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Rule 36 Affirmance Can Have Preclusive Effect at PTAB Too

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The Federal Circuit has affirmed that a Rule 36 judgment may serve as a basis for collateral estoppel in Patent Trial and Appeal Board proceedings, in addition to district court proceedings. In *VirnetX Inc. v. Apple Inc*.,[1] the Federal Circuit affirmed the PTAB's determination in two inter partes reviews that a prior art document was a printed publication. While the PTAB's final written decision did not reach the merits of any collateral estoppel argument,[2] the Federal Circuit affirmed the PTAB's determination in those two IPRs that a prior art document was a printed publication expressly on the basis of collateral estoppel in view of a Rule 36 affirmance.[3]

How Did We Get Here?

Apple challenged U.S. Patent No. 8,504,696 (the '696 Patent), owned by VirnetX, in two IPR proceedings (IPR2016-00331 and IPR-2016-00332).[4] In IPR2016-00331, and in the companion case IPR2016-00332, the PTAB acknowledged in its final written decision a collateral estoppel argument raised by Apple in regard to construction of a claim term[5], but declined to address the merits of the argument.[6] Instead, the PTAB stated that the holding that all of the claims were unpatentable removed any need to address the collateral estoppel argument.[7

Relevant to the Federal Circuit appeal, Apple relied upon a nonpatent literature reference titled RFC 2401 (request for comments regarding internet standards) in all of its grounds of invalidity in both IPRs.[8] The PTAB determined that RFC 2401 was a printed publication on the basis of the testimony of Apple's expert regarding the public accessibility of RFCs in general, as well as the documentary evidence Apple provided.[9]

After VirnetX appealed to the Federal Circuit, other pending appeals between VirnetX and Apple were decided in *VirnetX Inc. v. Apple Inc*.[10] The Federal Circuit issued a Rule 36 affirmance of the PTAB's determination in those IPRs that the claims were unpatentable based on the same RFC 2401 reference in some combination.[11]

Decision on Appeal

On appeal, the Federal Circuit focused on the implications of the Rule 36 affirmance to VirnetX's appeal. The Rule 36 affirmance had not issued at the time of Apple's brief and, as such, Apple did not argue the issue of collateral estoppel on appeal. Moreover, in Apple's notice of supplemental authority filed after the Rule 36 affirmance, Apple did not expressly argue that collateral estoppel applied.[12] However, Apple did use language relevant to the collateral estoppel analysis, describing the Federal Circuit as "necessarily affirm[ing]" the PTAB's finding of RFC 2401 as a prior art printed publication, a "threshold issue" that "should be decided the same way" as in the affirmed appeal.[13]

The Federal Circuit summarized the elements necessary to prove collateral estoppel, namely

1. a prior action presents an identical issue;
2. the prior action actually litigated and adjudged that issue;
3. the judgment in that prior action necessarily required determination of the identical issue; and
4. the prior action featured full representation of the estopped party.[14]

The Federal Circuit next pointed out that collateral estoppel may apply to Rule 36 affirmances so long as the elements are "carefully observed," including specifically that "the resolution of the issue was essential or necessary to the Rule 36 judgment."[15] Looking at the facts of the case, the Federal Circuit pointed out that the parties only disputed whether the issue of RFC 2401's publication status was necessary or essential to the Rule 36 affirmance.[16]

The Federal Circuit found that RFC 2401's publication status was necessary to the affirmance, as "[e]ach ground of unpatentability that VirnetX appealed in VirnetX I relied on RFC 2401."[17] The Federal Circuit particularly emphasized that whether or not RFC 2401 was a printed publication was a "threshold issue," and that several of the appealed IPRs in the Rule 36 affirmance raised the publication status of RFC 2401 as their only issue.[18] Being a "threshold issue," the Federal Circuit concluded that the Rule 36 affirmance "necessarily found that RFC 2401 was a printed publication," and VirnetX was collaterally estopped from relitigating the issue.[19]

VirnetX had sought to preserve an alternative argument for its appeal based on *Oil States Energy Services LLC v. Greene's Energy Group LLC* (which had not been decided by the U.S. Supreme Court yet at the time of briefing), but the Federal Circuit found that VirnetX had not properly preserved the issue.[20] In particular, the Federal Circuit pointed out that VirnetX never sought supplemental briefing to develop an argument following the Supreme Court's decision.[21]

Implications

Panels of the Federal Circuit have already expressly stated that "collateral estoppel … applies in the administrative context."[22] Moreover, the Federal Circuit has found that Rule 36 affirmances may collaterally estop a party in district court proceedings.[23] With its decision in this appeal, the Federal Circuit has now further applied the use of Rule 36 affirmances to collaterally estop arguments arising from PTAB decisions, a natural application of the established precedent.

Practitioners are already paying more attention to the interplay between PTAB and district court proceedings involving the same patents, particularly given the recent change to align the claim construction standard used in post-grant proceedings at the PTAB to that used in district court. With this alignment in claim construction standards, collateral estoppel now has yet more purchase between PTAB and district court proceedings, at least once the Federal Circuit has weighed in — even if just with a Rule 36 affirmance.

This case also confirms that it is still a useful strategy in post-grant proceedings, where appropriate and possible in meeting the General Plastics factors, to put forward multiple grounds of invalidity for a targeted claim. While VirnetX had raised some issues specific to the primary reference used in IPR2016-00332, the Federal Circuit declined to address them because the claims were nonetheless invalid over the combination (using a different primary reference) used in IPR2016-00331 against the same patent.[24]

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[1] Appeal Nos. 2017-2490, 2017-2494 (Fed. Cir. Dec. 10, 2018).

[2] See *Apple Inc. v. VirnetX Inc*. , IPR2016-00331, Paper 29 at p. 46 (PTAB, June 22, 2017).

[3] *VirnetX Inc. v. Apple, Inc*. , Nos. 2017-2490, 2017-2494, slip op. at 2, 3-5 (Fed. Cir. Dec. 10, 2018).

[4] Id.at 2.

[5] *Apple Inc. v. VirnetX Inc*., IPR2016-00331, Paper 17 at pp. 2-3 (PTAB, January 23, 2017).

[6] *Apple Inc. v. VirnetX Inc*., IPR2016-00331, Paper 29 at p. 46 (PTAB, June 22, 2017).

[7] Id.

[8] See id.at 4; *Apple Inc. v. VirnetX Inc*., IPR2016-00332, Paper 29 at pp. 5-6 (PTAB, June 22, 2017).

[9] *Apple Inc. v. VirnetX Inc*., IPR2016-00331, Paper 29 at pp. 10-13 (PTAB, June 22, 2017); *Apple Inc. v. VirnetX Inc*., IPR2016-00332, Paper 29 at pp. 48-52 (PTAB, June 22, 2017).

[10] See *VirnetX Inc. v. Apple, Inc*., No. 17-1131, 715 F. App'x 1024 (Fed. Cir. Mar. 16, 2018); see also *VirnetX Inc. v. Apple, Inc*., Nos. 2017-2490, 2017-2494, slip op. at 3 (Fed. Cir. Dec. 10, 2018).

[11] See *VirnetX Inc. v. Apple, Inc*., Nos. 2017-2490, 2017-2494, slip op. at 3 (Fed. Cir. Dec. 10, 2018).

[12] *VirnetX Inc. v. Apple, Inc*., Nos. 2017-2490, 2017-2494, Doc. No. 41 (Fed. Cir. June 22, 2017).

[13] Id.

[14] *VirnetX Inc. v. Apple, Inc*., Nos. 2017-2490, 2017-2494, slip op. at 3-4 (Fed. Cir. Dec. 10, 2018).

[15] Id.at 3 (citing *Phil-Insul Corp. v. Airlite Plastics Co*., 854 F.3d 1344 (Fed. Cir. 2017)).

[16] Id.

[17] Id.

[18] Id.

[19] Id.The Federal Circuit also concluded in a short paragraph that it would have reached the same result on the merits, given the "similar record" between the appeal cases.See id.

[20] *VirnetX Inc. v. Apple, Inc*., Nos. 2017-2490, 2017-2494, slip op. at 5-6 (Fed. Cir. Dec. 10, 2018).

[21] Id.

[22] See *MaxLinear, Inc. v. CF CRESPE LLC* , 880 F.3d 1373, 1376 (Fed. Cir. 2018);quoted by *Nestle USA, Inc. v. Steuben Foods, Inc*. , 884 F.3d 1350, 1351 (Fed. Cir. 2018).

[23] See *Phil-Insul Corp. v. Airlite Plastics Co*. , 854 F.3d 1344 (Fed. Cir. 2017)

[24] See *Apple Inc. v. VirnetX Inc*., IPR2016-00331, Paper 29 at p. 46 (PTAB, June 22, 2017); *Apple Inc. v. VirnetX Inc*., IPR2016-00332, Paper 29 at pp. 5-6 (PTAB, June 22, 2017).