 27, 2013 decision), which show that the requester Apple, Inc. (Apple) is a party to the litigation.

Accordingly, element 1 has been sufficiently shown to have been satisfied.

Element 3 Has Been Shown to Have Been Satisfied

To satisfy element 3, the patent owner must sufficiently show that the court decided that the requester had not sustained its burden of proving the invalidity of the patent claims in suit, which claims are also under reexamination.

As set forth in the June 30, 2015 petition decision, the district court held that claims 1, 3, 7, and 8 of the '135 patent were not invalid in *VirnetX Inc. v. Cisco Systems, Inc. et al.*, Case No. 6:10-cv-

¹ The requester argues, in footnote 2 of its opposition, that element 4 is not fully satisfied because the requester "could not have raised at trial all of the grounds advanced in the reexamination proceedings given the limited amount of time available to it at trial." Whether the requester had a limited amount of time available to it at trial, however, is not relevant to the issue of whether the prior art raised in the reexamination proceeding was known to the requester (i.e., actual knowledge) at a time when it could have been raised in the civil action; such as, e.g., prior to trial. See the discussion of element 4 in the present decision.

00417 (E.D. Tex.) (the litigation). The litigation involved several patents, including the '135 patent. See the district court's "Final Judgment Pursuant to Fed. R. Civ. P. 54(b)", dated February 27, 2013 (the district court's February 27, 2013 decision),² which states, in pertinent part:

... Since all issues, between VirnetX and Apple, except future ongoing royalties, if any, have been finally resolved either by the jury or the Court's Memorandum Opinion and Order (Docket No. 732), there is no reason to delay entering judgment as to Apple.

Therefore ... the Court **ORDERS AND ENTERS FINAL JUDGMENT AS TO APPLE**, as follows:

- Defendant Apple is found to infringe claims 1, 3, 7, 8 of U.S. Patent No. 6,502,135; claims 1 and 13 of U.S. Patent No. 7,490,151; claims 1, 2, 5, 16, 21, and 27 of U.S. Patent No. 7,418,504; and claims 36, 37, 47, and 51 of U.S. Patent No. 7,921,211 (collectively, "the Asserted Claims").
- The Asserted Claims are valid.

* * * *

All relief not specifically granted herein is **DENIED**, subject to **SEVERANCE** of VirnetX's request for an ongoing royalty as ordered in the Court's Memorandum Opinion and Order.

All pending motions between VirnetX and Apple not previously resolved ... are **DENIED**.

So ORDERED AND SIGNED this 27th day of February, 2013.

The Federal Circuit affirmed the district court's finding that none of the asserted claims are invalid. See *VirnetX Inc. v. Cisco et al.*, 767 F.3d 1308 (Fed. Cir. 2014) (*VirnetX I*), in which the Federal Circuit held: "For the reasons that follow, we affirm the jury's findings that none of the asserted claims are invalid ..."³

Thus, the patent owner has provided evidence of a decision by the court that the requester Apple did not sustain its burden of proving the invalidity of claims 1, 3, 7, and 8 of the '135 patent. For this reason, element 3 has been shown to have been satisfied with respect to claims 1, 3, 7, and 8 of the '135 patent.

Office records reveal, however, that claims 1-18 of the '135 patent are under reexamination in the '1682 proceeding.

² A copy of the district court's February 27, 2013 decision is attached to the present renewed petition.

³ See also 767 F.3d at 1324, where the Federal Circuit held: "Thus, the district court did not err in denying Apple's JMOL motion with respect to invalidity." See also the copy of the Federal Circuit's December 23, 2014 mandate, which was filed in the present proceeding as an attachment to patent owner's April 16, 2015 supplement to its earlier petition to terminate "at least" claims 1-9 of the '135 patent.

With respect to claims 2, 4-6 and 9 of the '135 patent, these claims have not been shown to have been asserted at trial. These claims, however, depend either directly or ultimately from independent claim 1, which was asserted at trial.

Any rejection of dependent claims over prior art cannot be maintained in an *inter partes* reexamination proceeding, where the claim from which the claims depend has been found to be not invalid in a “final decision” within the meaning of pre-AIA 35 U.S.C. 317(b). This assumes that the art that would be cited as a basis for the rejection of the litigated claim equally qualifies as prior art against the dependent claim. If, however, the effective filing date of the litigated claim is earlier than a claim that depends from the litigated claim, and if the art that would be cited as a basis for the rejection qualifies as prior art as to the dependent claim, but not as to the litigated claim, then a rejection of the dependent claim over that art may be maintained.

Therefore, prosecution of original claims which depend, either directly or ultimately, from a claim which was the subject of the court’s decision may also be terminated, if the patent owner certifies that 1) the effective filing date of the dependent claims is the same as or later than the effective filing date of the claim from which they depend, and 2) if the art that would be cited as a basis for the rejection of the claim which was shown to be the subject of the court’s decision would equally qualify as prior art against the dependent claims.

The patent owner has now certified, in its present renewed petition, that:

- 1) “the effective filing date of dependent claims 2, 4-6 and 9 of the '135 patent is the same as the effective filing date of independent claim 1 from which they depend;” and
- 2) “all of the references cited by Apple as a purported basis for the rejection of independent claim 1 equally qualify (to the extent they qualify against independent claim 1) against dependent claims 2, 4-6 and 9 of the '135 patent.”

In view of patent owner’s certification, the estoppel provisions of pre-AIA 35 U.S.C. 317(b) also apply to dependent claims 2, 4-6 and 9 of the '135 patent, if all of the statutory requirements are met.

Accordingly, element 3 has been shown to have been satisfied with respect to claims 1-9 of the '135 patent.

Element 4 Has Been Shown to Have Been Satisfied

To satisfy element 4, the patent owner must sufficiently show that the issue(s) raised in the reexamination proceeding are the same issue(s) that were raised or could have been raised by the requester in the civil action.

The last sentence of pre-AIA 35 U.S.C. 317(b) permits “the assertion of invalidity [by the requester] based on newly discovered prior art unavailable to the third party requester”. See also

the legislative history of pre-AIA 35 U.S.C. 317(b), which provides the meaning of the word “unavailable”, as it appears in the statute (emphasis added in bold):⁴

Further, if a third-party requester asserts patent invalidity in a civil action and a final decision is entered that the party failed to prove the assertion of invalidity . . . after any appeals, that third-party requester cannot thereafter request inter partes reexamination on the basis of issues which were or which could have been raised. However, the third-party requester may assert invalidity based on **newly discovered prior art unavailable at the time of the civil action** or inter partes reexamination. **Prior art was unavailable at the time if it was not known to the individuals who were involved in the civil action** or inter partes reexamination proceeding on behalf of the third-party requester and the USPTO.

Thus, to show that a reference is “available”, the patent owner must provide sufficient evidence that the reference was known to the requester (i.e., actual knowledge) at a time when it could have been raised in the civil action; such as, e.g., prior to trial.

The requester, as a party to the present reexamination proceeding, was aware of all prior art, with respect to claims 1-9 of the ’135 patent, which was raised in the present reexamination proceeding prior to the date that trial began in the litigation. In the present case, trial began on October 31, 2012, as stated in the district court’s February 27, 2013 decision. Thus, the requester was aware of all prior art raised prior to October 31, 2012 in the present reexamination proceeding with respect to claims 1-9, and could have raised issues with respect to that prior art in the litigation.

The patent owner must also show that the requester was aware of any prior art newly raised in the reexamination proceeding after October 31, 2012 and prior to February 27, 2013, the date of the district court’s decision. The patent owner has now certified, in its present renewed petition, that “no prior art was newly raised by the requester, or newly applied by the examiner in a rejection of any of the ’135 patent claims, in the present reexamination proceeding from October 31, 2012 to February 27, 2013.” In view of patent owner’s certification, the patent owner has sufficiently shown that the issue(s) raised in the reexamination proceeding with respect to claims 1-9 of the ’135 patent are the same issue(s) that were raised or could have been raised by the requester with respect to these claims in the civil action.

Accordingly, element 4 has been shown to have been satisfied with respect to claims 1-9 of the ’135 patent.

⁴ 106 Cong. Rec. S14720, Nov. 17, 1999. See also 106 Cong. Rec. H11805, Nov. 9, 1999

Element 2 Has Been Shown to Have Been Satisfied

To satisfy element 2, the patent owner must sufficiently show that the court's decision is final.

The Federal Circuit has held that a decision is final within the meaning of pre-AIA 35 U.S.C. 317(b) after all appeals have been exhausted. See *Bettcher Indus. Inc. v. Bunzl USA, Inc.*, 661 F.3d 629 (Fed. Cir. 2011).⁵

The patent owner in the present case asserts that the district court's February 27, 2013 decision in the litigation is a final decision with respect to the issue of the non-invalidity of claims 1, 3, 7, and 8 of the '135 patent (the asserted claims). The litigation involved several patents,⁶ including the '135 patent. The Federal Circuit affirmed the district court's finding that the asserted claims of the '135 patent were not invalid.⁷ The Federal Circuit remanded the case to the district court, however, on issues relating to infringement of other patents, and on issues relating to damages, including damages relating to the '135 patent (the remand proceeding). The mandate by the Federal Circuit issued on December 23, 2014.⁸ The patent owner states that the requester Apple did not file a request for rehearing or a petition for a writ of certiorari for review by the Supreme Court of the United States (the Supreme Court), and that "the time for appealing the Federal Circuit's decision has now expired". The patent owner further points to the Federal Circuit's decision in *Fairchild (Taiwan) Corp. v. Power Integrations, Inc.*, 854 F.3d 1364 (Fed. Cir. 2017) to support its argument that the district court's decision is "final" within the meaning of pre-AIA 35 U.S.C. 317(b).

The requester, however, asserts in its June 16, 2017 opposition that the district court's finding with respect to the issue of the validity of claims 1, 3, 7, and 8 of the '135 patent is not a final decision. The requester does not dispute that the remand proceeding does not involve the issue of

⁵ The Federal Circuit in *Bettcher v. Bunzl* referred to the legislative history of pre-AIA 35 U.S.C. 317(b). The legislative history of pre-AIA 35 U.S.C. 317(b) states (emphasis added):

Subtitle F creates a new section 317 which sets forth certain conditions by which inter partes reexamination is prohibited to guard against harassment of a patent holder . . . if a third-party requester asserts patent invalidity in a civil action and a final decision is entered that the party failed to prove the assertion of invalidity . . . **after any appeals** . . . that third-party requester cannot thereafter request inter partes reexamination . . .

145 Cong. Rec. 29276 (November 9, 1999). The full citation is *Congressional Record: Proceedings and Debates of the 106th Congress, First Session, Volume 145, Part 20, House of Representatives — Tuesday, November 9, 1999*, page 29276.

⁶ The litigation involved the '135 patent, which is under reexamination in the present proceeding, the '504 and '211 patents, which are the subject of *VirnetX II*, and the '151 patent, which is under reexamination in merged *inter partes* reexamination proceeding control nos. 95/001,697 and 95/001,714 (the merged proceeding). The merged proceeding, however, has been severed pursuant to the Office's decision which is mailed on even date with the present decision.

⁷ See *VirnetX Inc. v. Cisco et al.*, 767 F.3d 1308 (Fed. Cir. 2014) (*VirnetX I*), in which the Federal Circuit held: "For the reasons that follow, we affirm the jury's findings that none of the asserted claims [of the '151, '504, '211, and '135 patents] are invalid . . ." See also 767 F.3d at 1324, where the Federal Circuit held: "Thus, the district court did not err in denying Apple's JMOL motion with respect to invalidity."

⁸ See the copy of the Federal Circuit's December 23, 2014 mandate, which was filed in the present proceeding as an attachment to patent owner's April 16, 2015 supplement to its earlier-filed petition.

the validity of claims 1, 3, 7, and 8 of the '135 patent. The requester argues, however, that the validity decision is not final and all appeals have not been exhausted, because the district court's judgment in the remand proceeding, when rendered, will again be subject to appellate review. The requester relies on the future availability of a writ of certiorari to the Supreme Court and the Federal Circuit opinion in *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013) as support of its position that the decision is not final.

The Federal Circuit's Holding in *Fairchild* Reflects the Court's View with Respect to the Meaning of "Final Decision" under Pre-AIA 35 U.S.C. 317(b)

The patent owner, in its renewed petition, does not dispute that, upon completion of a second appeal in the present case, the Supreme Court may review the issue of validity, even though this issue was resolved in the first appeal and would not be raised on the second appeal.

The patent owner argues, however, that "notwithstanding the hypothetical availability of future Supreme Court review", the Federal Circuit's recent decision in *Fairchild (Taiwan) Corp. v. Power Integrations, Inc.*, 854 F.3d 1364 (Fed. Cir. 2017) (*Fairchild*), "makes clear that the district court's judgment upholding patent claims' validity, once affirmed by the Federal Circuit, constitutes a 'final decision' under section 317(b)."

Fairchild involved an *inter partes* reexamination of U.S. Patent 7,259,972 (the '972 patent). In *Fairchild*, the PTAB affirmed the examiner's rejection of all of the '972 patent claims under reexamination, and Fairchild (the patent owner) appealed the ruling of the PTAB to the Federal Circuit. Meanwhile, in parallel infringement litigation between Fairchild (the patent owner) and Power Integrations (the requester) involving several patents including the '972 patent,⁹ the Federal Circuit affirmed the holding of the district court that the asserted claims of the '972 patent were not invalid, and remanded the case to the district court for further proceedings on infringement of patents other than the '972 patent. In the appeal of the reexamination proceeding at the Federal Circuit, after the issuance of the Federal Circuit's mandate in the parallel litigation, *Fairchild* moved to remand the case to the PTAB, with instructions to terminate, pursuant to pre-AIA 35 U.S.C. 317(b), prosecution of the '972 patent claims which were asserted in the litigation and which were also under reexamination in the reexamination proceeding. The Federal Circuit granted the motion, noting that "the time for a writ of certiorari has passed." The Federal Circuit stated:¹⁰

While it is true that in [the parallel infringement suit] this court vacated and remanded for additional proceedings, we cannot agree with Power Integrations that this renders the decision not "final" for § 317(b) purposes. Critically, those proceedings are unrelated to the '972 patent. By its terms, § 317(b) is concerned with a final decision "that the party has not sustained its burden of proving the invalidity of any patent claim." And here, Power Integrations does not suggest, nor is there any reason to believe, that any unresolved issue on remand would have any effect on the now-final '972 patent validity determinations.

⁹ See *Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, 843 F.3d 1315, 1340-42 (Fed. Cir. 2016).

¹⁰ *Fairchild*, 854 F.3d at 1366.

The Federal Circuit in *Fairchild* expressly determined that the district court's decision was a final decision for the purposes of pre-AIA 35 U.S.C. 317(b), even though the Federal Circuit remanded the case in the parallel litigation for further proceedings on infringement of patents other than the '972 patent.

See also *VirnetX II*, which addresses the appeals from the decisions of the PTAB in the *inter partes* reexaminations of two related patents, the '504 and '211 patents, in which the Federal Circuit stated (internal citations omitted):¹¹

Fairchild directly addressed a situation in which validity was affirmed but other issues in the case were remanded. *Fairchild* holds that if a finding of no invalidity has been affirmed on appeal and remand of other issues will not “have any affect” on validity, the decision is “final” once the 90-day deadline for a certiorari petition on the validity determination has passed. *Fairchild* announced this holding despite the fact that there is always some “potential” for future Supreme Court review if the entire case is taken up.

The requester argues in its June 16, 2017 opposition, however, that the facts of the present case distinguish from those of *Fairchild*. The requester in the present case asserts that in *Fairchild*, “no aspect of the district court’s judgment concerning the '972 patent remained open for the district court to further consider, and consequently *no* issue concerning the '972 patent was remanded to the district court for further proceedings” (emphasis in original). The requester points out that “critical to the *Fairchild* court’s conclusion that it was appropriate to remand the appeal to the PTO” was the fact that the remand by the *Fairchild* court included only aspects of the judgment involving patents other than the '972 patent: “Critically, those proceedings are unrelated to the '972 patent.” *Fairchild* at 1366. The requester asserts that in the present case, however, the case was remanded to the district court to conduct further proceedings, where the further proceedings include issues relating to the '135 patent, i.e., issues relating to damages.¹²

The requester, however, submitted similar arguments in *VirnetX II*, to which the Federal Circuit responded (footnote omitted):¹³

... Apple does not point to any issue in the *VirnetX I* remand that substantively bears on the finding of no invalidity. Nor could it. Indeed, the only difference here is that *VirnetX I* remanded some infringement and damages issues related to the '504 and '211 patents. But Apple fails to explain how any of these unresolved issues would “have any effect on the now-final ... validity determinations” involving those patents. Accordingly, *Fairchild*’s reasoning leaves no doubt that § 317(b) estoppel applies.

¹¹ *VirnetX II*, 931 F.3d at 1371.

¹² The requester in the present case also asserts that, unlike the present case, the parties in *Fairchild* agreed that the time to petition for certiorari had passed, citing a “letter to [the *Fairchild*] Court noting the parties agreed that ‘the time to petition for certiorari ... ran on March 13, 2017’.” The requester in the present case, however, has not provided a copy of this letter with its opposition. In any event, the requester does not sufficiently explain why the Federal Circuit would not similarly conclude in the present case, as in *Fairchild*, that the time for petition for certiorari of the first appeal has passed, in view of the fact that the Federal Circuit issued its mandate in the present case on December 23, 2014.

¹³ *VirnetX II*, 931 F.3d at 1372.

As in *Fairchild* and *VirnetX II*, the requester in the present case does not explain how any unresolved issue on remand would have any effect on the now final '135 patent validity determinations.

The requester argues that the district court's validity decision is not final and all appeals have not been exhausted, because the district court's judgment in the remand proceeding, when rendered, will again be subject to appellate review. The requester points out that the Supreme Court has held that it may consider all of the substantial federal questions determined in the earlier stages of the litigation. See *Mercer v. Theriot*, 377 U.S. 152, 153-154 (1964), citing *Reece v. Georgia*, 350 U.S. 85 (1955) (internal citations omitted) ("We now 'consider all of the substantial federal questions determined in the earlier stages of the litigation' . . . for it is settled that we may consider questions raised on the first appeal, as well as 'those that were before the Court of Appeals upon the second appeal'").¹⁴

The requester, however, submitted similar arguments in *VirnetX II*, to which the Federal Circuit responded (citations omitted)(emphasis in italics in original)(emphasis in bold added):¹⁵

Finally, Apple contends *Fairchild* cannot control because no party in that case expressly argued that the Supreme Court might still take up the invalidity issue on a future appeal under *Mercer*. But *Fairchild*'s reasoning implicitly forecloses such an argument. *Fairchild* concluded that "*all* appeals" had terminated . . . , despite the fact that other issues in that case remained pending for potential appeal and petition for certiorari. Apple can disagree with that conclusion, but that is not a basis for ignoring binding authority. We are bound to follow the decision of a prior panel, and its reasoning does not leave the question open.

In sum, § 317(b) applies here despite the fact that issues unrelated to invalidity were remanded.

The court in *VirnetX* further explained (emphasis in original)(footnote omitted):¹⁶

. . . it is doubtful that Congress created an estoppel provision that would allow a PTO proceeding to press forward even after all appellate deadlines have elapsed merely because there is a potential that the Supreme Court may one day reconsider the validity issue—in many cases, years later—while examining the rest of the case.

¹⁴ See also *Major League Baseball Players Association v. Garvey*, 532 U.S. 504, 508, n.1 (2001) ("[W]e have authority to consider questions determined in earlier stages of the litigation where certiorari is sought from the most recent of the judgments of the Court of Appeals"); *Urie v. Thompson*, 337 U.S. 163, 172 (1949) ("Local rules of practice cannot bar this Court's independent consideration of all substantial federal questions actually determined in earlier stages of the litigation by the court whose final adjudication is brought here for review"); *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U.S. 251, 258-259 (1915); *Zeckendorf v. Steinfeld*, 225 U.S. 445, 454 (1912) ("[C]ertainly the holding of the Supreme Court of Arizona at any of stages [*sic*] of the case prior to this appeal would not be the law of the case for this court"); *Messenger v. Anderson*, 225 U.S. 436, 444 (1912).

¹⁵ *VirnetX II*, 931 F.3d at 1372.

¹⁶ *VirnetX II*, 931 F.3d at 1374-75.

Accordingly, . . . “a final decision” triggers estoppel when the invalidity challenge is decided on appeal and the time for petitioning for certiorari has passed—regardless of the fact review of the entire case *could* occur at some point in the future under *Mercer*.

Pursuant to *VirnetX II*, the estoppel provisions of pre-AIA 35 U.S.C. 317(b) apply, even though issues unrelated to invalidity were remanded in the present case.¹⁷

Fairchild, not *Fresenius*, Governs the Application of Pre-AIA 35 U.S.C. 317(b)

The requester asserts in its opposition that “[i]t is . . . well settled under Federal Circuit precedent that an appeal has not terminated if the action is remanded for further proceedings involving that patent, even if in the same decision the Federal Circuit affirms a district court finding of no invalidity.” As support for its argument, the requester points to the Federal Circuit’s opinion in *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013), citing *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573 (1994). The requester argues that the facts in *Fresenius* are similar to those of the present case, because the Federal Circuit has remanded the present case to the district court with instructions to hold a new trial on infringement and damages.

The issue in the present case, however, is whether the district court’s judgment is final *for purposes of appeal*. In *Fresenius*, the Federal Circuit expressly stated that the district court’s judgment in that case was final *for the purposes of appeal*, even though the judgment was not final with respect to the preclusive effect of that judgment.

The issue in *Fresenius* was whether the district court’s judgment in *Fresenius* was final for the purposes of *res judicata*, not for the purposes of appeal. The Federal Circuit in *Fresenius* expressly stated (emphasis added):¹⁸

It is important here to distinguish between different concepts of finality. “**Definitions of finality cannot automatically be carried over from appeals cases to preclusion problems.**” See 18A Charles A. Wright, Arthur R. Miller, & Edward H. Cooper, Federal Practice and Procedure § 4432 (2d ed. 2002) . . . [W]hile the district court in 2007 entered a judgment final for the purposes of appeal, and that judgment might have been given preclusive effect in another infringement case between these parties, it was not sufficiently final to preclude application of the intervening final judgment in [the parallel reexamination].”

¹⁷ The court in *VirnetX II* also noted (931 F.3d at 1375, footnote 8):

Moreover, there is no indication that Congress considered the type of review contemplated in *Mercer* as part of the definition of a regular appeals process for reaching a “final decision” on invalidity. This is of no surprise given the statute is trained on the finality of a particular issue, rather than finality of the entire case.

¹⁸ *Fresenius*, 721 F.3d at 1340-41.

See also *VirnetX II*, in which the Federal Circuit explained (internal citations omitted)(emphasis in bold added):¹⁹

... *Fresenius* concerned an entirely different issue involving res judicata from a “final judgment.” Even within the distinct realm of res judicata, *Fresenius* took great care to “distinguish between different concepts of finality” ...

***Fresenius*’s analysis of a “final judgment” for purposes of res judicata does not instruct our understanding of a “final decision” for purposes of § 317(b) estoppel. Indeed, it only underscores why we must follow *Fairchild*. *Fairchild* found estoppel absent a final judgment.** Indeed, after multiple other issues in the litigation, including infringement and damages for certain patents, were remanded, *Fairchild* concluded nonetheless that there was a “final decision” on the narrow issue of invalidity—which is all that the statute requires to trigger estoppel. **The reasoning in *Fairchild*, not *Fresenius*, governs our application of § 317(b).**

Pre-AIA 35 U.S.C. 317(b) was not at issue in *Fresenius*. Pre-AIA 35 U.S.C. 317(b) specifically applies to *inter partes* reexamination proceedings, not to *ex parte* reexamination proceedings. In *Fresenius*, the reexamination at issue was an *ex parte* reexamination, not an *inter partes* reexamination. In contrast, the present case involves an *inter partes* reexamination proceeding, and the issue in the present case is whether the district court’s decision is final within the meaning of pre-AIA 35 U.S.C. 317(b).

For all of the reasons set forth above, the holding in *Fresenius* with respect to the preclusive effect of an earlier district court judgment is not relevant to the issue of whether the district court’s decision is final within the meaning of 35 U.S.C. 317(b).²⁰ *Fairchild*, not *Fresenius*, governs the application of pre-AIA 35 U.S.C. 317(b).

Element 2 Has Been Shown to Have Been Satisfied

For all of the reasons set forth above, element 2, upon reconsideration, has been sufficiently shown to have been satisfied with respect to claims 1-9 of the ’135 patent in view of the Federal Circuit opinions in *Fairchild* and *VirnetX II*.

¹⁹ *VirnetX II*, 931 F.3d at 1376-77.

²⁰ The requester also quotes an earlier Office decision in an unrelated reexamination proceeding, control no. 95/000,020 (*In re Campana*) to support its position that a Federal Circuit decision remanding a civil action for further proceedings is not a “final decision” within the meaning of pre-AIA 35 U.S.C. 317(b): “[A] ‘final decision’ will not take place until after the district court completes the further work it was ordered to do and any subsequent appeals from its decision are exhausted” (see the September 16, 2005 Office decision in reexamination proceeding control no. 95/000,020, page 8). “The Federal Circuit decision is not a ‘final decision’ because, the Federal Circuit vacated and remanded to the District Court for more work to be performed on one of the issues before the Court on appeal.” *Id.*, page 5. The Office, however, does not follow this reasoning set forth in the petition decision in *In re Campana*. As explained by the *Fresenius* court, the district court’s judgment in *Fresenius* was final for the purposes of appeal, but was not final for preclusion purposes. “Definitions of finality cannot automatically be carried over from appeals cases to preclusion problems.” *Fresenius* at 1341. See also *VirnetX II*, quoted above.

Prosecution of Claims 1-9 of the '135 Patent Is Hereby Terminated

For all of the reasons set forth above, patent owner's June 2, 2017 renewed petition under 37 CFR 1.182 to terminate reexamination of claims 1-9 of U.S. Patent No. 6,502,135 (the '135 patent) pursuant to pre-AIA 35 U.S.C. 317(b) in *inter partes* reexamination proceeding control number 95/001,682 (the '1682 proceeding) is **granted**.

The estoppel provisions of pre-AIA 35 U.S.C. 317(b) apply to any rejection of claims 1-9 of the '135 patent in the '1682 proceeding. Any rejection which is presently applied against claims 1-9 of the '135 patent, i.e., the patent under reexamination, in the '1682 reexamination proceeding **will not be further maintained by the Office**. No further rejection of claims 1-9 of the '135 patent **will be made** in the '1682 reexamination proceeding.

The determination in this decision not to maintain, in the '1682 reexamination proceeding, any rejection of claims 1-9 of the '135 patent is made pursuant to the estoppel provisions of pre-AIA 35 U.S.C. 317(b), and **is not a “non-adoption of” or a “determination not to make” such a rejection within the meaning of 37 CFR 41.61**. For this reason, any notice of appeal or cross-appeal of the present determination in the '1682 reexamination proceeding not to make or maintain a rejection of claims 1-9 of the '135 patent will be held to be **defective**.

Prosecution in the '1682 reexamination proceeding with respect to claims 10-18 of the '135 patent **will continue**. The '1682 reexamination proceeding will be forwarded to the Central Reexamination Unit (CRU) for processing and issuance of a new Right of Appeal Notice (RAN) consistent with this decision.

CONCLUSION

- Patent owner's June 2, 2017 petition to terminate reexamination of claims 1-9 of U.S. Patent No. 6,502,135 (the '135 patent) pursuant to pre-AIA 35 U.S.C. 317(b) in *inter partes* reexamination proceeding control number 95/001,682, is **granted**.
- The estoppel provisions of pre-AIA 35 U.S.C. 317(b) apply to any rejection of claims 1-9 of the '135 patent in the '1682 proceeding. Any rejection which is presently applied against claims 1-9 of the '135 patent, i.e., the patent under reexamination, in the '1682 reexamination proceeding **will not be further maintained by the Office**. No further rejection of claims 1-9 of the '135 patent **will be made** in the '1682 reexamination proceeding.
- The determination in this decision not to maintain, in the '1682 reexamination proceeding, any rejection of claims 1-9 of the '135 patent is made pursuant to the estoppel provisions of pre-AIA 35 U.S.C. 317(b), and **is not a “non-adoption of” or a “determination not to make” such a rejection within the meaning of 37 CFR 41.61**. For this reason, any notice of appeal or cross-appeal of the present determination in the '1682 reexamination proceeding not to make or maintain a rejection of claims 1-9 of the '135 patent will be held to be **defective**.

- Prosecution in the '1682 reexamination proceeding with respect to claims 10-18 of the '135 patent **will continue**. The '1682 reexamination proceeding will be forwarded to the Central Reexamination Unit (CRU) for processing and issuance of a new Right of Appeal Notice (RAN) consistent with this decision.
- Telephone inquiries related to this decision should be directed to the undersigned at (571) 272-7724.

/Cynthia L. Nessler/

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Office of Patent Legal Administration

October 15, 2019