

No. 19-832

IN THE
Supreme Court of the United States

APPLE INC.,
Petitioner,

v.

VIRNETX INC., LEIDOS, INC.,
Respondents.

**On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit**

BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

The questions presented are:

1. Whether the expert's estimate of patent-infringement damages satisfied the requirement that patent damages must be apportioned to the value provided by the infringed patents.
2. Whether Apple demonstrated intervening circumstances warranting reconsideration of the damages judgment once the Federal Circuit issued decisions upholding the validity of patent claims that Apple infringes, where Apple conceded below that those claims fully support the entire damages award.

PARTIES TO THE PROCEEDINGS BELOW

Petitioner Apple Inc. was the defendant in the district court and the appellant in the court of appeals. Respondents VirnetX Inc. and Leidos, Inc., were the plaintiffs in the district court and the appellees in the court of appeals.

Cisco Systems, Inc., was a defendant in the district court. It did not participate in the proceedings before the court of appeals.

CORPORATE DISCLOSURE STATEMENT

Pursuant to this Court's Rule 29.6, respondent VirnetX Inc. states that it is a subsidiary of VirnetX Holdings Corp. and that no other company owns 10% or more of its stock. Respondent Leidos, Inc. states that it is a subsidiary of Leidos Holdings, Inc. and that no other company owns 10% or more of its stock.

STATEMENT OF RELATED PROCEEDINGS

There are no related proceedings, within the meaning of Rule 14.1(b)(iii), beyond those identified in the petition.

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BRIEF IN OPPOSITION

STATEMENT

VirnetX develops software for establishing secure communications over the Internet. It holds U.S. Patent Nos. 7,418,504 ('504 patent); 7,921,211 ('211 patent); 6,502,135 ('135 patent); and 7,490,151 ('151 patent). Apple no longer disputes that it incorporated VirnetX's technology into its products, infringing VirnetX's patents. This case, pending for more than a decade, has been the subject of *three* trials and *two* appeals. In each trial, the jury found against Apple. The district court found Apple had engaged in "gamesmanship" to stall proceedings. Pet.App. 63a, 71a-72a. Long ago, the Federal Circuit upheld the patents' validity in a decision Apple nowhere

challenges. Pet. App. 102a-103a. And the Federal Circuit now has affirmed the entire judgment, in an unpublished, one-word, summary order.

Apple invokes parallel administrative proceedings before the Patent and Trademark Office (“PTO”), arguing that the PTO has “invalidated” the asserted patent claims. But Apple elides the fact that—in three separate decisions—the Federal Circuit *overturned* PTO decisions purporting to find the asserted claims of the ’135 and ’151 patents and an asserted claim of the ’504 patent unpatentable. None of those claims have been “invalidated,” let alone cancelled by the PTO. Critically, Apple agreed below that those surviving claims *fully support* the damages award.

Apple also challenges the apportionment of damages as inconsistent with *Garretson v. Clark*, 111 U.S. 120 (1884). But Apple *prevailed* on apportionment arguments in its first appeal. In this latest appeal, the Federal Circuit properly affirmed when Apple failed to raise any meritorious or properly preserved apportionment challenge. Apple mischaracterizes Federal Circuit precedent. Its challenge has nothing to do with apportionment (*i.e.*, ensuring damages are not awarded on unpatented features of products); it concerns the fact-bound question of whether the prior licenses introduced at trial are reasonable comparators of the proper royalty rate. The petition presents no issue warranting review and is plagued by fatal defects regardless.

I. STATUTORY AND REGULATORY FRAMEWORK

A. The Patent Act

Under the Patent Act, the inventor of a “new and useful process, machine, manufacture, or composition of matter” may obtain a patent. 35 U.S.C. §101. Anyone

who, without permission, “makes, uses, offers to sell, or sells any patented invention” in the United States is an infringer and may be liable for damages, including a reasonable royalty. *Id.* §271(a).

Accused infringers may defend by challenging the patent’s validity. But invalidity is an affirmative defense that must be proved by clear-and-convincing evidence. *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 95 (2011).

B. Patent Cancellation in Inter Partes Reexamination or Review

Although invalidity can be raised as a defense in district court infringement actions, Congress has created procedures for challenging and seeking cancellation of patents at the PTO. Under the American Inventors Protection Act, Pub. L. 106-113, 113 Stat. 1501 (1999), parties could “file a request for inter partes reexamination” based on certain types of “prior art.” 35 U.S.C. §311(a) (2006). The America Invents Act replaced inter partes reexamination with “inter partes review.” See America Invents Act, Pub. L. 112-29, 125 Stat. 284 (2011). That procedure allows a person to petition the PTO “to cancel as unpatentable 1 or more claims of a patent” on specified grounds. 35 U.S.C. §311(a)-(b) (2018).

Under either procedure, the PTO may issue a “certificate canceling any claim of the patent finally determined to be unpatentable,” but cannot do so until “the time for appeal has expired or any appeal proceeding has terminated.” 35 U.S.C. §316(a) (2006); see 35 U.S.C. §318(b) (2018). Thus, patent cancellation occurs only after judicial review—and will never occur if the PTO’s unpatentability decision is reversed.

II. PROCEEDINGS BELOW

This dispute arises out of Apple’s infringement of VirnetX’s patents for secure communications technologies. It spans three district court trials and two Federal Circuit appeals. It also involves three related appeals from PTO proceedings.

A. VirnetX’s Patented Technology for Secure Internet Communications

While at Science Applications International Corp., the inventors sought to address capacity shortages on U.S. military satellites by developing secure systems for using civilian satellites. C.A.App. 1256-1257.¹ They built “netEraser,” which created secure “virtual private networks” (“VPNs”) over unsecure networks. C.A.App. 1257. The netEraser VPN, however, was difficult to use. C.A.App. 1263-1264. Users had to configure myriad “parameters,” such as encryption keys and cryptographic certificates. *Ibid.*

The innovation at issue here overcame those barriers, making secure communications easy to use. C.A.App. 1263-1265. Ordinary use of the Internet involves typing domain names (like www.yahoo.com) into a web browser. C.A.App. 1271-1273. Ordinarily, a domain name system (“DNS”) translates that “name” into the numerical internet protocol addresses (“IP addresses”), which computers need to send each other data. *Ibid.* The innovation here allows users to enter a domain name. But a separate DNS-like system recognizes when secure communications are sought, and establishes secure links automatically, without further user action.

¹ All record citations are to the appendix and docket entries from Federal Circuit Case No. 18-1197 unless otherwise noted.

The '135 and '151 patents disclose a “DNS proxy server” that “creates a virtual private network in response to a domain name inquiry.” C.A.App. 348-364. When a user types a domain name into a web browser, the user’s computer sends a request to the DNS to translate that domain name into an IP address that can be used for direct data transmission. C.A.App. 364. The “DNS proxy server” “intercept[s]” that request, and determines whether the user seeks access to a secure Internet resource. *Ibid.* If so, it automatically creates a VPN between the user’s computer and that secure resource. *Ibid.*

The second invention, disclosed in the '504 and '211 patents, is a “technique * * * for establishing a secure communication link” between two computers over the Internet. C.A.App. 219. Users access a “secure domain name service” (“SDNS”). C.A.App. 241-242. But the SDNS determines whether it supports establishing a secure link with the other computer and, if so, provides an indication to that effect. C.A.App. 167; see C.A. App. 242. The SDNS facilitates exchange of parameters necessary for establishing secure communications (*e.g.*, a secure call over the Internet). C.A. App. 241.

B. The First Trial and Appeal

VirnetX filed this infringement action in 2010, alleging that the “VPN on Demand” feature of Apple devices, which creates VPNs automatically, infringes the '135 and '151 patents. Pet.App. 5a. VirnetX also alleged that Apple’s FaceTime, which enables secure voice and video calls, infringes the '504 and '211 patents. *Ibid.* In 2012, a jury found that the asserted claims were not invalid, and that VPN on Demand and FaceTime infringed. Pet.App. 79a. It awarded \$368 million. *Ibid.*

In 2014, the Federal Circuit upheld the patent claims' validity, Pet.App. 102a-103a, and found the '135 and '151 patents infringed by VPN on Demand, Pet.App. 79a-80a ("*VirnetX I*"). The court remanded for a new trial on FaceTime's infringement. Pet.App. 85a-92a. It also vacated the damages award on apportionment grounds. Pet.App. 105a-125a. The court surveyed the law, starting with *Garretson v. Clark*, 111 U.S. 120 (1884). Pet.App. 107a-112a. It found that the jury instructions erroneously suggested that patent royalties could be based on the entire price of an infringing device if the device "constitutes the smallest salable unit containing the patented feature." Pet.App. 110a.

The Federal Circuit found that VirnetX's damages evidence had a similar defect. Pet.App. 113a. VirnetX had calculated damages based on prior licenses for its patents. Pet.App. 105a. VirnetX's expert had analyzed those licenses, and determined that prior licensees had paid about 1% of the price of their product as a royalty. Pet.App. 116a-117a. VirnetX's expert therefore estimated that, in a hypothetical negotiation, Apple and VirnetX would have agreed to a royalty rate of 1% of the price of Apple's infringing devices. *Ibid.*

On appeal, Apple did not argue that the Apple device features that use VirnetX's technology somehow employ it *differently* than the prior licensees. Apple Br. 61-63 in No. 13-1489 (Fed. Cir.). Nor had it made any such argument in seeking to exclude VirnetX's damages expert under *Daubert* in district court. See D.Ct.Dkt. 445 at 2-10 in No. 10-cv-417 (E.D. Tex.). It argued that applying the naked percentage rate derived from prior licenses to Apple's more expensive and more heavily featured devices awarded damages (a royalty) on Apple device features that are not covered by, and do not infringe, Vir-

netX's patents. Pet.App. 113a-115a; Apple Br. 56-58 in No. 13-1489 (Fed. Cir.). The Federal Circuit agreed. Because that percentage method risked imposing a royalty on "the vast number of non-patented features contained in the accused products," Pet.App. 115a-116a, the methodology did not "comport[] with settled principles of apportionment," Pet. App. 113a.

Apple also argued that the six prior licenses VirnetX relied on "were not sufficiently comparable to the license" Apple would have negotiated. Pet.App. 116a. Apple argued that some prior licenses conveyed more rights—covering more patents, or granting a software license—than what Apple would have sought. Pet.App. 116a-117a. Apple did not argue, however, that prior licensees used the technology so differently than Apple's infringing features that the licenses could not be used to calculate royalty rates. It did not contend that the licenses' origins in litigation settlements made them inapposite. Apple Br. 61-63 in No. 13-1489 (Fed. Cir.).

The Federal Circuit rejected Apple's challenge to reliance on the licenses. Pet.App. 119a. It observed that, of the six licenses VirnetX relied on, four "relate[d] to the actual patents-in-suit, while the others were drawn to related technology." Pet.App. 117a-118a. It also found that "the other differences that Apple complain[ed]" of did not render the licenses so dissimilar as to preclude reliance on them. *Ibid.* Those differences had been properly "presented to the jury, allowing the jury to fully evaluate the relevance of the licenses." Pet.App. 118a.

C. Retrials in District Court

In 2016, the district court held a second trial on remand issues (and additional infringement claims against newer versions of Apple's products). Pet.App. 6a. VirnetX relied on a new damages model that eliminated

the prior apportionment defect. VirnetX's expert identified the licensed products most similar to Apple's devices—mainly, “IP phones” supporting secure voice and video calls over the Internet like Apple's FaceTime and VPN-on-Demand features—and accounted for differences in license terms (such as cross-licenses). C.A.App. 1784-1785; see D.Ct.Dkt. 542-2 at ¶¶116-120. However, he did not calculate a percentage royalty based on the price of Apple's products, avoiding the risk of imposing a royalty on Apple features that do not utilize VirnetX's patents. Instead, he used prior licenses to estimate the “dollar value” of the patented secure-communications technology apart from the price of Apple's (or anyone else's) devices. VirnetX C.A.Br. 44-46, 48-50; see C.A.App. 1778, 1952-1953. In particular, he calculated the dollar value that prior licensees paid for that secure-calling technology, and determined that Apple would have paid no less. VirnetX C.A.Br. 49.

Apple unsuccessfully sought exclusion of VirnetX's damages model on apportionment grounds, but never argued that the features of its products that employ VirnetX's patented technology (FaceTime and VPN on Demand) use it differently, or to a lesser degree, than the licensed products. See D.Ct.Dkt. 217-1, D.Ct.Dkt. 243-1, and D.Ct.Dkt. 323 in No. 12-cv-855 (E.D. Tex.). Instead, Apple argued that VirnetX's expert should have adjusted the dollar value of prior licenses in view of other considerations. D.Ct.Dkt. 217-1 at 1-2 in No. 12-cv-855 (E.D. Tex.). After trial, the jury again found for VirnetX. Pet.App. 6a. But the district court vacated the verdict, finding that Apple had been prejudiced by references to the first trial's verdict. *Ibid.*

When a third trial was held, VirnetX prevailed again. The jury found that FaceTime infringed the '504 and '211 patents, and awarded \$302 million. Pet. App. 6a-8a.

The district court enhanced a portion of the damages under 35 U.S.C. §284 because Apple had willfully infringed and engaged in “litigation misconduct.” Pet. App. 51a, 65a. The court found that Apple had improperly attempted to delay court proceedings, “repeatedly” seeking to “stay the litigation,” “even after receiving adverse rulings from the Court,” and after the Federal Circuit had upheld the jury’s no-invalidity finding. Pet. App. 63a. Finding this case “exceptional,” the court awarded VirnetX attorney’s fees. Pet. App. 71a. It again cited Apple’s meritless stay requests, as well as other “gamesmanship.” Pet. App. 71a-72a.

D. Parallel PTO Proceedings

About a year after trial-court proceedings began, Apple and other parties filed petitions in the PTO challenging the patents VirnetX had asserted against Apple. See *VirnetX Inc. v. Apple Inc.*, 931 F.3d 1363, 1364 (Fed. Cir. 2019) (“*Apple/Cisco Reexamination*”); *VirnetX Inc. v. Cisco Sys., Inc.*, 776 F. App’x 698, 699 (Fed. Cir. 2019) (“*Cisco Reexamination*”). In 2016, the PTO determined that the claims of the '504 and '211 patents infringed by FaceTime were unpatentable. See *Apple/Cisco Reexamination*, 931 F.3d at 1368 ('504 and '211 patents); *Cisco Reexamination*, 776 F. App’x at 701 ('504 patent).

In 2015, Mangrove Partners challenged the '135 and '151 patents infringed by VPN on Demand as unpatentable. *VirnetX Inc. v. Mangrove Partners Master Fund, Ltd.*, 778 F. App’x 897, 900 (Fed. Cir. 2019). Apple filed a nearly identical petition that was consolidated with Mangrove’s (even though a prior Apple petition was rejected

as time-barred). *Id.* at 900-901. In 2016, the PTO found those claims unpatentable. *Id.* at 901.

VirnetX appealed. The appeals were organized into three proceedings: (1) the *Cisco Reexamination* appeal concerning the '504 patent infringed by FaceTime, 776 F. App'x 698; (2) the *Apple/Cisco Reexamination* appeal addressing the '211 and '504 patents infringed by FaceTime, 931 F.3d 1363; and (3) the *Mangrove* appeal addressing the '135 and '151 patents infringed by VPN on Demand, 778 F. App'x 897.

E. The Federal Circuit Affirms the District Court's Judgment But Overturns the PTO Decisions in Relevant Part

Notwithstanding a one-year delay in entering judgment after the third trial, Apple's appeal from the district court reached the Federal Circuit while VirnetX's appeals from PTO proceedings were still being briefed. Following repeated efforts by Apple to delay the appeal in this case, the Federal Circuit—recognizing that this case and the *Apple/Cisco Reexamination* and *Mangrove* appeals concerned the same patents and claims—ordered that they be coordinated for argument. C.A. Dkt. 50; see pp. 12-14, *infra*. Those appeals were argued in January 2019 before the same panel (Prost, C.J.; Moore and Reyna, J.). The *Cisco Reexamination* appeal, to which Apple was not a party, proceeded separately.

1. The Federal Circuit Summarily Affirms the District Court's Judgment

Following argument on January 15, 2019, the Federal Circuit summarily affirmed the district court's decision without opinion. Pet.App. 1a-2a. As explained above, VirnetX's expert had calculated the "dollar value" that prior licensees paid for VirnetX's patented secure-

communications feature. See pp. 7-8, *supra*. Challenging that methodology, Apple urged that “apportionment” required additional, unspecified adjustments to the prior-license royalty rates. Apple C.A.Br. 40-48. It insisted that VirnetX had “ignor[ed] * * * sharp differences” between the prior licenses and any license Apple might have sought. *Id.* at 40, 43. Citing *Garretson* in passing, *id.* at 40, it argued that it had more complex products, and some prior licenses gave rights to more patents for a longer period of time. *Id.* at 45-47.

As VirnetX pointed out, however, Apple utterly failed to show that the methodology asked it to pay a royalty for Apple features that did not use VirnetX’s technology. VirnetX C.A.Br. 45-47, 49-50. If Apple included features in its phones that were absent from those of prior licensees, it explained, any “‘extra revenue’” from those features went “‘to Apple.’” *Ibid.* (quoting C.A.App. 1952). Apple’s arguments went to its claim that the dollar amounts of *prior licenses* should be adjusted. *Id.* at 51-52. But Apple did not explain “‘which ‘special circumstances’ and ‘sharp differences’ went unaddressed.” *Ibid.* Moreover, while the prior licenses Apple attacked were the same or indistinguishable from those in the prior appeal, Apple had failed to raise purported distinctions in that appeal or in a *Daubert* challenge below.² The arguments were therefore foreclosed. *Id.* at 53.

At oral argument, Apple urged that affirmances in three PTO appeals—the *Mangrove*, *Cisco Reexamination*, and *Apple/Cisco Reexamination* appeals—would

²VirnetX’s expert had used four of the six licenses at issue in *VirnetX I*, Pet.App. 117a-119a, plus two more that were indistinguishable, VirnetX C.A.Br. 44.

require the damages judgment to be vacated. Oral Arg. Recording 0:36-3:52, 38:42-41:20. But Apple had conceded that damages would be the “same” for each feature, regardless of the number of patent claims each infringed. D.Ct.Dkt. 1036 at 70 (closing statement); see Oral Arg. Recording 1:33-2:02, 26:16-27:10. Thus, Apple had no answer to the panel’s observation that damages “[would]n’t [be] affect[ed] * * * at all” so long as at least one infringed claim covering VPN on Demand, and one covering FaceTime, remained intact. Oral Arg. Recording 40:59-41:11.

A week after argument, the Federal Circuit affirmed without opinion under Federal Circuit Rule 36. Pet. App. 1a-2a. Apple sought rehearing. C.A.Dkt. 78. Apple also urged the court to hold its rehearing petition pending decisions in the *Mangrove*, *Cisco Reexamination*, and *Cisco/Apple Reexamination* appeals, asserting those decisions might result in cancellation of every claim infringed by FaceTime, VPN on Demand, or both. *Id.* at 16-18. The Federal Circuit held Apple’s petition pending those appeals.

2. *The Federal Circuit Overturns the PTO in Critical Part in the Cisco Reexamination Appeal*

In June 2019, with Apple’s rehearing petition in this case still pending, the Federal Circuit decided the *Cisco Reexamination* appeal. It vacated the PTO’s finding that claim 5 of the ’504 patent—infringed by FaceTime—was unpatentable, holding that the PTO failed to consider VirnetX’s arguments. 776 F. App’x at 704. The court upheld other PTO unpatentability findings. *Id.* at 698.

Apple filed a supplemental brief in this case, urging that the *Cisco Reexamination* decision should be given “collateral estoppel” effect. C.A.Dkt. 86 at 1-13. Apple

urged VirnetX should be precluded from asserting that any claim of the '504 and '211 patents is patentable. *Ibid.* If the court agreed, Apple argued, damages in this case should be “recalculate[ed]” so as to cover only VPN on Demand. *Id.* at 14-15. But Apple conceded that recalculation would be necessary only if the court held that “*all claims* of the '504 and '211 patents asserted against Apple * * * (including claim 5 of the '504 patent)” were unpatentable. *Ibid.* (emphasis added). That, however, had not happened.

3. *The Federal Circuit Overturns the PTO in the Mangrove Appeal*

In July 2019, the Federal Circuit decided the *Mangrove* appeal involving the '151 and '135 patents infringed by VPN on Demand. The panel vacated all of the PTO's unpatentability findings, holding that the PTO's claim construction was erroneous and its findings were unsupported by substantial evidence. 778 F. App'x at 905-906. It also held that the PTO erred in refusing VirnetX discovery on a potentially case-dispositive issue. *Id.* at 901-904.

4. *The Federal Circuit Overturns the PTO in Critical Part Again in the Apple/Cisco Reexamination Appeal*

On August 1, 2019, the Federal Circuit decided the *Apple/Cisco Reexamination* appeal involving the '504 and '211 patents infringed by FaceTime. The same panel that heard this case vacated PTO findings that several claims, including claim 5 of the '504 patent, were unpatentable. 931 F.3d at 1378. It held that a statutory estoppel provision barred Apple from challenging those claims before the PTO after having lost its validity challenge in this case years before. *Id.* at 1369-1378; see

pp. 5-6, *supra*. The court upheld unpatentability findings regarding other claims. 931 F.3d at 1379-1380.

The court rejected as “unpersuasive” Apple’s argument that “collateral estoppel” required it to find all claims of the ’504 patent unpatentable. 931 F.3d at 1378 n.15.

5. *The Federal Circuit Denies Apple’s Motion To File a Successive Rehearing Petition*

The Federal Circuit’s review of PTO proceedings left intact all claims of the ’135 and ’151 patents (infringed by VPN on Demand) and claim 5 of the ’504 patent (infringed by FaceTime). Apple had conceded that, unless *all* claims underlying the infringement findings for each feature were cancelled, damages would be unaffected. See pp. 12-13, *supra*. Accordingly, on August 1, 2019, after holding Apple’s rehearing petition for six months pending the three PTO appeals, the Federal Circuit denied rehearing. Pet.App. 129a.

On August 7, 2019, Apple filed a motion for leave to file a second rehearing petition. C.A. Dkt. 98. Apple conceded that “claim 5 of the ’504 patent *does not currently stand* invalidated.” C.A. Dkt. 99-2 at 6 (emphasis added). It also conceded that “redetermination of damages” would be required only if “*all* asserted claims of two of the patents—the ’504 and ’211 patents” were held “unpatentable” by the Federal Circuit. *Id.* at 3. Apple sought to overturn the judgment against it on the theory that “VirnetX is collaterally estopped from asserting the patentability of claim 5 of the ’504 patent” based on a decision addressing a *different* claim in a *different* patent in a *different* proceeding. *Id.* at 3-4. Alternatively, Apple asked its second rehearing petition to be held pending resolution of still other PTO proceedings relating to the

patents. *Id.* at 16-17. The Federal Circuit denied Apple's request. Pet.App. 126a-127a.

REASONS FOR DENYING THE PETITION

Apple seeks review of the unpublished, one-word summary affirmance below by inventing rationales and supposed legal rules the Federal Circuit never adopted. Contrary to Apple's insistence, the Federal Circuit has not created an "exception" to the apportionment requirement when a patentee relies on prior license. Apple simply failed to show any apportionment defect. Indeed, it repeatedly waived the challenges it now seeks to raise.

Apple's assertion that the Federal Circuit ignored or believed it could ignore intervening legal changes is frivolous. Like all other courts, the Federal Circuit concededly follows the rule about intervening changes Apple advocates here, including in connection with patent cancellation. As the record here establishes, the court simply and properly understood that no development affects the damages judgment below. Apple's own concessions made that clear.

After 10 years of litigation, Apple has no plausible arguments for resisting the judgment. It continues the pattern of "gamesmanship" and delay that resulted in the district court enhancing damages below. The petition should be denied, and this case brought to a close.

I. THE FEDERAL CIRCUIT'S SUMMARY AFFIRMANCE PRESENTS NO ISSUE WARRANTING REVIEW

Consistent with *Garretson v. Clark*, 111 U.S. 120 (1884), the Federal Circuit requires patent damages to be "apportioned" to reflect the value the patented technology adds to the infringing product. Citing that decision, the Federal Circuit *reversed* the first jury verdict in this case. Based on the royalties in prior licenses, VirnetX's

expert had applied a 1% royalty to the entire price of Apple's devices. Because doing so risked imposing a royalty on additional "non-patented features contained in the accused" Apple products, Pet.App. 115a-116a, the Federal Circuit held that the methodology did not "comport[] with settled principles of apportionment," Pet.App. 113a.

VirnetX fixed that defect in succeeding trials. Apple therefore makes a different argument it styles as apportionment. Apple argues that prior licensees may have derived value from the patents that Apple does not. Apple hypothesizes (at 26-29) that prior licensees may have made more use of the technology, or used it differently, than the infringing features of Apple's devices. Apple thus argues that the *prior licenses* were not "apportioned" to reflect differences in use of the patented technology. Those arguments are waived. One searches Apple's *Daubert* motions in the trial court, or its appellate briefs, in vain for argument on how Apple's VPN-on-Demand feature or its FaceTime product uses the technology differently.

Apple, moreover, simply invents a rationale for the decision below: The Federal Circuit, it argues, *exempts* prior licenses from apportionment. But the Federal Circuit has never adopted any such exception. Apple simply failed to raise a meaningful apportionment argument, much less show that VPN on Demand and FaceTime use VirnetX's secure-communications technology differently than previously licensed products. The Court should not grant review to address a non-existent rule. And the Federal Circuit's one-line summary affirmance renders this a singularly inappropriate vehicle for review of the factbound issues Apple raises.

A. Apple’s Claim That the Federal Circuit Has Abandoned *Garretson*’s Apportionment Requirement Is Meritless

In *Garretson*, this Court held that a patentee cannot recover the entire profit from an infringing product as damages unless “the entire value of the whole machine * * * is properly and legally attributable to the patented feature.” 111 U.S. at 121. Otherwise, the patentee must “‘give evidence tending to separate or apportion the *defendant’s profits* and the *patentee’s damages* between the *patented feature* and the *unpatented features*.’” *Ibid.* (emphasis added).

1. Apple urges that the Federal Circuit has “created a new and unfounded exception” to *Garretson* that “absolv[es]” patentees “of the requirement to prove apportionment when they” rely on “prior licenses as proof of a reasonable royalty rate.” Pet. 18. That is false. Every case Apple invokes expressly recognizes the need for apportionment, even where the patentee uses comparable licenses. See *Elbit Sys. Land & C4I Ltd. v. Hughes Network Sys., LLC*, 927 F.3d 1292, 1301 (Fed. Cir. 2019) (“[Expert] testimony allowed the jury to find that the components at issue, for purposes of apportionment * * * were comparable to the components at issue in [a prior license]. * * * [H]is analysis could reasonably be found to incorporate the required apportionment.”); *Sprint Commc’ns Co. v. Time Warner Cable, Inc.*, 760 F. App’x 977, 983-984 (Fed. Cir. 2019), cert. denied (Nov. 4, 2019) (comparable licenses “reflected the incremental value of the inventions and thus satisfied the requirement of apportionment”); *Commonwealth Sci. & Indus. Research Organisation v. Cisco Sys., Inc.*, 809 F.3d 1295, 1303 (Fed. Cir. 2015) (“*CSIRO*”), cert. denied 136 S. Ct. 2530 (2016) (prior license had “built in apportionment” where

the parties had “negotiated over the value of the asserted patent, ‘and no more’”). The Court recently denied a petition raising highly similar arguments. See Pet. 14-29, *Time Warner Cable, Inc. v. Sprint Commc’ns Co.*, No. 19-211 (Aug. 15, 2019), cert. denied (Nov. 4 2019).

In this case, moreover, Apple obtained a *reversal* of a jury verdict in the first trial because the damages methodology did not properly apportion. That methodology used prior licenses. Pet.App. 113a-114a. Far from “re-ject[ing]” apportionment arguments simply because VirnetX had relied on comparable licenses, Pet. 19, the Federal Circuit in *VirnetX I* “agree[d]” with Apple that the damages verdict could not stand, Pet.App. 112a. Quoting *Garretson*, the court explained that “[n]o matter what the form of the royalty, a patentee must take care to seek only those damages attributable to the infringing features.” Pet.App. 108a (emphasis added). The methodology used in that first trial, the court held, did not apportion because it applied a percentage royalty to the entire price of an Apple device. It thus risked seeking the same 1% royalty on infringing and non-infringing features of Apple devices. Pet.App. 113a.

The methodology at issue here avoided that error. It sought the same dollar royalty for use of the patented technology by VPN on Demand and FaceTime even if Apple devices had a higher price or additional features. As VirnetX explained to the Federal Circuit, if Apple included features in its phones that were absent from those of prior licensees, any “‘extra revenue’” from those features went “‘to Apple.’” *VirnetX C.A. Br.* 46-47, 49-50 (quoting *C.A. App.* 1952). The royalty for Apple’s infringing VPN-on-Demand and FaceTime features is limited to the value *they* derive from the technology. The royalty, moreover, was based on prior licenses for using the same

VirnetX technology, in the same way, to the same end. See pp. 7-8, *infra*; Oral Arg. Recording 34:45-37:35.

2. Glossing over the Federal Circuit’s repeated confirmation that apportionment is required, Apple paints those cases as making “two analytical leaps” that create a “gaping * * * exception” to apportionment for prior licenses. Pet. 21, 23. That is incorrect.

Apple argued below that “*CSIRO* [is] *clear* that apportionment * * * is *mandatory*.” Apple C.A. Reply 18 (emphasis added); see Apple C.A.Br. 41, 45. Reversing course, Apple contends *CSIRO* creates an exception to the apportionment requirement by holding that, where parties “negotiated over the value of the asserted patent, ‘and no more,’” *a prior license* generally reflects “already built in apportionment.” 809 F.3d at 1303. Apple disputes *CSIRO*’s reasoning, claiming that “[t]here is no basis to assume that prior licenses necessarily apportion the value of patented technology.” Pet. 23.

This Court has long recognized that comparable prior licenses for a patented technology are “indicative of the value of what was taken” by infringement, and thus provide a “basis for measuring * * * damages.” *Dowagiac Mfg. Co. v. Minn. Moline Plow Co.*, 235 U.S. 641, 648 (1915); see *Rude v. Westcott*, 130 U.S. 152, 165 (1889); *Clark v. Wooster*, 119 U.S. 322, 326 (1886). Accordingly, the Federal Circuit has long held that comparable licenses often reflect the “value of use of the patented technology.” *Prism Techs. LLC v. Sprint Spectrum L.P.*, 849 F.3d 1360, 1370-1373 (Fed. Cir. 2017); see *Ericsson, Inc. v. D-Link Sys., Inc.*, 773 F.3d 1201, 1225-1226 (Fed. Cir. 2014); *Monsanto Co. v. McFarling*, 488 F.3d 973, 979 (Fed. Cir. 2007). *CSIRO* applies that principle and common sense: Licensees generally will not agree to pay *more* than the patented technology is worth.

Apple nevertheless claims that prior licenses may reflect considerations other than the value of the patented technology, such as the “business” concern of “avoid[ing] costly litigation.” Pet. 23. That has nothing to do with the concept of “apportionment” identified in *Garretson*. *Garretson* addressed the need to “‘apportion the defendant’s profits and the patentee’s damages between the patented feature and the unpatented features’” of the infringing device. 111 U.S. at 121. Here, Apple complains about apportioning the royalties paid *by prior licensees*.

Even for that, however, the Federal Circuit’s prior-license cases require that Apple’s hypothetical concerns be addressed. Only two sentences after explaining that prior licenses *may* reflect “built in apportionment”—where the prior licensee negotiated for the patented technology “‘and, no more’”—*CSIRO* cautions that the analysis “*still* may need to adjust the negotiated royalty rates to account for other factors.” 809 F.3d at 1303 (emphasis added). Indeed, *CSIRO* overturned a damages award because the district court “failed to account for” value that had “artificially accrue[d] to the patent” due to its inclusion in a technological standard. *Id.* at 1303-1305. And *CSIRO* observed—as Apple does here—that district courts should “consider how other factors, such as prospective litigation costs[,] * * * may have affected * * * royalty rates.” *Id.* at 1305 n.4. Apple’s own authority defies its contention that patentees are “absolv[ed]” of addressing such issues whenever prior licenses are used. Pet. 18.

Apple’s claim that *Elbit* and *Time Warner* took a “second leap” to jettison apportionment, Pet. 24, mischaracterizes those cases. Neither holds that prior licenses “in one end-product automatically satisf[y] apportionment requirements in a case about an *entirely*

different patent in an entirely different end-product.” Pet. 25. In *Elbit*, the plaintiff accused Hughes’s satellite terminals of infringing its patent on two-way satellite communications. 927 F.3d at 1296. Elbit’s damages expert relied on a license between Hughes and Gilat (another satellite company) covering terminals for an older, one-way communications system. *Id.* at 1300. Elbit provided “testimony [that] allowed the jury to find that the [accused] components * * * were comparable to the components at issue in the Gilat-Hughes agreement.” *Id.* at 1301. Elbit’s expert increased the Gilat royalty rate by 20% to reflect the greater value of two-way communications, based on the defendant’s “statements” that two-way communications “provided a 20% increase in value over the old one-way system.” *Id.* at 1300-1301. Elbit’s expert further “accounted for the fact” that the Gilat agreement “was a [litigation] settlement.” *Id.* at 1300.

Elbit rejected Hughes’s apportionment challenge, 927 F.3d at 1300, but not because of a supposed rule that a prior license “*automatically* satisfie[s] apportionment requirements” in a case involving “an entirely different patent in an entirely different end-product.” Pet. 25 (emphasis altered). The court explained that the expert used the license as “his *starting point*.” 927 F.3d at 1301 (emphasis added). It was further “testimony” that “allowed the jury to find that the components at issue” were “comparable to the components at issue in the Gilat-Hughes agreement” “for purposes of apportionment.” *Ibid.* Apple claims a need for other “adjust[ments]” to “the rate of this prior license to satisfy apportionment,” Pet. 25, but the other side had “introduced no evidence that precluded” the expert’s findings, 927 F.3d at 1301.

Time Warner was not about comparable licenses at all. The district court had allowed Sprint to introduce evidence relating to a jury verdict in an “earlier, related case * * * against Vonage,” which (like Time Warner) infringed the patent in its “VoIP service.” 760 F. App’x at 980. The primary issues were whether evidence of the verdict was properly admitted, and whether it was proper for Sprint’s expert to “rel[y] on that verdict in calculating a reasonable royalty.” *Id.* at 980-983. Sprint had also introduced evidence of “two other licenses * * * for the same technology.” *Id.* at 983. The Federal Circuit cited those licenses as corroborating the “royalty rate” from the prior verdict. *Ibid.* All of them converged on “the same” figure of “\$1.37 per VoIP subscriber,” which “provide[d] strong support for Sprint’s argument that the damages award in this case reflected the incremental value of the inventions and thus satisfied the requirement of apportionment.” *Ibid.*

Apple argues the Federal Circuit should have demanded evidence “that the patented technology contributed” to each system “to the same degree,” speculating that it “could * * * have been the case that Time Warner’s network relied less—or more—on the technology.” Pet. 27. But the parties never made such arguments. The Federal Circuit cannot be faulted for making a “leap without evidence,” Pet. 26, on an issue no one raised.

3. *VirnetX I* proves the Federal Circuit has not created a “loophole” that allows patentees to evade apportionment by basing royalties on prior comparable licenses. Pet. 18. There, VirnetX relied on prior licenses. But the Federal Circuit reversed because the prior methodology failed to apportion, potentially imposing a royalty not only on the value of “the patented features”

but also “the vast number of non-patented features contained in the accused products.” Pet.App. 115a-116a.

The Federal Circuit did not affirm here because it reversed course and abandoned apportionment. Instead, VirnetX had *fixed* the apportionment problem Apple had complained of. On remand, VirnetX’s expert started with the same licenses the Federal Circuit found to be comparable in *VirnetX I*, isolating the products most similar to Apple’s devices—IP phones. VirnetX C.A.Br. 49-51; see C.A.App. 1783-1784. Contrary to Apple’s claim that IP phones “bear no resemblance to iPhones,” Pet. 28, the record showed that they use the patented technology the same way to provide the same features—easy-to-use secure calls and automatic VPN setup—as Apple’s VPN on Demand and FaceTime. C.A.App. 1783-1784. VirnetX’s expert then used the licenses to place a *dollar value* on those features—\$1.20 per device. C.A.App. 1783-1787.

That analysis does not evade apportionment; it *is* apportionment. It isolates “the incremental value of the patented feature” from the value of Apple’s “overall product.” *Ericsson*, 773 F.3d at 1228. Apple insists its products have more features, some of which do not use VirnetX’s technology. But it pays no additional royalties on account of those features, as VirnetX demonstrated. See pp. 7-8, *supra*.

This Court has long held that apportionment does not require “mathematical exactness.” *Dowagiac*, 235 U.S. at 647. It requires applying a methodology that produces a “rational separation” between the value belonging to the patentee and the value belonging to the infringer. *Ibid.* The patentee need only produce a “reasonable approximation” of patent value. *Ibid.* The Federal Circuit’s decisions—including those in this case—are consistent with those principles.

B. Apple’s Repeated Waivers Make This Unpublished Summary Affirmance an Exceptionally Poor Vehicle

Apple’s arguments are waived. Apart from repeating the word “apportionment,” Apple’s arguments in its petition bear no resemblance to what it argued below.

1. Apple offers two reasons for its claim that comparable licenses, such as those used by VirnetX here, fail to apportion damages. *First*, it argues that “prov[ing] apportionment” requires a patentee to provide additional “evidence” that the accused product uses the invention “to the *same degree*” as the licensed product, or adjust the royalty. Pet. 27 (emphasis altered); see Pet. 29. For example, a patent covering camera-flash technology may be worth more for film-camera manufacturers than digital-camera makers because digital cameras may “have other features that address low-light conditions.” Pet. 25.

Apple, however, *never* sought to exclude the damages model on those grounds below. Its *Daubert* motion in the first trial argued only that VirnetX’s methodology should be excluded because it relied on the entire price of Apple’s devices and overlooked certain *Georgia-Pacific* factors. See D. Ct. Dkt. 445 at 2-5, 7-8, 13-15 in No. 10-cv-417 (E.D. Tex.). That waives the argument. See *Stevenson v. E.I. DuPont De Nemours & Co.*, 327 F.3d 400, 403 (5th Cir. 2003). One also searches in vain for the arguments in Apple’s *VirnetX I* brief. See Apple Br. 60-63 in No. 13-1489 (Fed. Cir.). Apple could have raised its arguments then—the first trial involved the same or indistinguishable licenses. See *VirnetX C.A.Br.* 52-53. The failure to raise the argument in the first appeal thus waives it as well. See *Pease v. Rathbun-Jones Eng’g Co.*, 243 U.S. 273, 277 (1917); *VirnetX C.A.Br.* 53-54.

The arguments in Apple’s petition were absent from Apple’s succeeding *Daubert* motion as well. See D.Ct.Dkt. 323 at 3-7 in No. 12-cv-855 (E.D. Tex.). Apple’s *Daubert* motion before retrial complained that the prior licenses were expressed as a percentage of device price, and thus demanded “evidence” of how VirnetX “apportion[ed] the licenses” to exclude unpatented features of previously “licensed products.” *Id.* at 5-6 (alteration marks omitted). Apple argued for adjustments because the licenses gave rights to “other patents beyond the patents-in-suit.” *Id.* at 4. Apple’s current intensity-of-use argument—that FaceTime and VPN somehow use the patented technology differently or need it less—is nowhere to be found. Apple’s other argument, that licenses arising out of settlement agreements may be inflated by desire to “avoid costly litigation,” is likewise missing. Pet. 23. Those arguments are waived. See *Stevenson*, 327 F.3d at 403.

Moreover, Apple’s brief in the appeal below did not raise its intensity-of-use or different-use theory. Apple C.A.Br. 40-48. It raised other “apportionment” arguments—insisting that additional, unspecified adjustments were needed to account for the fact that the prior licenses involved “different circumstances,” or “sharp differences,” from any license Apple might need. *Id.* at 40, 43. Citing *Garretson* in passing, *id.* at 40, Apple complained that some licenses covered more patents for a longer period of time, *id.* at 45-47. When it came to supposed “differences in the licensed technologies,” Apple argued that its devices are more “complex” and have more “features” than previously licensed IP phones. *Id.* at 44-45. Those arguments are meritless for the reasons discussed above, see pp. 7-8, *supra*. As VirnetX explained, *additional* features beyond the infringing VPN-

on-Demand and FaceTime features did not result in additional royalties; damages were for the infringing features alone. See VirnetX C.A.Br. 45-47, 49-50. Regardless, Apple did not make the argument it advances now: that apportionment requires addressing the possibility that the licensed IP phones use the patented technology differently or more intensively than Apple’s VPN-on-Demand and FaceTime features. Apple raised it for the first time in its *rehearing petition*. C.A.Dkt. 78 at 10.³

Even here, while Apple faults VirnetX for failing “to show * * * the patents contributed to” its products in the same way it contributes to the IP phones in the licenses, Pet. 29, Apple points to no specific difference in how the previously licensed IP phones and FaceTime and VPN on Demand use VirnetX’s technology. This Court should not grant review of, and cannot reach, evidentiary arguments waived multiple times over below. See *Am. Surety Co. v. Baldwin*, 287 U.S. 156, 163 (1932).

Apple, moreover, addressed putative differences between the prior licensees and its technologies before the jury. Apple cross-examined VirnetX’s expert about the fact that the licenses were “settlement agreements,” arguing payments were inflated by the desire to avoid “the expense and risk of litigation.” D.Ct.Dkt. 1032 at 99-100 in No. 10-cv-417 (E.D. Tex.). Apple argued that an accused infringer with a more complex device might pay less than a prior licensee because the infringing device is “more richly featured,” making any particular fea-

³ Apple noted that the prior licenses were “settlement agreement[s],” Apple C.A.Br. 46, but that argument was by then doubly waived by the failure to raise it on *Daubert* and in the prior appeal.

ture less important. *Id.* at 107-111; see C.A. App. 1849-1850, 1857, 1866 (other comparability arguments). The jury, however, was not persuaded. While Apple makes myriad apportionment arguments, it never argues that the evidence at trial would have required every reasonable juror to find VirnetX's prior licenses too different to support the damages award. See *Reeves v. Sanderson Plumbing Prods., Inc.*, 530 U.S. 133, 150-151 (2000). This Court does not grant review to correct "erroneous factual findings" in any event. Sup. Ct. Rule 10.

2. Precisely because Apple failed to present a persuasive apportionment challenge, the Federal Circuit affirmed without a written opinion. Although Apple tries to spin the summary affirmance as a reason for review, it weighs profoundly against it. If the Federal Circuit had adopted the new across-the-board no-need-to-apportion rule, as Apple proposes, it would not have done so in an unpublished, one-word affirmance. Apple simply gave the Federal Circuit no reason "to articulate" a response to Apple's contentions because it failed to articulate a good reason to find damages not apportioned. Pet. 30. The absence of an opinion below also renders this case a poor vehicle for review. This Court does not have before it reasoned judicial analysis of the issue Apple seeks to raise. That weighs dispositively against granting certiorari. This is "a court of review, not of first view." *Cutter v. Wilkinson*, 544 U.S. 709, 718 n. 7 (2005).

II. THE FEDERAL CIRCUIT'S AFFIRMANCE OF THE JUDGMENT, WHERE NO ASSERTED CLAIMS HAVE BEEN CANCELLED, DOES NOT MERIT REVIEW

Apple also asks this Court to decide "whether intervening PTO invalidations apply in all pending cases, including appeals that remain pending at the rehearing or certiorari stage." Pet. i. Apple concedes that the rule

it invokes—that intervening changes in law apply to all cases pending on direct review—is “generally” followed across the circuits, including the Federal Circuit. Pet. 36-37. Apple complains about the rule’s application here. But Apple simply failed to identify an intervening development that undermines the damages award. Apple vaguely refers to PTO “invalidations” of patent claims, but elides the fact that the Federal Circuit *overturned* PTO decisions. As a result, Apple’s VPN on Demand and FaceTime each infringe at least one intact patent claim. And Apple conceded below that those claims support the entire damages award. That is why the court below did not vacate the damages award. Nothing supports Apple’s speculation that the Federal Circuit follows an unannounced rule that intervening legal developments cannot affect pending cases once a panel has ruled. Apple’s complaints about the court’s “docket management” are equally fact-bound and unfounded. Pet. 38.

A. Apple’s Fact-Bound Contention That the Court Below Erred in Applying Established Principles Lacks Merit

At bottom, Apple asks the Court to correct a perceived “error” in this case alone. Pet. 37. That is reason enough to deny review. See Sup. Ct. Rule 10. There is no error regardless.

1. “[I]ntervening PTO * * * invalidations” of issued patents, Apple argues, must be “appl[ied] in pending infringement cases,” at least “once those invalidations are affirmed on appeal.” Pet. 36. Apple then contends that the Federal Circuit’s decisions in *VirnetX Inc. v. Cisco Sys., Inc.*, 776 F. App’x 698 (Fed. Cir. 2019) (“*Cisco Reexamination*”), and *VirnetX Inc. v. Apple Inc.*, 931 F.3d 1363 (Fed. Cir. 2019) (“*Apple/Cisco Reexamination*”), require the judgment against Apple to be vacated and

damages “recalculate[d].” Pet. 36-37. But those two decisions *overturn* PTO findings that claim 5 of the ’504 patent—infringed by FaceTime—is unpatentable. See *Cisco Reexamination*, 776 F. App’x at 702-704; *Apple/Cisco Reexamination*, 931 F.3d at 1380. And another decision *overturns* PTO findings that the claims infringed by VPN on Demand are unpatentable. See *VirnetX Inc. v. Mangrove Partners Master Fund, Ltd.*, 778 F. App’x 897, 900 (Fed. Cir. 2019).

The entire damages award thus remains supported by claims that a jury—and the Federal Circuit—found valid years ago and that have not been cancelled since. Apple conceded below that the damages award stands so long as at least *one claim* infringed by FaceTime and *one claim* infringed by VPN on Demand remains. In particular, consistent with established principles, see *Catalina Lighting, Inc. v. Lamps Plus, Inc.*, 295 F.3d 1277, 1291-1292 (Fed. Cir. 2002), both sides agreed that damages should be awarded at the “same [per-unit] rate,” for an agreed number of units, regardless of which patents or how many claims each feature infringed, D.Ct.Dkt. 1036 at 70 (Apple’s closing statement) in No. 10-cv-417 (E.D. Tex.); see *id.* at 42-43; D.Ct.Dkt. 1033 at 73 in No. 10-cv-417 (E.D. Tex.). Apple also conceded on appeal that damages for FaceTime would have to be “recalculat[ed]” only if “*all claims of the ’504 and ’211 patents*”—“*including claim 5 of the ’504 patent*”—were cancelled. C.A.Dkt. 86 at 14-15 (emphasis added); see C.A.Dkt. 99-2 at 3 (similar); pp. 11-12, *supra* (citing oral argument). The *Cisco Reexamination*, *Apple/Cisco Reexamination*, and *Mangrove* decisions uphold claim 5 of the ’504 patent infringed by FaceTime and all claims of the ’135 and ’151 patents infringed by VPN on Demand. Those decisions

thus support—rather than undermine—the damages award.

2. Apple is deliberately vague about its legal theory, referring to PTO “invalidations” of patent claims. Pet. 34. But the (now repealed) portion of the Patent Act at issue here does not provide for PTO “invalidations.” The PTO can “cancel[]” patent claims found “unpatentable.” 35 U.S.C. §316(a) (2006). But cancelation may not occur until *after* the “time for appeal” has expired or judicial review has “terminated.” *Ibid.*⁴

Consistent with that provision, the Federal Circuit has held that, “[w]hen a claim is *cancelled*” under §316(a), a “patentee loses any cause of action based on that claim” in any “case[] still open on direct review.” *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1340-47 & n.11 (Fed. Cir. 2013) (emphasis added); see, e.g., *Prism Techs. LLC v. Sprint Spectrum L.P.*, 757 F. App’x 980, 987-988 (Fed. Cir. 2019). That holding reflects the statute, which provides for patent *cancellation* only once the requirements set out in §316(a) are met. See *Fresenius*, 721 F.3d at 1344-1346. Cancellation extinguishes a cause of action “not because of collateral estoppel, but because Congress has expressly delegated * * * authority to the PTO” that permits it “to *cancel* rejected claims.” *Id.* at 1344 (emphasis added).⁵

⁴ The same substantive limitation applies in inter partes review. See 35 U.S.C. § 318(b) (2018).

⁵ Apple never addresses § 316(a). It cites § 316(b) in discussing the effect of PTO “invalidation[s] of patent claims.” Pet. 35. But that provision does not concern cancellation. It addresses the effect of “*proposed amended or new claim[s]*” that have been “incorporated into a patent” through a § 316(a) certificate “following an inter partes reexamination.” § 316(b) (2006) (emphasis added).

Apple never urges that all claims found infringed have been cancelled. Its efforts to obtain those cancellations were overturned; intact claims still support the entire damages award. See pp. 28-30, *supra*. Apple argues about “intervening” changes, but the necessary changes have not (and may never) occur.⁶

3. Nor does collateral estoppel help Apple. Although Apple cites collateral-estoppel cases, see Pet. 36 (citing, *e.g.*, *XY, LLC v. Trans Ova Genetics*, 890 F.3d 1282, 1294 (Fed. Cir. 2018)), and invoked estoppel below, see C.A.Dkt. 86 at 1-4, 14; C.A.Dkt. 99-1 at 9-17, 19; C.A.Dkt. 99-2 at 1-4, 6-15, Apple’s *petition* never argues that collateral estoppel required the judgment against it to be vacated in light of PTO findings or judicial decisions reviewing them. There is good reason for that: Black-letter law forecloses that argument.

Collateral estoppel cannot be applied between proceedings involving “different legal standard[s].” *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1306 (2015). Findings made in PTO proceedings thus cannot be given preclusive effect in district-court actions. The PTO determines whether claims are unpatentable under “a preponderance of the evidence” standard. *Apple/Cisco Reexamination*, 931 F.3d at 1379. By contrast, in district court, invalidity must be proven by “clear and convincing evidence.” *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 95 (2011). That difference in legal standards renders collateral estoppel inapplicable. See *Grogan v. Garner*, 498 U.S. 279, 284-285 (1991).

⁶ To the extent Apple suggests PTO determinations have legal effect before judicial review “terminate[s],” § 316(a) (2006), it did not raise that argument below. Any such argument is waived.

4. Aware that the Federal Circuit has rejected challenges to claims that support the damages award, Apple in effect argues that the Federal Circuit erred in the *Apple/Cisco Reexamination* appeal. That decision upheld a PTO unpatentability finding regarding an unasserted claim of the '211 patent. See Pet. 10, 36. Arguing that unasserted claim is “indistinguishable” from claim 5 of the '504 patent, Apple contends that the '504 patent “too is invalid.” Pet. 36. But the Federal Circuit rejected that very argument as “unpersuasive” in the *Apple/Cisco Reexamination* appeal. 931 F.3d at 1378 n.15; see C.A.Dkt. 101 at 11-13.⁷ Apple chose not to seek this Court’s review of that decision within the time provided; it cannot collaterally attack it now.

Apple, moreover, identifies no principle that would allow claim 5 of the '504 patent to be treated as cancelled. It cites cases that, in the context of actions involving the *same legal standard*, have invoked “collateral estoppel” to invalidate claims indistinguishable from ones already invalidated. See, e.g., *Ohio Willow Wood Co. v. Alps S., LLC*, 735 F.3d 1333, 1342 (Fed. Cir. 2013) (two district-court actions). But that doctrine would not permit courts to treat claim 5 as “invalid” in this case based on a PTO finding, see p. 31, *supra*, even if the Federal Circuit had not rejected Apple’s argument already.

⁷ As VirnetX explained in that case, there are multiple, independent reasons why claim 5 of the '504 patent cannot be cancelled based on purported similarities to a claim of another patent. See C.A. Dkt. 105 at 9-19 in No. 17-1591 (Fed. Cir.); see also C.A. Dkt. 71 at 9-15 in No. 18-1751 (Fed. Cir.). Apple addresses none of those reasons here. It does not even attempt to show that the Federal Circuit erred in finding its arguments “unpersuasive.” 931 F.3d at 1378 n.15.

Apple’s speculation that the Federal Circuit “believe[s]” intervening events cannot affect cases “once a panel issues its opinion,” Pet. 37, is thus baseless. The Federal Circuit gives intervening changes full effect. See, e.g., *Prism Techs.*, 757 F. App’x at 987-988; *Fresenius*, 721 F.3d at 1340-1347; *GPX Int’l Tire Corp. v. United States*, 678 F.3d 1308, 1312 (Fed. Cir. 2012). Apple itself concedes the court does so “generally.” Pet. 36. The Federal Circuit understood the principle here. It held Apple’s rehearing petition to see if such an event would materialize. Apple simply failed to show any intervening change that undermined the judgment.

B. Apple’s Case-Specific Complaints Underscore the Absence of Any Issue Warranting Review

Apple’s complaints (at 38-39) about “docket management” are meritless. Apple faults the Federal Circuit for ordering this appeal argued on the same day as the *Apple/Cisco Reexamination* and *Mangrove* appeals. Pet. 38-39. (The *Cisco Reexamination* appeal—to which Apple was not a party—proceeded along its own track.) But Apple’s claims of “inexplicabl[e]” or “irrational” docket management, Pet. 38-39, overlook *why* the cases were argued together. Namely, Apple’s repeated efforts to stall progress in this appeal in favor of PTO appeals concerning the asserted patents—including by breaching an express agreement—showed a clear relationship among the appeals.⁸ Apple itself treated the appeals as related. See C.A. Dkt. 32 at 5; C.A. Dkt. 86 at 13-14.

⁸ The district court had already found Apple guilty of delay-oriented “gamesmanship.” C.A. App. 64-65; see C.A. App. 57. As VirnetX has already explained to this Court, that effort continued on appeal. See VirnetX Opp. to Extension Application at 1-3 in No. 19A427 (U.S.).

Apple faults the panel for resolving this case “months” before the cases argued with it, and months before *another* panel decided *another* “reexamination appeal[.]” Pet. 39. But Apple overlooks that, on Apple’s request, the Federal Circuit then *held* Apple’s rehearing petition *for six months*. It did not deny rehearing until after deciding the *Cisco Reexamination* and *Apple/Cisco Reexamination* appeals, which showed that those proceedings would have no effect on this case. See pp. 11-15, *supra*. Apple’s assertion (at 37) that the judgment below would have been vacated if the appeals had been decided in a different order is thus frivolous. So too is Apple’s supposition that the Federal Circuit would reach a different result upon considering the issue “once again.” Pet. 39. Apple raised the effect of the PTO appeals on this case at oral argument, see Oral Arg. Recording 0:36-3:52, 38:42-41:20; in its rehearing petition, see C.A.Dkt. 78 at 16; and in a supplemental brief to its rehearing petition, C.A.Dkt. 86 at 1. Apple raised the issue again in a motion to vacate the denial of rehearing and in a proffered second rehearing petition (which it was denied leave to file, Pet.App.121a-122a). See C.A.Dkt. 99-1; C.A.Dkt. 99-2. “[H]appenstance” played no role here. Pet. 38.

At bottom, Apple seeks a pointless remand to keep its defenses in this case on life-support. Apple sought stays *eight times* while this case was pending below. See C.A.Dkt. 101 at 3-4; C.A.Dkt. 92 at 12. But it did not explain how the traditional stay factors warranted that relief. See C.A.Dkt. 101 at 19; C.A.Dkt. 92 at 11. Apple has received ample opportunities to defend itself during this 10-year-old case. The Federal Circuit rejected its invalidity arguments in this case five years ago. Pet.App. 102a-103a. And while Apple relies on PTO determinations, claims sufficient to support the entire damages

award survive. There is no legal basis to set aside the judgment that merits further consideration.

CONCLUSION

The petition should be denied.

Respectfully submitted.

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