



## PTAB Invalidation of Patents Following Jury Verdict of Infringement Does Not Necessarily Impact Willfulness Finding

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Judge Schroeder's order addressed several post-trial motions following a jury trial in September 2016. Specifically, Judge Schroeder denied defendant Apple's motion for judgment as a matter of law and request for a new trial, and granted plaintiff VirnetX's motions for a finding of willful infringement and enhanced damages.

The focus of VirnetX's willfulness argument was on Apple's conduct following the jury's verdict on November 6, 2012. While appealing that verdict, Apple continued to sell products, including the infringing features, until September 2013, when Apple updated the operating system on the devices. The Federal Circuit remanded the case for retrial with respect to infringement by one of the accused features—holding that a claim term was improperly construed—and damages for infringement by both features. The issue of validity was not remanded for reconsideration. On remand, a new jury found the feature infringed under the new construction and awarded damages under a different damages model.

In response to VirnetX's motion asserting willful infringement, Apple argued that it had a reasonable, long-held and continuing belief in the invalidity of the asserted patents, regardless of the 2012 verdict finding the patents not invalid. Apple asserted that its belief was based on interim rejections from an *inter partes* reexamination of the asserted patents, issued more than a year prior to the 2012 verdict. Apple argued that the reasonableness of this belief was confirmed by final written decisions from the USPTO finding the asserted patents invalid. Accordingly, Apple argued that it could not be found to have willfully infringed during the period after the 2012 verdict.

Judge Schroeder disagreed, finding that Apple’s continued sales following the 2012 verdict were “unreasonably risky.” Judge Schroeder’s decision specifically found unpersuasive Apple’s argument that, because the subsequent decisions found the asserted patents invalid, it could not be held liable for willful infringement. Distinguishing *Fresenius USA Incorporated v. Baxter International*, 721 F.3d 1330 (Fed. Cir. 2013), Judge Schroeder noted the ongoing appeal of those subsequent decisions of the USPTO, as opposed to the situation in *Fresenius* where the appeals process was exhausted. Moreover, Judge Schroeder found that such subsequent decisions “[did] not bear on Apple’s subjective willfulness or recklessness at the time of its infringement.” The decisions Apple relied on issued in 2015 and 2016, roughly two years after the alleged willful conduct.

The specific facts surrounding Apple’s conduct during the relevant period may have influenced Judge Schroeder’s holding that the later decisions of the USPTO invalidity of the patents could not bear on Apple’s subjective belief. According to VirnetX, Apple’s continued sale of products implementing the infringing features was not based on Apple’s appellate positions. The Federal Circuit had affirmed the jury’s 2012 verdict that the patents were not invalid. Moreover, VirnetX noted that Apple had redesigned the features, but had reverted to the jury-determined infringing designs because of implementation cost and consumer backlash, not because of any belief in Apple’s noninfringement or invalidity positions.

In view of this decision, blind reliance on the fact that the USPTO has issued decisions finding asserted claims invalid subsequent to a jury verdict of infringement as meaning one could not have willfully infringed may be a risky position. If appeals of those USPTO decisions are still ongoing, defendants should, at a minimum, focus on distinguishing the factual context and ensure that there is some connection between appellate positions and the allegedly willful conduct.

*VirnetX Inc. et al. v. Apple Inc.*, Case No. 10-cv-00417 (E.D. Tex. Sep. 29, 2017).

## Categories

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