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IP CASE OF THE WEEK

Apple's Second Bite Might be a Little Too Late

Collision of PTAB and District Court proceedings leave Apple ripe for the picking

By: Barry Irwin & Chris Eggert| August 16, 2019

Apple, Inc. ("Apple") and VirnetX Inc. ("VirnetX") have been feuding over several patents relating to secured communications over the internet since 2010 when VirnetX sued Apple in district court. Apple argued that the patents were invalid as anticipated by or obvious in light of the prior art. Apple lost the arguments related to invalidity—a finding that was affirmed by the Federal Circuit in 2014. Apple did not further appeal this ruling. Later, in 2018, Apple was found to willfully infringe two of VirnetX's patents and was ordered to pay $439mm in damages. The Federal Circuit summarily affirmed the judgment of the district court in January of 2019.

However, proceeding in parallel were a number of *inter partes* review ("IPR") petitions filed by Apple and other entities against VirnetX's patents, including the two patents that Apple had been found to willfully infringe. A panel of the Patent Trial and Appeals Board ("PTAB") found that all of the challenged claims were invalid as anticipated and/or obvious in light of the prior art. VirnetX appealed the PTAB's finding in relation both 1) to Apple's bar to continuing to assert invalidity arguments that it had lost in the district court, and 2) the merits of the board's decision. In light of the board's finding of invalidity and the subsequent appeal, Apple requested rehearing *en banc* of the Federal Circuit's summary affirmance of the district court's finding of willful infringement and $439mm in damages.

On August 1, 2019, a panel of the Federal Circuit agreed with VirnetX that Apple's IPRs must be cancelled as Apple was barred from asserting arguments that it had lost at the district court, in part because Apple had failed to appeal those arguments at the time. However, the Federal Circuit also affirmed the board's findings with regards to the arguments that Apple had raised to which it was not barred, as well as the arguments raised by the other IPR petitioners. Thus, several of the VirnetX claims were affirmed to be unpatentable.

However, only 30 minutes after affirming the cancellation of claims by the PTAB, Apple's request for rehearing *en banc* of the district court case where it was found to infringe those claims was denied by a different panel of the Federal Circuit. Apple now submits a *second* request for rehearing *en banc* of the infringement decision, arguing that it should be entitled to a new trial in light of the Federal Circuit's affirmance of the PTAB findings.

The nearly ten years of litigation between Apple and VirnetX has provided many takeaways for both patent owners and IP practitioners, but the Federal Circuit's most recent decisions highlight the danger of parallel invalidity proceedings without staying an infringement suit. Further, Apple's decision not to appeal the Federal Circuit's finding of invalidity in the 2014 affirmance resulted in a further five years of IPR litigation that Apple has now determined to have been procedurally barred from making. And, depending on how the Federal Circuit is inclined to rule on Apple's *second* request for rehearing *en banc*, Apple may have been *just* too late in being on the hook for $439mm in damages for patents that were ultimately found invalid.