

Keywords: prosecution laches, GATT bubble, submarine patents

General: The Court has a duty to wholly review the prosecution process including prosecution laches (e.g., unreasonable delays and prejudice attributable to delays) in determining whether patents are enforceable.

Personalized Media Communication, LLC. v. Apple, Inc.

U.S. District Court for the Eastern District of Texas Marshall Division

Civil Action No. 2:15-CV-01366-JRG

Decided August 5, 2021

I. Facts

Personalized Media Communication, LLC (PMC) owns a patent portfolio related to network and control equipment and specializes in intellectual property licensing and patent monetization. In July 2015, PMC sued Apple, Inc. (Apple) for patent infringement, alleging that U.S. Patent No. 8,191,091 ('091 patent) and United States Patent No. 8,559,635 ('635 patent), both entitled "Signal Processing Apparatus and Methods," were infringed by Apple's FairPlay. FairPlay is a digital rights management technology that prevents piracy by encrypting media (e.g., encryption and decryption keys) so only users with Apple-provided authentication keys can view the media.

PMC's patents originated from the inventions of John Harvey and James Cuddihy, who filed their first application, U.S. Patent Application No. 06/317,510 ('510 application), in November 1981. A continuation-in-part application, U.S. Patent Application No. 07/096,096 ('96 application) based on the '510 application was later filed in September 1987. The '510 application and the '96 application formed the basis of PMC's patent portfolio (including the 2012 issued '091 patent). In fact, Mr. Harvey acknowledged that PMC's 101 patents as of April 2020 did not cover any new inventions beyond the 1981 and 1987 applications. PMC's strategy was to file continuation applications "as late as the law allowed" so that the 17 year patent term would start as late as possible. Patent applications filed before June 1995 would expire 17 years after the issue date. Further, by prosecuting inventions serially rather than simultaneously, PMC could potentially receive longer patent protection than the 17 year term from the issue date. That is, PMC could prolong its issue date by pursuing submarine patents, patent applications that have been with the U.S. Patent Office (USPTO) for an extended period of time intentionally or otherwise.

An internal PMC document even suggested that PMC's strategy was to keep PMC patents hidden while monitoring industry infringement. That is, PMC would keep its patent

portfolio hidden until the claimed subject matter was widely adopted in industry. Then, PMC would engage in licensing effort against its competitors. PMC suggested that it prosecuted its patents serially because it was a small company with limited resources.

In June 1995, Congress applied the General Agreement on Tariffs and Trade (GATT) to patent term, so that applications filed after the June 1995 deadline would expire 20 years after the filing date instead. With this new change, PMC filed over 300 continuation applications claiming priority to the '510 application and the '096 application just a few weeks before the June 1995 deadline to receive the 17 year term benefits. Each of these applications contained about 600 pages, and at one point, PMC had between 10,000 to 20,000 pending claims from these applications (e.g., most of the claims being placeholder claims). Further, many of these different pending applications were identical to each other, and PMC submitted thousands of references for these pending applications.

In 1997, the USPTO suspended prosecution of the majority of PMC's applications as analysis of all the claims would be an extreme burden to the USPTO. However, the USPTO reopened prosecution in 1998, maintaining previous double patenting rejections. To advance prosecution, PMC designated applications as either "A" application" or "B" application, claiming priority to the 1981 and 1987 applications. The "A" applications were amended to include any claims the USPTO agreed were allowable, pending resolution of double-patenting issues. PMC would prosecute the "A" applications to issuance. Claims for which the patentability was disputed were included in the corresponding "B" applications, which were either appealed or abandoned. And prosecution of "B" applications would be held until the issuance of the corresponding "A" applications. The "B" application served as a potential application to include any claims not allowed from the "A" application. This strategy was still burdensome. In fact, in 2001, an Examiner issued a notice of abandonment for one of PMC's application accusing PMC of misconduct and prosecution laches and indicated that PMC's prosecution strategy had burdened the USPTO and caused "unjustifiable and prejudicial delay." However, the USPTO ultimately withdrew the notice of abandonment and indicated that the Examiner's allegation was not related to patentability. For example, the '091 patent corresponded to an "A" application ('145 application) and a "B" application ('507 application). The '145 application was initially filed with placeholder claims, but in February 2003, at least one claim of the '145 application was amended to generally recite encryption or decryption. Simultaneously, in 2003 Apple had begun developing FairPlay based on encryption and decryption keys.

In view of PMC's patent suit against Apple, a jury trial was held in March 2021, and the jury unanimously found that Apple had infringed at least one of claims 13, 14, 15, or 16 of the '091 patent and awarded PMC in royalty damages. However, the Court entered a Bench Trial to address remaining issues such as prosecution laches. Prosecution laches used as defense against patent infringement require proof based on 1) a patentee's delay in prosecution was unreasonable and inexcusable and 2) an accused infringer or the public having suffered prejudice attributable to the delay (e.g., evidence of intervening rights, where the accused infringer or others invested in, worked on, or used the claimed technology during the period of delay).

II. Issue

1. Did PMC engage in unreasonable and unexplained delay?
2. Did Apple suffer prejudice attributable to PMC's delay in prosecution?

III. Discussion

1. Yes. PMC chose to pursue a shoot first, aim later strategy of filing over 300 applications before the June 1995 deadline. The fact that PMC later planned to claim its inventions does not excuse its absence of doing so at the time of its numerous filings. If PMC had understanding of the scope of its inventions before June 1995, PMC could have filed its applications with *bona fide* claims directed to separate and distinct inventions. However, PMC did not do so. And only after receiving pushback from the USPTO did PMC delineate claims or the scope of the invention.

PMC was able to obtain 30 to 50 years of patent protection through unreasonable and unexplained delays. The '091 patent issued 17 years after the filing date, so its claims will expire 34 years after the application was filed, 42 years after the 1987 specification, and 48 years after the 1981 parent application. PMC argued that it did not abuse the patent system by keeping its patents hidden because the full specification of the '510 application (e.g., 1987 specification) was published in 1989. However, this argument was deemed irrelevant because the claims define the patentee's rights not the specification. Based on the Federal Circuit's Hyatt ruling where the USPTO could reject patent applications based on prosecution laches, the Court was persuaded that Apple had presented clear and convincing evidence of an unreasonable and unexplained delay.

2. Yes. PMC delayed presenting the instruct-to-enable-signal-based decryption method to the USPTO until at least 2003. If PMC had diligently prosecuted its applications, PMC could have claimed the instruct-to-enable-signal-based decryption method much earlier. However, by delaying the prosecution process, PMC prejudiced Apple because Apple had already begun developing FairPlay by 2003. While Apple was continuing development of FairPlay, PMC was strategizing claims to later assert. PMC included claim amendments related to encryption and decryption almost 8 years after filing the pre-GATT applications. Apple had presented clear and convincing evidence that it worked on, invested in, and used the claimed technology during PMC's period of delay. Accordingly, the Court was persuaded that Apple developed intervening rights, and thus was prejudiced by PMC's delayed prosecution.

IV. Conclusion

The Court confirmed that Apple presented clear and convincing evidence of prosecution laches and found that PMC's '091 patent was unenforceable. The Court has a duty to apply the doctrine of prosecution laches even if it overturns a jury's unanimous verdict.

V. Appendix

08/480,484 application claim 2 (June 7, 1995 preliminary amendment)	08/488,620 application claim 2 (June 7, 1995 preliminary amendment)
<p>A method for displaying television program information with a locally generated video overlay at a receiver station having a processor, a decoder, a storage device and a video overlay generator, said method comprising the steps of:</p> <p style="padding-left: 40px;">receiving a signal that identifies a television program presentation at a receiver station;</p> <p style="padding-left: 40px;">decoding said signal from said step of receiving to extract information about said television program presentation;</p> <p style="padding-left: 40px;">processing said information from said step of decoding to format said information to provide an organized presentation of said information;</p> <p style="padding-left: 40px;">generating a video overlay from said organized information from said step of processing; receiving said television program that is associated with said signal in said step of decoding;</p> <p style="padding-left: 40px;">combining said video overlay from said step of generating with said television program from said step of receiving said television program; and</p> <p style="padding-left: 40px;">outputting said combined signal from said receiver station to a television display to display said combined image showing said video overlay containing data associated with programming presentation and said television program.</p>	<p>A method for displaying television program information with a locally generated video overlay at a receiver station having a processor, a decoder, a storage device and a video overlay generator, said method comprising the steps of:</p> <p style="padding-left: 40px;">receiving a signal that identifies a television program presentation at a receiver station;</p> <p style="padding-left: 40px;">decoding said signal from said step of receiving to extract information about said television program presentation;</p> <p style="padding-left: 40px;">processing said information from said step of decoding to format said information to provide an organized presentation of said information;</p> <p style="padding-left: 40px;">generating a video overlay from said organized information from said step of processing; receiving said television program that is associated with said signal in said step of decoding;</p> <p style="padding-left: 40px;">combining said video overlay from said step of generating with said television program from said step of receiving said television program; and</p> <p style="padding-left: 40px;">outputting said combined signal from said receiver station to a television display to display said combined image showing said video overlay containing data associated with programming presentation and said television program.</p>
(DTX-1560 at 600–01)	(DTX-1566 at 598–99)

<p align="center">'145 application claim 22 (March 15, 2002 amendment)</p>	<p align="center">'145 application claim 22 (February 4, 2003 amendment)</p>
<p>A method of enabling a programming presentation at a receiver station, said method comprising the steps of:</p> <ul style="list-style-type: none"> receiving an information transmission from at least one of a local source and a remote source, said information transmission including disabled information; detecting the presence of an instruct-to-enable signal, said instruct-to-enable signal designating enabling information; passing said instruct-to-enable signal to a processor; modifying a fashion in which said receiver station locates said enabling information in response to said instruct-to-enable signal; locating said enabling information based on said step of modifying a fashion; enabling said disabled information based on said step of locating said enabling information; and outputting said programming presentation based on said step of enabling said disabled information. <p>(DTX-1568 at 978)</p>	<p>A method of enabling—a <u>decrypting</u> programming presentation at a receiver station, said method comprising the steps of:</p> <ul style="list-style-type: none"> receiving an information transmission from at least one of a local source and a remote source, said information transmission including disabled <u>encrypted</u> information; detecting the presence of an instruct-to-enable signal, said instruct-to-enable signal designating enabling information; passing said instruct-to-enable signal to a processor; modifying <u>determining</u> a fashion in which said receiver station locates said enabling information in response to <u>a first decryption key by processing</u> said instruct-to-enable signal; locating said enabling information <u>first decryption key</u> based on said step of modifying a fashion <u>determining</u>; enabling <u>decrypting</u> said disabled <u>encrypted</u> information based on said step of locating said enabling information <u>using said first decryption key</u>; and outputting said programming presentation based on said step of enabling said disabled information <u>decrypting</u>. <p>(DTX-1568 at 1132, 1177)</p>