APPENDIX A

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PERSONALIZED MEDIA COMMUNICATIONS, LLC,
Plaintiff-Appellant

v.

APPLE INC.,
Defendant-Appellee

2021-2275

Appeal from the United States District Court for the Eastern District of Texas in No. 2:15-cv-01366-JRG-RSP, Chief Judge J. Rodney Gilstrap.

Decided: January 20, 2023

KEVIN PAUL MARTIN, Goodwin Procter LLP, Boston, MA, argued for plaintiff-appellant. Also represented by GERARD JUSTIN CEDRONE, DOUGLAS J. KLINE, LANA S. SHIFERMAN; WILLIAM M. JAY, Washington, DC; SIDNEY CALVIN CAPSHAW, III, Capshaw DeRieux LLP, Gladewater, TX.

JOHN C. O'QUINN, Kirkland & Ellis LLP, Washington, DC, argued for defendant-appellee. Also represented by NATHAN S. MAMMEN; GREG AROVAS, New York, NY; LUKE DAUCHOT, ELLISEN SHELTON TURNER, Los Angeles, CA; MARCUS EDWARD SERNEL, Chicago, IL.

JEFFREY A. LAMKEN, MoloLamken LLP, Washington, DC, for amicus curiae Fair Inventing Fund. Also represented by RAYINER HASHEM.

Before REYNA, CHEN, and STARK, *Circuit Judges*.

Opinion for the court filed by *Circuit Judge* REYNA.

Dissenting opinion filed by *Circuit Judge* STARK.

REYNA, *Circuit Judge*.

Personalized Media Communications, LLC appeals the final judgment of the District Court for the Eastern District of Texas that U.S. Patent No. 8,191,091 is unenforceable based on prosecution laches. The district court determined that Personalized Media Communications successfully employed an inequitable scheme to extend its patent rights. Because the district court did not abuse its discretion in finding the patent unenforceable, we affirm.

BACKGROUND

In 2015, Personalized Media Communications ("PMC") sued Apple in the U.S. District Court for the Eastern District of Texas, alleging that Apple FairPlay[1] infringed claim 13 (and related dependent claims) of U.S. Patent No. 8,191,091 (the "'091 patent"). J.A. 2–3 (FF 1, 5). The case went to trial, where

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[1] FairPlay is a digital rights management technology that Apple uses on its computers, mobile phones, and other devices. J.A. 2 (FF 1). FairPlay is software that prevents Apple users from unauthorized uses of content—such as illegally copying songs on iTunes. J.A. 25 (FF 68); Resp. Br. 22. To protect content, FairPlay encrypts data and uses "decryption keys" to control decryption. J.A. 25–26 (FF 69–70). Recognizing that "the weakest link" in a system's security is the decryption key, Apple encrypted the decryption key as an additional layer of protection. *Id*.

a jury returned a unanimous verdict, finding that Apple infringed at least one of claims 13–16. J.A. 3 (FF 5). The jury awarded PMC over $308 million in reasonable-royalty damages. *Id*.

Thereafter, the district court held a bench trial on remaining issues and found the '091 patent unenforceable based on prosecution laches. J.A. 1–3. Relying on our recent decision in *Hyatt*, the court determined that laches required a challenger to prove that the applicant's delay was unreasonable and inexcusable under the totality of the circumstances and that there was prejudice attributable to the delay. J.A. 28 (CL 4–7) (discussing *Hyatt v. Hirshfeld*, 998 F.3d 1347, 1359–62 (Fed. Cir. 2021)). Under this framework, the court found that PMC engaged in an unreasonable and unexplained delay amounting to an egregious abuse of the statutory patent system.

The court described our recent *Hyatt* decision as a "white horse" case, with "remarkably similar" facts. J.A. 32, 41 (CL 15). The court explained that the patentee in *Hyatt* had filed 381 GATT-Bubble applications, and PMC had filed 328 GATT-Bubble applications.[2] J.A. 32 (CL 16). In addition, the court noted that as in *Hyatt*, where each application was a

[2] During negotiations of the Agreement on Trade-Related Aspects of Intellectual Property ("TRIPS Agreement") at the Uruguay Round of the General Agreement on Tariff and Trade ("GATT"), the U.S. agreed to change the term of U.S. patents from 17 years following the date of issuance to 20 years following the patent's priority date. *Hyatt*, 998 F.3d at 1352. In the months leading up to the law change, the U.S. Patent and Trademark Office ("PTO") saw an enormous influx of so-called "GATT Bubble" applications as applicants sought to take advantage of the existing law providing a patent term keyed from issuance. *Id*. at 1352–53.

photocopy of one of 11 earlier patent applications, PMC's applications derive from two earlier applications. J.A. 32 (CL 17). Similar to *Hyatt*, "PMC's applications . . . were 'atypically long and complex,'" containing over 500 pages of text and over 22 pages of figures. J.A. 33 (CL 20). And PMC filed each of its applications with a single claim, then subsequently amended the claims, sometimes to recite identical language across different applications. J.A. 33 (CL 19). The court further explained that, like in *Hyatt*, "[o]ver time, PMC [] greatly increase[d] the total number of claims" in the range of 6,000 to 20,000 claims. J.A. 10, 33–34 (FF 31, CL 21).

The court also found the length of the delay similar to *Hyatt* because "PMC waited eight to fourteen years to file its patent applications and at least sixteen years to present the asserted claims for examination." J.A. 32–33 (CL 18) (explaining that the applicant in *Hyatt* argued that he "delayed only seven to 11 years to file the four applications at issue and between 10 and 19 years before presenting the claims now in dispute" (citing *Hyatt*, 998 F.3d at 1368)). Moreover, "as in *Hyatt*, even though the PTO suspended prosecution of PMC's applications, such is directly attributable to the manner in which PMC prosecuted its applications in the first place." J.A. 35 (CL 25). The court reasoned that "PMC's prosecution conduct made it virtually impossible for the PTO to conduct double patenting, priority, or written description analyses." J.A. 37 (CL 31). In addition to the scope and nature of PMC's applications, the court pointed to PMC's vast prior art disclosure, which included references having little-to-no relevance, and examiners' statements in office actions describing PMC's prosecution strategy and conduct as improper. J.A. 37–38 (CL 31, 34); J.A. 47–78 (listing

references filling more than 30 pages). Regardless, prosecution had been pending for "nearly ten years" before the PTO suspended it. J.A. 35 (CL 25).

"The only notable distinction" the court found between *Hyatt* and this case was that "Mr. Hyatt acknowledged he lacked a 'master plan' for demarcating his applications" whereas PMC developed the "Consolidation Agreement" with the PTO. J.A. 34 (CL 23). Under the Consolidation Agreement, PMC agreed to group its applications into 56 subject-matter categories, with subcategories for each of the two priority dates. J.A. 14 (FF 39); J.A. 8081–82. Within the categories, PMC was to designate "A" applications and "B" applications, with the PTO prioritizing "A" applications. *Id*. Rejected claims would transfer to the corresponding "B" application and prosecution of "B" applications was stayed until the corresponding "A" application issued. *Id*. PMC would abandon any remaining applications that were not designated "A" or "B." *Id*. This "A" application-to-"B" application examination scheme, in effect, gave PMC an additional bite at the apple to extend out prosecution of its many claims without the cost of having to file a continuation application.[3]

The court determined that the Consolidation Agreement alone does not operate to shift blame on the PTO. J.A. 34–35 (CL 24). The court explained that the Consolidation Agreement had to be understood in the context of PMC's business-driven, unreasonable prosecution strategy. J.A. 36 (CL 28–30).

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[3] The record does not explain how PMC and the PTO decided on the elements of the Consolidation Agreement.

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