

**IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
TYLER DIVISION**

**VIRNETX INC., and  
SCIENCE APPLICATIONS  
INTERNATIONAL  
CORPORATION,**

**Plaintiffs,**

**v.**

**APPLE INC.,**

**Defendant.**

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**No. 6:12-cv-00855-RWS  
(Lead Consolidated Case)**

**No. 6:10-cv-00417-RWS**

**JURY TRIAL DEMANDED**

**PLAINTIFF VIRNETX INC.'S MOTION FOR ENTRY OF JUDGMENT AND  
EQUITABLE AND STATUTORY RELIEF**

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## **I. INTRODUCTION**

After a full and fair trial, VirnetX has prevailed on all issues. Pursuant to 35 U.S.C. §§ 283 and 284; 28 U.S.C. §§ 1961 and 1920; and this Court's inherent equitable power, VirnetX requests the following relief through the entry of final judgment:

- Enhanced damages based on Apple's willful conduct;
- Attorneys' fees and costs based on a finding that this is an exceptional case;
- An order designating VirnetX the prevailing party and awarding VirnetX its costs taxable under 28 U.S.C. § 1920;
- Supplemental damages for acts of infringement not contemplated by the jury's verdict;
- Injunctive relief including a permanent injunction and a temporary compulsory royalty; and
- Pre- and post-judgment interest.

## **II. THE COURT SHOULD ENHANCE DAMAGES BASED ON APPLE'S WILLFUL CONDUCT.**

Following the first trial between the parties, the Court enhanced the ongoing royalty 25% due to Apple's gross misrepresentations to the jury during trial. The Court also enhanced the ongoing royalty an additional 50% following a *Read* factor analysis to account for Apple's ongoing willful infringement. *VirnetX, Inc. v. Apple Inc.*, No. 13-cv-211, Dkt. No. 48 at 3-9 (E.D. Tex. Feb. 25, 2014). Although Apple's conduct since that time justifies further enhancement, VirnetX is requesting that the Court at least maintain its prior ruling.

### **A. A Substantial Enhancement Is Warranted in This Case.**

"When willful infringement or bad faith has been found, the remedy of enhancement of damages not only serves its primary punitive/deterrent role, but in so doing it has the secondary

benefit of quantifying the equities as between patentee and infringer.” *SRI Int’l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1468 (Fed. Cir. 1997).

In this case, Apple adopted a strategy of long-term, expensive litigation to avoid dealing with VirnetX directly and respecting VirnetX’s patent rights. Apple stayed on this path even after the Federal Circuit affirmed that millions of Apple devices infringed VirnetX’s patents. In this situation, enhancement is warranted. *See In re Hayes Microcomputer Prods., Inc. Patent Litig.*, 766 F. Supp. 818, 826 (N.D. Cal. 1991) *aff’d*, 982 F.2d 1527 (Fed. Cir. 1992) (enhancing damages because the defendant “adopted, early on, a strategy of long-term, expensive litigation—while continuing to sell products which they were on notice might very well be infringing—rather than making any attempt to deal with [the patent owner] directly.”).

The discretion afforded courts for awarding enhanced damages in cases of willful infringement is designed precisely for circumstances such as these. Apple has made it abundantly clear—in this case and others—that it needs an enhanced economic incentive to respect the intellectual property rights of patent owners. *See NTP Inc. v. Research in Motion, Ltd.*, 270 F. Supp. 2d 751, 754 (E.D. Va. 2003) (“Enhanced damages not only operate as a punitive measure against individual infringing defendants, but they also serve an overarching purpose as a deterrence of patent infringement.”). The Court is uniquely situated to remove the inclination of large corporations (like Apple) that believe they can violate the rights of smaller companies simply because they can pay their litigators to string out a dispute indefinitely.

**B. The *Read* Factors Favor Treble Damages.**

“The paramount determination in deciding enhancement and the amount thereof is the egregiousness of the defendant’s conduct based on all the facts and circumstances.” *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992). In determining the extent to which damages should be enhanced in light of a willfulness finding, the following factors are to be considered:

(1) whether Apple deliberately copied VirnetX’s ideas or design; (2) whether Apple, knowing of VirnetX’s patent protection, investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed; (3) Apple’s behavior as a party to the litigation; (4) Apple’s size and financial condition; (5) the closeness of the case; (6) the duration of Apple’s misconduct; (7) any remedial action (or lack thereof) by Apple; (8) Apple’s motivation for harm; and (9) whether Apple attempted to conceal its misconduct. Beyond the overarching need to deter Apple’s infringement in the future, the *Read* factors also support a substantial willfulness enhancement.

**1. As Indicated by Apple’s Conduct Before, During, and After Trial, This Case Was Not Close (Factors 3 and 5).**

All aspects of Apple’s litigation defense—infringement and damages—were substantively weak. The jury returned an uncompromised verdict in favor of VirnetX on all counts—Apple lost decisively.

**(a) Non-Infringement<sup>1</sup>**

***VPN On Demand.*** For Apple’s original version of VPN On Demand (from iOS 3 through iOS6), Apple had no non-infringement argument, as infringement for these versions had been determined by a prior jury. 1/25/2016 Trial Tr. (Preliminary Instructions) at 147:1–4. That finding was affirmed following an appeal to the Federal Circuit. 1/26/2016 Trial Tr. (Short) at 47:13–18.

For Apple’s 2013 version of VPN On Demand (from iOS 7 and 8), Apple’s non-infringement position was entirely superficial—that it had removed the previously adjudicated “Always” feature and now used only the “If-Needed” that VirnetX did not accuse in the prior

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<sup>1</sup> Pursuant to the Court’s order dismissing VirnetX’s willfulness claims against iMessage (2/2/2016 Trial Tr. at 75:6–14), VirnetX will not discuss the closeness of the case with respect to iMessage in this section and has instead addressed those facts in the context of its exceptional case analysis herein.

case. *See, e.g.*, 1/25/2016 Trial Tr. (Apple’s Opening) at 206:14–23 (arguing that after the first trial, Apple removed “Always” and “went to an ‘if needed’ based approach.”). But VirnetX conclusively proved that although the “If Needed” functionality from the original version of VPN On Demand still exists in Apple’s 2013 version of VPN On Demand, Apple added new functionality called the “evaluate connection” mode to a new “If Needed” that infringes VirnetX’s patents in the same way as the “Always” feature in the original version of VPN On Demand. 1/26/2016 Trial Tr. (Jones) at 140:19–141:19.

Apple’s basis for arguing that the 2013 version of VPN On Demand did not infringe was that the “If Needed” mode “always sends out a DNS request every time.” 1/25/2016 Trial Tr. (Apple’s Opening) at 207:17–20. There is nothing in the claims that prohibits this. In fact, the Court’s construction for “generating . . .” *requires* “transmitting from the client computer a DNS request.” *See* -417 action, Dkt. No. 266 at 27. And Mr. Van Pelt, the attorney Apple hired to opine that the 2013 version of VPN On Demand did not infringe, confirmed that VirnetX’s asserted claims do not prohibit sending a DNS request to a DNS server. 2/2/2016 Trial Tr. at 79:22–25. *See also id.* at 80:1–3 (“**Q.** Thank you. Does having an extra step avoid infringement? **A.** No.”). Moreover, Apple witnesses admitted that, in a scenario where “Always” mode provided a specific benefit in the original version of VPN On Demand, the DNS request sent in the 2013 version of VPN On Demand does not matter from a technical perspective, and has no technical utility. 1/29/2016 SEALED Trial Tr. (Wood) at 56:5–57:3; *id.* at 57:13–58:20. Apple’s non-infringement position was based on an admittedly pointless DNS request that its witnesses knew would not negate infringement.

**FaceTime.** Apple’s only non-infringement argument with respect to its FaceTime feature squarely contradicted its prior representations to this Court and to a jury. In *Apple I*, Apple’s

primary non-infringement defense—its first NAT defense—was that NAT routers impeded direct communications. *See* -417 Dkt. No. 622 at 9. Specifically, Mr. Patrick Gates, one of Apple’s engineers, testified that NATs “hide the devices” that are behind them and that “the addresses of those devices that are using the NAT are hidden from the rest of the internet.” *Apple I*, 11/2/2012 AM Trial Tr. at 98:1–16. Well aware of this, Apple jettisoned its technical expert from *Apple I*, switched up its corporate representative and technical witnesses, and argued the exact opposite to the jury in this case. *See, e.g.*, 1/29/2016 Trial Tr. at 36:16–39:6 (Apple engineer, Dr. Jansen, contradicting Mr. Gates’s previous trial testimony regarding the use of NATs with FaceTime); *id.* at 175:21–25 (Apple’s expert, Dr. Blaze, testifying that FaceTime does not include “any technique for hiding the IP addresses of the parties to a FaceTime call); *id.* at 178:1–12 (Apple’s expert, Dr. Blaze, testifying that “NATs don’t do anything to hide the IP address on the network of the subscriber of the Internet service”).

This new and unfounded position was easily disproven by VirnetX. In fact, Apple’s expert, Dr. Blaze, ultimately admitted that their non-infringement argument for FaceTime was simply wrong:

**Q.** In fact, proxy servers, virtual private networks, dynamic IP addresses, mobile IP, and network address translation, or NAT, all obfuscate the communicating parties, correct?

**A.** That’s right.

(2/1/2016 Trial Tr. at 34:4–8).

\* \* \*

**Q.** Do you agree that NATs hide a person’s private IP address?

**A.** Yes, that’s right. They – they hide the address inside the NAT network.

(2/1/2016 Trial Tr. at 34:9–12).

On cross-examination, Dr. Blaze fell in line with Apple's testimony in *Apple I* to avoid impeachment. As Apple has known all along, and as its own expert in this case confirmed, its non-infringement position with respect to FaceTime was completely without merit. The jury—unsurprisingly—agreed.

**(b) Damages**

Finally, the amount of the jury's verdict supports the conclusion that this case was not close. By and large, the parties agreed on the methodology appropriate for calculating damages in this case, including agreement on the number of accused units, agreement that damages should be awarded in the form of a running royalty,<sup>2</sup> and agreement that VirnetX's licenses should be used to calculate the appropriate royalty rate. The only disagreement between the parties was on the final amount of that royalty rate: VirnetX believed the royalty rate should be between \$1.21 and \$1.67 per unit (*see* 1/27/2016 Trial Tr. (Weinstein) at 303:20–21), while Apple claimed damages should be no more than \$0.10 per unit (*see* 2/1/2016 Trial Tr. (Bakewell) at 250:21–23). Ultimately, VirnetX's damages expert, Mr. Weinstein, concluded that the \$1.20 per unit rate would be the minimum necessary to compensate VirnetX for infringement. 1/27/2016 Trial Tr. at 311:9–12. The jury's verdict, however, *exceeded* that \$1.20 per unit, coming out to \$1.41 per unit—a number falling just slightly below the midpoint in VirnetX's valuation range.<sup>3</sup> This

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<sup>2</sup> After trial, Apple has argued that neither Mr. Weinstein nor Mr. Bakewell valued damages in the form of a running royalty. Dkt. No. 424 at 4. This is a blatant mischaracterization of the trial record and has been soundly disproven. *See* Dkt. No. 432 at 7–10; Dkt. No. 454 at 3–4.

<sup>3</sup> There were 443,711,944 accused units that were part of the jury verdict. 1/27/2016 Trial Tr. (Weinstein) at 307:24-308:9; PX1089.03, PX1089.05, PX1089.06; 2/2/16 Trial Tr (VirnetX Closing) at 187:3-12. The jury awarded \$625,633,841.04. Dkt. No. 425. Dividing the award by the number of units equals \$1.41 per unit. The math works the same when the two damages numbers on the verdict form are considered separately. While the \$1.41 per unit calculations were present in Mr. Weinstein's exhibits, he did not specifically mention them during his trial testimony. Apple is the party that presented the \$1.41 figure to the jury. *See, e.g.*, 1/25/2016 Trial Tr. (Apple Opening) at 211:3-13; *see also* Ex. C (Apple Opening Slide) (unless otherwise

reasonable royalty finding represents an unmistakable rejection of Apple's \$0.10 per unit valuation and further evidences that this case was not close.

**(c) Apple's Attempts to Delay and Raise the Cost of Litigation**

VirnetX first filed this case on August 11, 2010. *See* -417 Dkt. No. 1. In the over five-and-a-half years since, Apple has done everything possible to delay resolution of the case and raise VirnetX's costs.

Beginning in the *Apple I* case, Apple demonstrated a willingness to engage in scorched-earth litigation tactics, including contravening the Court's sanctions order with respect to Mr. Allié, violating multiple orders *in limine*, exhibiting unprofessional and underhanded practice, raising meritless defenses, frustrating discovery efforts and gaming the Local Rules, concealing its primary non-infringement defenses, and raising defenses that contradicted its prior representations. *See* -417 Dkt. No. 622 at 2–11. Ultimately, however, a jury found VirnetX's patents valid and infringed, awarding VirnetX \$368,160,000 in reasonable royalty damages. *See id.* -417 Dkt. No. 598.

Following that jury trial, Apple appealed the verdict. On appeal, the Federal Circuit affirmed the jury's finding of no invalidity and also affirmed infringement by Apple's VPN On Demand running on iOS versions 3–6. *See VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308 (Fed. Cir. 2014). The Federal Circuit remanded as to infringement by FaceTime, based on the legal issue of claim construction, and as to damages. *Id.* Although Apple claimed that it “takes full responsibility” for the affirmed infringing versions of VPN On Demand (1/25/2016 Trial Tr. (Apple's Opening) at 185:24–25), the reality is that Apple had run out of appeals. And other

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noted, all citations to “Ex. \_\_\_” are exhibits attached to the Declaration of Daniel R. Pearson filed herewith).

than paying lip service to taking responsibility, Apple has actually done nothing to take responsibility for its infringement. Instead, Apple chose to continue dragging out the litigation.

Over the time since VirnetX first filed suit against Apple, Apple has tried to stay this litigation twice (-417 Dkt. No. 477; -855 Dkt. No. 32), forced VirnetX to file five motions to compel (-417 Dkt. Nos. 179, 235; -855 Dkt. Nos. 95, 184, 194) to obtain relevant evidence for two trials, sought summary judgment on at multiple grounds which have all been denied (-417 Dkt. No. 442; -855 Dkt. Nos. 148, 315), twice requested a mistrial (1/26/2016 Trial Tr. at 117:18–118:21, -855 Dkt. No. 424), and made it abundantly clear that no matter the jury verdict, Apple believes it is above the rule of the federal court system and will appeal any and every issue to the fullest extent (or until the patent laws are changed) simply because it has the time and financial resources to do so.

If that were not enough, Apple is endlessly attempting to invalidate VirnetX's patents at the Patent Office in parallel to this district court litigation. Since VirnetX first filed suit against Apple, Apple has petitioned for eighteen re-exams or *inter partes* reviews. Ex. D. And that only includes the four patents asserted by VirnetX at trial. When the inquiry is broadened to include all the patents-in-suit, the number increases to twenty-five. *Id.* In total, against all VirnetX patents—whether part of this lawsuit or not—Apple alone has petitioned for forty-one re-exams or *inter partes* reviews in an effort to invalidate VirnetX's patents. *Id.* By itself, this would be abusive. But it does not end there. Once the statutory time bar set forth in 35 U.S.C. § 315(b) prevented Apple from filing any more *inter partes* reviews against VirnetX's patents (*see, e.g.*, Ex. E (IPR2013-00348, Paper 14)), Apple paid RPX to surreptitiously file seven additional petitions on their behalf. After forcing VirnetX to move to seek discovery to prove this connection, those petitions were also dismissed under 35 U.S.C. § 315(b) due to Apple's status



as a real-party-in-interest. *See, e.g.*, Ex. F (IPR2014-00171-00177, Paper 57 (denying institution due to Apple’s status as an unnamed real-party-in-interest)). Shortly after shell companies New Bay and Mangrove—neither of which is accused of infringing any of VirnetX’s patents—filed their petitions for *inter partes* review, Apple sought to join their petitions as a means to avoid the statutory time bar. *See, e.g.*, Ex. G (IPR2013-00348, Paper 7 (Apple’s Motion for Joinder to IPR2013-00375, filed by New Bay)). All told, Apple has either filed, caused to be filed, or moved to join fifty-four post-grant proceedings against VirnetX’s at the Patent Office. This blatant abuse of the post-grant review system clearly demonstrates an attempt by Apple to drive up VirnetX’s cost of litigation.

**2. Apple Has Infringed for Years, on a Huge Scale, and Has Taken No Real Remedial Measures to Stop Infringement (Factors 6 and 7).**

Apple first began infringing in June 2009—nearly seven years ago. Apple has been on notice of its infringement since the date VirnetX first filed suit, nearly six years ago. And Apple has been an adjudicated infringer of VirnetX’s patents since November 2012, nearly three-and-a-half years ago. Over that time period, Apple has taken no real remedial measure to stop infringement, other than to implement shallow redesigns that continued to infringe.

***VPN On Demand.*** The original version of VPN On Demand (iOS 3–6) has been adjudicated as an infringing feature since November 6, 2012. -417 Dkt. No. 598. That infringement was affirmed on September 16, 2014. *See VirnetX*, 767 F.3d at 1313. In the time since, Apple has made no meaningful changes to the operation of its VPN On Demand feature for iOS 7 and 8 to avoid infringing VirnetX’s patents. Instead, Apple simply moved the infringing feature from one mode of VPN On Demand to another. 1/26/2016 Trial Tr. (Jones) at 140:19–141:19. Additionally, Apple added components that its own witnesses admitted had no utility in the specific scenario that was addressed by the infringing feature of the original version

of VPN On Demand. 1/29/2016 SEALED Trial Tr. (Wood) at 56:5–57:3; *id.* at 57:13–58:20. But, as Apple was well aware, additional steps do not avoid infringement. 2/2/2016 Trial Tr. (Blaze) at at 80:1–3 (“**Q.** Thank you. Does having an extra step avoid infringement? **A.** No.”). Thus, Apple’s purported remedial measures were taken simply to *appear* as though they had avoided infringement, without actually changing the behavior of the VPN On Demand feature. Of course, the strong outcry following the announcement that Apple would remove the infringing functionality from VPN On Demand motivated Apple to pacify its customers by leaving in the infringing functionality. *See* 1/27/16 Trial Tr. (Weinstein) at 281:13-285:1; PX1007, PX1012.01, PX1012.02, PX1012.03, PX1120, PX1121, PX1123, PX1126; Dkt. No. 194. That Apple would attempt to hide its infringement in this manner further supports the need for enhancement in this case.<sup>4</sup> *Read Corp.*, 970 F.2d at 827.

**FaceTime.** Dating back to the -417 case, both sides agreed that Apple had a non-infringing alternative for FaceTime. During the -417 trial, Apple’s corporate representative testified that it would cost only \$3.6 million to route all its FaceTime calls via relay servers—the agreed upon non-infringing alternative. 11/2/2012 Trial Tr. at 68:3–17. Apple’s corporate representative further testified that it would be “a very simply change to make to route all the traffic through the relay,” and that it would take approximately two weeks to implement those changes. *Id.* at 71:20–21; *id.* at 109:19–110:16. However, after trial in the -417 case, the Court recognized that Apple “grossly misrepresented its ability to implement a non-infringing alternative to the jury.” -211, Dkt. No. 48 at 7.

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<sup>4</sup> Apple further attempted to thwart VirnetX’s ability to prove damages with respect to VPN On Demand by ordering its survey department to stop asking IT professionals about the importance of VPN On Demand in Apple surveys after the infringement verdict in the -417 case. 2/1/2016 Trial Tr. (Jay) at 202:1–16; PX1127 at 7.

Due to the increased cost, Apple sought ways to reduce the number of FaceTime users who were practicing the non-infringing alternative. 1/29/2016 Trial Tr. (Janssen) at 69:1–11; *id.* at 76:4–77:1; *see also* 2/2/2016 Trial Tr. (Bakewell) at 27:9–14 (Apple spent approximately \$50 million to run their non-infringing alternative); *id.* at 29:24–31:3 (it would cost Apple \$4.2 million per month to continue to operate their non-infringing alternative). So, while it is true that Apple identified—and for a period of time, implemented—a non-infringing alternative with respect to FaceTime, Apple actually broke the software on its customers’ iPhones to reduce reliance on that remedial measure in the shift from iOS 6 to iOS 7. 1/29/2016 SEALED Trial Tr. (Thirumalai) at 35:14–36:5; PX1020. Thus, in order to reduce its own costs, Apple forced its customers to abandon the only remedial measure it has ever presented to a jury with respect to FaceTime.<sup>5</sup>

**3. Because of Apple’s Immense Wealth, Substantial Enhancement Is Necessary to Stop Willful Infringement in the Future (Factor 4).**

Apple’s size and wealth also favor enhancement. The punitive nature of the enhancement for willful infringement exists to punish and to deter future infringement. Apple is the richest publicly traded company in the world, with a market capitalization currently over \$500 billion. *See, e.g.,* <http://finance.yahoo.com/q?s=AAPL>. “Unquestionably, [Apple] is large enough and profitable enough to pay enhanced damages.” *SSL Servs., LLC v. Citrix Sys., Inc.*, No. 08-cv-158, 2012 WL 4092449, at \*6 (E.D. Tex. Sept. 17, 2012) *vacated on other grounds*, 769 F.3d 1073 (Fed. Cir. 2014). Not only *can* Apple pay enhanced damages, its size also makes a substantial enhancement necessary to ensure that Apple puts sufficient structural changes in place such that similar large-scale willful infringement does not happen in the future. Accordingly, this factor strongly favors enhancement.

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<sup>5</sup> Apple does not dispute that it has no acceptable, available non-infringing alternatives. *See* 1/28/2-16 Trial Tr. (Bench Conf.) at 123:23-124:6. None were presented to the jury.

Because the *Read* factors weigh heavily in favor of enhancement, VirnetX respectfully requests that damages be enhanced 50% to \$2.12 per infringing device for: 1) the units from Question 1 of the jury verdict sold during the time period of November 6, 2012 through September 17, 2013,<sup>6</sup> and 2) all the units encompassed in Question 6 of the jury verdict.<sup>7</sup> This enhancement tracks the Court’s enhancement of the ongoing royalty it awarded VirnetX for Apple’s willful infringement following the first trial. -211 Dkt. No. 48 at 7-9 (enhancing the ongoing royalty 50% for post-judgment willful infringement upon consideration of the *Read* factors). This enhancement is conservative, because it does not further enhance damages for all of Apple’s conduct, as discussed above, that was not considered at the time of the Court’s ongoing royalty order following the first trial.

**III. THE COURT SHOULD FIND THAT THIS IS AN “EXCEPTIONAL CASE” AND AWARD ATTORNEYS’ FEES UNDER 35 U.S.C. § 285.**

For the reasons related to the closeness of case and litigation conduct *Read* factors, discussed in detail *supra* at § II.B.1, this case is also an exceptional one under 35 U.S.C. § 285.

An exceptional case is “simply one that stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.” *Octane Fitness v. ICON Health & Fitness*, 134 S. Ct. 1749, 1756 (2014). Cases of willful infringement, like this one, are presumptively exceptional. In such cases, a court must provide a reasoned basis *not* to

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<sup>6</sup> Apple’s sales of these units containing the Original Version of VPN On Demand feature (iOS 3-6, 2009-2013) were willful infringement because they followed the jury’s infringement verdict in the first trial. Apple sold 69,535,366 accused devices containing the Original Version of VPN On Demand feature during this time period. Ex. H at ¶ 7 (3/4/2016 Weinstein Decl.).

<sup>7</sup> The jury awarded VirnetX \$290,725,067.31 for infringement by FaceTime, iMessage, and the 2013 Version of VPN On Demand. Dkt. No. 425. There were 206,187,991 accused units encompassed by Question 6 of the jury verdict. PX1089.03, PX1089.05, PX1089.06; 2/2/16 Trial Tr (VirnetX Closing) at 187:3-12. Dividing the award by the number of units equals \$1.41 per unit. *Supra* n.3.

award fees. *Modine Mfg. Co.v. Allen Grp., Inc.*, 917 F.2d 538, 540 (Fed. Cir. 1990) (noting that in cases of willful infringement, a district court must explain its basis for *not* awarding fees). There is no reason to deny VirnetX’s attorney’s fees in this case. *SSL Servs., LLC v. Citrix Sys., Inc.*, 769 F.3d 1073, 1086 (Fed. Cir. 2014).

Apart from the finding of willfulness, Apple’s course of conduct in this long-running dispute with VirnetX independently supports a fee award. Specifically, outside of this Court, Apple has been involved in fifty-four post-grant reviews against VirnetX’s patents. Ex. D; *see supra* at § II.B.1(c). This abuse alone demonstrates why this case is exceptional. Yet on top of that, Apple’s counsel accused VirnetX of “moving the fence” on its claims based on VirnetX’s defense of this Court’s claim construction in the -417 case (1/25/2016 Trial Tr. (Apple’s Opening) at 195:2–8; *id.* at ), and its witnesses lied to the jury on multiple occasions. *Compare* 1/28/2016 Trial Tr. (Casanova) at 279:12–280:6 (Apple would not intentionally break its customers’ phones); 1/29/2016 Trial Tr. (Janssen) at 35:10–11 (Apple did not intentionally cause the certificate expiration in iOS 6); 1/29/2016 (Thirumalai) SEALED Trial Tr. at 35:4–6 (“[REDACTED]”).  
[REDACTED]  
[REDACTED]”) *with* 1/29/2016 SEALED Trial Tr. (Thirumalai) at 35:23–36:5 ([REDACTED]  
[REDACTED]  
[REDACTED]).

As discussed above, this case was not close—Apple’s non-infringement defenses with respect to VPN On Demand and FaceTime were substantively weak. As to iMessage, Apple’s arguments were equally lacking. Apple first argued that iMessages were not direct because they are routed through the APNS and iMessage servers. *See, e.g.*, 1/29/2016 Trial Tr. (Blaze) at 192:10–12 (Apple’s expert, Dr. Blaze, characterizing an iMessage as “very clearly not direct”).

On cross-examination, however, Dr. Blaze confirmed that this was not actually true. Counsel for VirnetX asked Dr. Blaze whether he agreed that “iMessage brings the ability to send messages directly through Apple’s network when those messages are sent between two devices.” (2/1/2016 Trial Tr. at 40:5–7). In response, Dr. Blaze admitted that “That’s right. It’s called . . . a direct message function. The – the broad category of the application of iMessage is often called a direct message in consumer terms.” *Id.* at 40:8–11.

Next, Apple argued that Apple’s iMessage system does not perform a query for a network address, on the basis that “a push token . . . is not a network address.” 1/29/2016 Trial Tr. (Blaze) at 194:17–195:3. Dr. Blaze testified that it was reasonable, in computer networking terms, to define a network address as “an identifier used to designate specific end points in a network.” 2/1/2016 Trial Tr. at 38:12–15. An Apple engineer twice confirmed that the purpose of the push token is to identify the device:

**Q.** What is a push token?

**A.** So a push token is the way the APNS system identifies a device.

(1/29/ 2016 Trial Tr. (Thirumalai) at 187:14–16)

\* \* \*

**Q:** [REDACTED]

[REDACTED]

[REDACTED]

(1/29/2016 SEALED Trial Tr. (Thirumalai) at 5:24–6:1)

Dr. Blaze further testified that an address “is the thing that the network uses to find the route and deliver a message.” 2/1/2016 Trial Tr. at 38:23–39:1. But Dr. Blaze also testified that IP addresses are not static, and that they are not specifically tied to a device. *Id.* at 40:12–41:1. Unsurprisingly, then, he did not disagree when confronted with testimony from Apple engineering manager Mr. Darryl Bleau that Apple chose to use push tokens to address iMessages rather than IP addresses because using IP addresses “wouldn’t have made any sense.” *Id.* at

41:11–42:15. Just as with VPN On Demand and FaceTime, Apple’s non-infringement positions could not survive the testimony of its own witnesses.

Although Apple tried everything (within this Court and without), the jury itself, by returning a verdict on willfulness, determined that Apple had no “reasonable basis to believe that [it] did not infringe.” Trial Tr. 2/2/2016 (Court’s Charge) at 157:21–22. As discussed in the *Read* analysis and above, the entirety of Apple’s defense was weak. And in a fruitless attempt to cover up this weakness—and to drag out this litigation to make it as lengthy and costly to VirnetX as possible—Apple has intentionally pursued every possible defense, up to and including two frivolous requests for a mistrial. Apple’s constant pursuit of its weak defenses has drastically increased VirnetX’s cost of litigation and delayed resolution of this dispute. Apple even took steps specifically designed to increase VirnetX’s costs, such as forcing counsel for VirnetX to travel across the country to prepare for and defend a third-party deposition that lasted less than twenty-five minutes. Ex. I. Accordingly, not only does willfulness alone support an exceptional case finding, the Court should also award fees to deter Apple’s multi-forum kitchen-sink litigation tactics in the future. See *Octane Fitness*, 134 S. Ct. at 1756 n.6 (2014) (noting that courts should consider “the need in particular circumstances to advance the needs of compensation and deterrence”); *Romag Fasteners, Inc. v. Fossil Inc.*, No. 10-cv-1827, 2014 WL 4073204 (D. Conn. Aug. 14, 2014) (holding that pursuit of weak motions and defenses supported exceptional case finding).

In short, Apple’s weak substantive positions and countless, improper collateral attacks in other forums establish that this case “stand[s] out from others.” *Octane Fitness*, 134 S. Ct. at

1756. Accordingly, VirnetX respectfully requests that the Court award VirnetX its reasonable attorneys' fees.<sup>8</sup>

#### **IV. VIRNETX REQUESTS COSTS AS THE PREVAILING PARTY.**

In a patent case, Federal Circuit law governs the determination of which party has prevailed. *Manildra Milling Corp. v. Ogilvie Mills, Inc.*, 76 F.3d 1178, 1182 (Fed. Cir. 1996). To be the “prevailing party,” the Federal Circuit requires: (1) that the party “received at least some relief on the merits,” and (2) “[t]hat relief must materially alter the legal relationship between the parties by modifying one party’s behavior in a way that ‘directly benefits’ the opposing party.” *Shum v. Intel Corp.*, 629 F.3d 1360, 1366-67 (Fed. Cir. 2010) (citations omitted). A party does not need to prevail on all claims to qualify as the prevailing party. *SSL Servs.*, 769 F.3d at 1086.

Because VirnetX prevailed on all of its infringement claims, its claim of willful infringement, and was awarded the damages it sought, VirnetX requests that the Court find it to be the prevailing party pursuant to Federal Rule of Civil Procedure 54(d) and 28 U.S.C. §1920, and that it is entitled to costs consistent therewith.<sup>9</sup>

#### **V. THE COURT SHOULD AWARD SUPPLEMENTAL DAMAGES.**

Courts routinely award supplemental damages for infringement occurring after a jury verdict is returned, but before final judgment is entered. *See, e.g., i4i Ltd. P’ship v. Microsoft Corp.*, 670 F. Supp. 2d 568, 600 (E.D. Tex. 2009) (finding that damages for post-verdict, prejudgment infringement should be granted to prevent the infringer from obtaining a windfall); *See Nat’l Instruments Corp. v. The Mathworks, Inc.*, No. 2:01-CV-11-TJW, 2003 WL 24049230,

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<sup>8</sup> The precise amount of the fee award will be made on motion pursuant to Federal Rule of Civil Procedure 54(b)(2) fourteen days after entry of judgment.

<sup>9</sup> Pursuant to the Court’s standing order regarding bills of cost and Local Rule CV-54, VirnetX will work with Apple to resolve any disputes surrounding the bill of costs.



at \*4 (E.D. Tex. June 23, 2003) *aff'd*, 113 F. App'x 895 (Fed. Cir. 2004) (“A failure to award such [supplemental] damages would grant an infringer a windfall by enabling it to infringe without compensating a patentee for the period of time between the jury’s verdict and the judgment.”) (citing *Stryker Corp. v. Davol, Inc.*, 75 F. Supp. 2d 746, 747-48 (W.D. Mich. 1999)), *aff'd*, 234 F.3d 1252 (Fed. Cir. 2000)); *Itron, Inc. v. Benghiat*, No. 99-501, 2003 WL 22037710, at \*15 (D. Minn. Aug. 29, 2003) (“Courts ‘routinely grant motions for further accounting’ where the jury did not consider certain periods of infringing activity.”).

Supplemental damages are calculated consistent with the damages awarded in the jury verdict. *See Nat’l Instruments*, 2003 WL 24049230, at \*4; *Mikohn Gaming Corp. v. Acres Gaming, Inc.*, No. CV-S-97-1383-EJW, 2001 WL 34778689, at \*22-23 (D. Nev. Aug. 2, 2001).

In this case, the jury’s award of \$625,633,841.04, when divided by the number of units contained in the royalty base at trial, amounts to a per unit rate of \$1.41. *Supra*, n.3. The number of units for which VirnetX is entitled to supplemental damages is calculated on sales from February 4, 2016 through March 4, 2016 in Ex. H at ¶ 6, including a daily amount of units for the time period of March 5, 2016 to entry of judgment.<sup>10</sup> This calculation accounts for Apple’s willful, infringing sales of the adjudged infringing products<sup>11</sup> sold following the jury’s verdict, but prior to entry of judgment. Furthermore, there are certain Apple iOS device products that were released subsequent to the close of fact discovery and for which Apple has not yet

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<sup>10</sup> Should the Court elect not to enhance damages, supplemental damages are calculated in Ex. H at ¶ 7.

<sup>11</sup> The products adjudicated as infringing by the jury include the following Apple products: iPhone 3G, iPhone 3GS, iPhone 4, iPhone 4S, iPhone 5, iPhone 5C, iPhone 5S, iPhone 6, iPhone 6 Plus, iPad, iPad 2, iPad 3, iPad 4, iPad Mini, iPad Mini 2d Gen., iPad Air, iPod Touch 2d Gen., iPod Touch 3d Gen., iPod Touch 4th Gen., iPod Touch 5th Gen, iMac, Mac Mini, eMac, Mac Pro, Power Mac MacBook Pro, PowerBook, MacBook Air, MacBook, iBook, OS X 10.6 Snow Leopard, OS X 10.7 Lion, and OS X 10.8 Mountain Lion. *See generally* Ex. H at Ex. 1; PX1089.03, PX1089.05, PX1089.06.

provided sales data.<sup>12</sup> However, because certain of the Later Released Products run the same version of the adjudicated infringing software (iOS 7-8), the parties agreed that Apple would provide an accounting regarding these products. 2/2/2016 Trial Tr. at 123:12-124:2. Once Apple has provided this accounting, VirnetX requests that the Court award the enhanced amount of \$2.12 per infringing Later Released Product sold with iOS 7-8, from the date of the product's release through judgment.<sup>13</sup> VirnetX requests that the Court award these supplemental damages.

## **VI. VIRNETX IS ENTITLED TO INJUNCTIVE RELIEF INCLUDING A TEMPORARY COMPULSORY ROYALTY.**

After the first trial, VirnetX sought an injunction requiring Apple to remove the accused features from the infringing devices. In support of its motion, VirnetX explained that an injunction would allow it to negotiate a license to its Gabriel software with Apple or other providers. It presented evidence that Apple had saturated the market for the patented technology by offering its infringing VPN On Demand and Facetime features and that an injunction would have provided VirnetX with an opportunity to replace those infringing features with its Gabriel Technology. -417 Dkt. No. 621 at 3-7. In response, Apple argued that VirnetX had not yet commercialized Gabriel, and even if it had commercialized Gabriel, "its potential customer base would be manufacturers of smartphones, computers, and tablets, not the end-user purchasers of such products that make up Apple's customer base." -417 Dkt. No. 640 at 2. Thus, Apple concluded that VirnetX was unable to show that it had been irreparably harmed.

On February 26, 2013, Judge Davis sided with Apple. He specifically found that

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<sup>12</sup> These products (hereinafter "Later Released Products") are as follows: iPhone 6S, iPhone 6S Plus, iPad Air 2, iPad Mini 3, iPad Mini 4, iPad Pro, and iPod Touch 6<sup>th</sup> Gen.

<sup>13</sup> Should the Court not enhance damages, VirnetX requests that the Court award \$1.41 per infringing Later Released Product sold with iOS 7-8, from the date of the product's release through judgment, in accordance with the jury's verdict. Later Released Products sold with iOS 9 are addressed below in connection with VirnetX's request for an ongoing royalty.

“VirnetX's Gabriel technology is currently unavailable commercially,” that “Apple does not directly compete with VirnetX,” and that “VirnetX's damages are limited to the loss of Apple as a customer.” -417 Dkt. No. 732 at 39-40. Based on these findings, he concluded that Apple’s infringement had not irreparably harmed VirnetX and that an ongoing royalty would effectively compensate VirnetX for the harm caused by Apple’s infringement.

As explained more fully below, the factual underpinnings for Judge Davis’s opinion no longer exist. In the intervening three years, VirnetX has developed, refined, and released its Gabriel software as an application for use on Apple and Android devices as well as on Mac, PC, and Linux computers. *See, e.g.*, <https://www.gabrielsecure.com/features-and-pricing/>. Although VirnetX does not compete with Apple to sell phones, it does compete with Apple for end-users of secure communication software. That is, VirnetX’s Gabriel application now competes for end users with Apple’s infringing features. Thus, the competitive harm to VirnetX is not the absence of a Gabriel licensing agreement with Apple, rather, it is the lost sales and reputational harm caused by Apple’s distribution of the infringing features. Accordingly, VirnetX requests that the Court permanently enjoin Apple’s infringing behavior.

**A. The *eBay* Factors Weigh Heavily in Favor of Injunctive Relief.**

This Court is empowered to “grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.” 35 U.S.C. § 283. In considering a request for injunctive relief, a court must consider whether:

- (1) the plaintiff has suffered an irreparable injury;
- (2) remedies available at law are inadequate to compensate for that injury;
- (3) considering the balance of hardships between the plaintiff and the defendant, a remedy in equity is warranted; and

(4) the public interest would be disserved by a permanent injunction.

*eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006). “This analysis proceeds with an eye to the ‘long tradition of equity practice’ granting ‘injunctive relief upon a finding of infringement in the vast majority of patent cases.’” *Presidio Components, Inc. v. Am. Technical Ceramics Corp.*, 702 F.3d 1351, 1362-63 (Fed. Cir. 2012) (quoting *eBay*, 547 U.S. at 395 (Roberts, C.J., concurring)). Accordingly, “[a]bsent adverse equitable considerations, the winner of a judgment of validity and infringement may normally expect to regain the exclusivity that was lost with the infringement.” *Edwards Lifesciences AG v. CoreValve, Inc.*, 699 F.3d 1305, 1314 (Fed. Cir. 2012). A district court’s decision to grant an injunction, the scope of the injunction, and the district court’s conclusion as to each *eBay* factor are reviewed for abuse of discretion. *See Joy Techs. v. Flakt, Inc.*, 6 F.3d 770, 772 (Fed. Cir. 1993). Factual findings made in support of the injunction are reviewed for clear error. *See Acumed LLC v. Stryker Corp.*, 551 F.3d 1323, 1327-31 (Fed. Cir. 2008).

#### **1. VirnetX Continues to Suffer Irreparable Injury.**

A patentee’s rights spring forth from the Constitution, which gives Congress the power to “secur[e] for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” U.S. Const. Art. I, § 8. Under this grant, a patentee obtains the right to invoke the “State’s power” to prevent others from engaging in certain activities. *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 135 (1969). Because the “fundamental nature” of a patent is the right to exclude, a court may not ignore the importance of this statutory right. *Robert Bosch LLC v. Pylon Mfg. Corp.*, 659 F.3d 1142, 1149 (Fed. Cir. 2011); *see also Inventio Ag v. Otis Elevator Co.*, No. 06-civ-5377, 2011 WL 3480946 at \*2 (S.D.N.Y. Aug. 4, 2011) (explaining that the value of the exclusive right “simply cannot be quantified”); *Hybritech Inc. v.*

*Abbott Labs.*, 849 F.2d 1446, 1456-57 (Fed. Cir. 1988) (“It is well-settled that, because the principal value of a patent is its statutory right to exclude, the nature of the patent grant weighs against holding that monetary damages will always suffice to make the patentee whole.”). This is particularly true in cases where the infringement has been willful. *See, e.g., TruePosition Inc. v. Andrew Corp.*, 568 F. Supp. 2d 500, 532 (D. Del. 2008); *Muniauction, Inc. v. Thomson Corp.*, 502 F. Supp. 2d 477, 483 (W.D. Pa. 2007) *rev’d on other grounds*, 532 F.3d 1318 (Fed. Cir. 2008). In addition to its Constitutional injury, VirnetX has suffered irreparable competitive and reputational harm as a result of Apple’s infringement.

**(a) Apple’s Infringement Is Causing VirnetX Irreparable Competitive Harm.**

“Where two companies are in competition against one another, the patentee suffers the harm—often irreparable—of being forced to compete against products that incorporate and infringe its own patented inventions.” *Douglas Dynamics, LLC v. Buyers Products Co.*, 717 F.3d 1336, 1345 (Fed. Cir. 2013). This type of harm may arise where companies compete over a subset of features in a larger product. *i4i Ltd. P’ship v. Microsoft Corp.*, 598 F.3d 831, 839 (Fed. Cir. 2010) (aff’d, 564 U.S. 91 (2011)). In *i4i*, the patent owner provided “add-on” software for Microsoft Word that expanded Word’s capability to work with XML files. Microsoft was found to infringe the patent at issue by providing XML editing functionality in Word. *Id.* at 840. Although, *i4i* did not directly compete with Microsoft to sell word processing software and the infringing feature was only one of many other features in the accused products, the Federal Circuit nonetheless found that *i4i* did compete with Microsoft to provide XML editing functionality. As a result, Microsoft’s infringement had caused *i4i* irreparable harm. *Id.* at 862 (also explaining that “a small company was practicing its patent, only to suffer a loss of market share, brand recognition, and customer goodwill as the result of the defendant’s infringing acts.”)

In this case, VirnetX offers its Gabriel application as a secure messaging and video conferencing solution for iPhone and Mac users. At the time of the first trial with Apple, VirnetX had envisioned a potential partnership with Apple as a way to commercialize this patented technology. -417 Dkt. No. 621 at 5-6. Such a partnership, of course, never materialized. And over the next three years, VirnetX independently developed its own iPhone implementation for Gabriel. This product is available on Apple’s App Store, and it now competes directly with Apple’s infringing Facetime and iMessage features. 1/26/2016 Trial Tr. (Short) at 45:12-46:6; 1/26/2016 Trial Tr. (Larsen) at 143:8-143:17.

Like many other app developers, VirnetX charges a small fee for Gabriel. Apple, on the other hand, provides its infringing features at no additional cost to iPhone customers. 1/26/2016 Trial Tr. (Larsen) at 143:5-143:17. In the absence of VirnetX’s patents, Apple’s strategy makes perfect business sense—Apple need not charge separately for Facetime or iMessage because its customers pay for an entire iPhone or iPad. The consequence of Apple’s business strategy, though, is to force VirnetX out of the market for its own patented technology. 1/26/2016 Trial Tr. (Larsen) at 143:18-143:23 (“Q. Okay. And what about Apple competing specifically hinders your ability to sell this product? A. Well, if Apple is using our technology and not paying us for it and providing it to their customers, it makes it very difficult for us to compete in the marketplace.”) Just as in *i4i*, this sort of competitive harm can only be rectified by injunctive relief.

**(b) There Is a Causal Nexus Between Apple’s Infringement and the Competitive Harm to VirnetX.**

The causal nexus requirement requires a patentee to demonstrate “some connection” between the patented features and the demand for the infringing product. *Apple Inc. v. Samsung Elecs. Co. (Apple IV)*, 809 F.3d 633, 640 (Fed. Cir. 2015). A patentee is not required to show

that the accused feature is the “exclusive driver of customer demand,” only that it is “one of several features that cause consumers to make their purchasing decisions.” *Id.* at 644. For example, a patentee may offer proof that customers wanted, preferred, and would pay extra for the feature. *Id.*

Here, there is no dispute that Apple must use VirnetX’s patented technology in order to offer its Facetime and iMessage features. 2/2/2016 Trial Tr. (Jones) at 84:21-23 (“Q. And has Apple shown that they could do without the VirnetX inventions? A. No, they haven’t. My analysis shows that they could not.”); 2/2/2016 Trial Tr. (Apple) at 85:6-7 (“We did not rely on non-infringing alternatives in our case.”) The Federal Circuit has specifically explained that when a patented technology enables a significant feature of a multi-feature product, that technology drives consumer demand:

To illustrate these points, it may be helpful to return to an example discussed in *Apple II*. There, we explained that a battery does not necessarily drive demand for a laptop computer simply because its removal would render the laptop ineffective as a portable computer. See *Apple II*, 695 F.3d at 1376. That is because consumers often do not choose a laptop based on its battery, and presumably at this point, no inventor has a patent covering all laptop batteries. Nevertheless, it is indisputable that the ability to carry around a computer without having to plug it in is one of the reasons people buy laptops. Thus, if the first person to invent a laptop battery had obtained a patent covering all laptop batteries, then it would be reasonable to say that the patented invention was a driver of demand for laptops.

*Apple Inc. v. Samsung Elecs. Co. (Apple III)*, 735 F.3d 1352, 1364 (Fed. Cir. 2013).<sup>14</sup> Moreover, there is ample evidence that Apple’s customers want, prefer, and would pay extra for Facetime and iMessage. See, e.g., 1/27/2016 Trial Tr. (Wecker) at 224:22-24 (“17 percent of the Apple iPhone purchasers said no, they would not have purchased at the same price if -- if the iPhone

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<sup>14</sup> This clarification significantly alters the burden imposed on a patentee to obtain injunctive relief. Notably, Judge Davis’s opinion was issued after the Federal Circuit issued its *Apple II* opinion, but before it offered this clarification in *Apple III*.

did not include FaceTime and iMessage.”); PX1091 at Attachment D. This evidence is more than sufficient to demonstrate a causal nexus between Apple’s infringement and the irreparable harm to VirnetX.

**(c) VirnetX Has Also Suffered Irreparable Reputational Harm.**

When an infringer offers a competing product, the patent owner’s “reputation as an innovator “will certainly be damaged.” *Douglas Dynamics*, 717 F.3d at 1344-45. Moreover, if a patent owner is unable to enforce its Constitutional right of exclusion, its reputation suffers. *Id.* To demonstrate reputational harm, a patentee need not demonstrate that the infringement caused a loss of market share, actual lost sales, or consumer confusion. *Id.* Indeed, a patent owner suffers reputational harm from an infringing, competing product even when the patent owner’s market share *increases* in the face of the infringement. *Id.* This is because “[e]xclusivity is closely related to the fundamental nature of patents as property rights. It is an intangible asset that is part of a company’s reputation. . . .” *Id.*

In this case, VirnetX’s patented technology is at the core of its business. *Cf. TruePosition*, 568 F. Supp. 2d at 531 (explaining that “[p]laintiffs are also frequently successful [in obtaining an injunction] when their patented technology is at the core of its business . . .”). Because Apple’s infringing features are ubiquitous in the marketplace, VirnetX’s reputation as an innovator has been severely damaged. *See Asetek Danmark A/S v. CMI USA, Inc.*, No. 13-CV-00457-JST, 2015 WL 5568360, at \*14 (N.D. Cal. Sept. 22, 2015) (explaining that “when infringing products are on the market, a patentee’s products ‘lose some of [their] distinctiveness and market lure’ because competitors can contend that they have similar features without acknowledging that those features infringe on the patentee’s intellectual property.”) The reputational harm in this case has been particularly extreme. Although VirnetX is the true



innovator of the technology that enables Apple’s infringing features and it offers a product that competes directly with those features, it has been branded a “patent troll” by numerous sources.<sup>15</sup>

Even before VirnetX released its Gabriel software, Apple was actively damaging VirnetX’s reputation. Following the jury’s verdict of infringement in the first case, Apple issued a press release stating: “Due to a lawsuit by VirnetX, Apple will be changing the behavior of VPN On Demand for iOS devices using 6.1 and later.” PX1007; 1/28/2016 Trial Tr. (Patience) at 202:9-12. Notably absent from this press release was any recognition of VirnetX’s innovation or Apple’s confirmed wrongdoing. Then, mere weeks later, Apple reversed course and announced that no change would be forthcoming. PX1126. Thus, after Apple attempted to blame its product changes on “a lawsuit by VirnetX,” instead of Apple’s own infringement, it then created the misleading impression that Apple and VirnetX had reached some sort of agreement to resolve the lawsuit. Only the return of VirnetX’s right of exclusion can rectify this harm.

**(d) The Presence of Other Competitors in the Market for the Patented Technology and VirnetX’s Licensing History Do Not Negate the Need for Injunctive Relief.**

It is well-established that the “fact that other infringers may be in the marketplace does not negate irreparable harm.” *Pfizer, Inc. v. Teva Pharms. USA, Inc.*, 429 F.3d 1364, 1381 (Fed. Cir. 2005) (also explaining that “[p]icking off one infringer at a time is not inconsistent with being irreparably harmed”). “[W]ithout additional facts showing that the presence of additional competitors renders the infringer’s harm reparable, the absence of a two-supplier market does not weigh against a finding of irreparable harm. *Bosch*, 659 F.3d at 1151. Thus, the mere fact that Gabriel may compete against various third party applications in the absence of Apple’s Facetime

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<sup>15</sup> See, e.g., <http://money.cnn.com/2016/02/04/technology/apple-patent-lawsuit-virnetx/>;  
<http://www.billboard.com/articles/business/6866849/apple-appeal-625-million-patent-troll-settlement>

and iMessage features does not negate infringement.

Similarly, although a patentee's willingness to license its patents can weigh against a finding of irreparable harm, past licensing is not dispositive. *See Acumed*, 551 F.3d at 1328 (“While the fact that a patentee has previously chosen to license the patent may indicate that a reasonable royalty does compensate for an infringement, that is but one factor for the district court to consider.”). Indeed, the Supreme Court in *eBay* rejected such a categorical rule. *See eBay*, 547 U.S. at 393 (rejecting the district court's conclusion that “a plaintiff's willingness to license its patents . . . would be sufficient to establish that the patent holder would not suffer irreparable harm if an injunction did not issue”). Here, the fact that VirnetX has licensed previous infringers does not justify denying equitable relief to VirnetX.

## **2. The Remedies at Law Are Inadequate to Compensate VirnetX.**

The facts discussed above with respect to irreparable harm are equally relevant to determining the adequacy of a remedy at law. *See, e.g., Lewis v. S. S. Baune*, 534 F.2d 1115, 1124 (5th Cir. 1976). As noted above, Apple's continuing decision to offer features in direct competition with VirnetX's Gabriel product has foreclosed VirnetX's ability to compete in the marketplace. While it may be difficult to quantify how many Gabriel sales will be lost if Apple is permitted to continue infringing, that is no reason to deny injunctive relief. Quite the contrary, this fact weighs strongly in favor of injunctive relief. *Apple IV*, 809 F.3d at 645 (weighing this factor strongly in favor of injunctive relief after finding that “the loss by Apple of a single smartphone or tablet customer may have a far-reaching impact on Apple's future revenues. Because of its variable and uncertain nature, this loss is very difficult to calculate.”)

Also, not only is the calculation of an ongoing royalty difficult mathematically and temporally, but an ongoing royalty fails to account for other contractual terms that VirnetX could otherwise negotiate with Apple. An ongoing royalty would deprive VirnetX of the ability to

bargain for and obtain valuable terms, such as (i) a cross-license to Apple's patents; (ii) a formal, public acknowledgement of the importance of VirnetX's patents; (iii) a limited license covering only a particular application or feature (as in VirnetX's license to Microsoft, PX 409); and (iv) a venue and choice of law provision. No monetary remedy can account for this injury. *See Commonwealth Scientific & Indus. Research Org. v. Buffalo Tech. Inc.*, 492 F. Supp. 2d 600, 606 (E.D. Tex. 2007) (a compulsory license may not "include other non-monetary license terms that are as important as monetary terms"); *Transocean Offshore Deepwater Drilling, Inc. v. GlobalSantaFe Corp.*, 03-CV-2910, 2006 WL 3813778, at \*5 (S.D. Tex. Dec. 27, 2006) ("[T]he court is persuaded that if it does not enter a permanent injunction, it will force a compulsory license on Transocean that will not contain any of the commercial business terms typically used by a patent holder to control its technology or limit encroachment on its market share.").

### **3. Considering the Balance of Hardships Between VirnetX and Apple, a Remedy in Equity Is Warranted.**

In analyzing the appropriateness of injunctive relief, "a court need not balance the hardship when a defendant's conduct has been willful." *United States v. Marine Shale Processors*, 81 F.3d 1329, 1358 (5th Cir. 1996). Because the jury found Apple to be a willful infringer, and because its continued infringement after the jury verdict is undeniably willful, Apple is not entitled to any equitable consideration under this factor. *See, e.g., Shockley v. Arcan, Inc.*, 248 F.3d 1349, 1361 (Fed. Cir. 2001) (affirming a district court's "denial of equitable intervening rights" because [t]he record, with its finding of willful infringement, amply support[ed] the district court's discretion to deny [the defendant] access to equity"); *see also DataTreasury Corp. v. Wells Fargo & Co.*, Case No. 2:06-cv-72-DF, 2011 WL 8810604, \*8 (E.D. Tex. Aug. 2, 2011) ("[F]ollowing a jury verdict and entry of judgment of infringement and no invalidity, a defendant's continued infringement will be willful absent very unusual

circumstances”).

At any rate, this factor assesses the relative effect of granting or denying an injunction on the parties. As the Federal Circuit explained in *i4i*:

These factors included the parties’ sizes, products, and revenue sources. When measured by these factors, it is clear that the patented technology is central to *i4i*’s business. Because most of *i4i*’s products are based on the ‘449 patent, *i4i*’s market share, revenues, and business strategy are similarly tied to the patented method. These same factors reveal that the infringing custom XML editor relates to only a small fraction of Microsoft’s sizeable business. The far greater importance of the patented method to *i4i*, combined with the demonstrated past effects of infringement on *i4i*, favors issuance of a permanent injunction.

*See i4i*, 598 F.3d at 862-863. Similarly, VirnetX’s patented technology is central to its business. Because VirnetX’s Gabriel Technology is based on the patents-in-suit, VirnetX’s market share, revenues, and business strategy are similarly tied to the claims Apple infringes. In contrast, the only hardship to Apple would stem from the requirement that it cease its infringing operations. But this is no hardship at all. *Windsurfing Int’l, Inc. v. AMF, Inc.*, 782 F.2d 995, 1003 n. 12 (Fed. Cir. 1986) (“One who elects to build a business on a product found to infringe cannot be heard to complain if an injunction against continuing infringement destroys the business so elected.”) Thus, the far greater importance of the claimed inventions to VirnetX, combined with the past irreparable harm that Apple’s infringement has caused VirnetX, favors issuance of a permanent injunction. *See Bosch*, 659 F.3d at 1156 (“[R]equiring Bosch to compete against its own patented invention, with the resultant harms described above, places a substantial hardship on Bosch. This factor, therefore, favors entry of an injunction in this case.”). Because VirnetX requests entry of a narrow injunction that would only force Apple to cease its ongoing infringement, this factor weighs strongly in favor of injunctive relief.

#### **4. An Injunction Promotes the Public Interest.**

The public interest is served by issuing a narrow injunction that protects VirnetX's patent rights. *CSIRO*, 492 F. Supp. 2d at 607 (“The public has an interest in a strong patent system. In general, public policy favors the enforcement of patent rights. . . . Permanent injunctions serve that interest.”) (citations omitted); *see also Atlanta Attachment Co. v. Leggett & Platt, Inc.*, No. 1:05-cv-1071-ODE, 2007 WL 5011980, \*8 (N.D. Ga. Feb. 23, 2007) (“There is a general public interest in strong patent protection.”) (citing *Abbott Labs v. Andrx Pharms., Inc.*, 452 F.3d 1331, 1348 (Fed. Cir. 2006)). Apple's infringing products are not essential for the public health or welfare, and this factor therefore weighs in favor of an injunction. *See, e.g., Mass Engineered Design, Inc. v. Ergotron, Inc.*, 633 F. Supp. 2d 361, 394 (E.D. Tex. 2009) (“Where products do not relate to a significant compelling public interest, such as health or safety, this factor weighs in favor of an injunction.”). Accordingly, the public interest is served by the issuance of an injunction.

Because all of the *eBay* factors weigh heavily in VirnetX's favor, the Court should grant injunctive relief.

**B. The Court Should Exercise Its Discretion by Granting a Permanent Injunction and a “Sunset” Compulsory Royalty.**

If the Court determines that injunctive relief is appropriate, it may craft that relief “on such terms as the court deems reasonable.” 35 U.S.C. § 283. District courts have “broad discretion” in determining the scope of injunctive relief. *See Carborundum Co. v. Molten Metal Equip. Innovations, Inc.*, 72 F.3d 872, 881 (Fed. Cir. 1995). “[I]njunctive relief should be no more burdensome to the defendant than necessary to provide complete relief to the plaintiffs.” *Califano v. Yamasaki*, 442 U.S. 682, 702 (1979). In this case, the injunction necessary to provide complete relief to VirnetX includes a narrow permanent injunction requiring Apple to remove the infringing functionality of its Facetime, iMessage, and VPN On Demand features

that were accused at trial, and to pay a sunset ongoing royalty until that injunction becomes effective.

### **1. Permanent Injunction**

As explained above, the irreparable harm caused by Apple's infringement can only be rectified by removing the patented technology from the accused products. Apple does not dispute that it has no non-infringing alternatives. 2/2/2016 Trial Tr. (Apple) at 85:6-7 ("We did not rely on non-infringing alternatives in our case."); 1/28/2-16 Trial Tr. (Bench Conf.) at 123:23-124:6. Thus, this Court may appropriately conclude that the narrowest injunction necessary to afford VirnetX complete relief is to require Apple to altogether remove the infringing Facetime, iMessage, and always-mode VPN On Demand features from its devices. Nonetheless, as explained more fully in the attached proposed judgment, VirnetX requests only that the Court remove the infringing functionality of these features for devices that have not been accounted for in a damages award. Apple may do so by implementing a noninfringing alternative such as relaying Facetime calls.

To be clear, VirnetX is not seeking to prohibit Apple from selling iPhones, or to require Apple to disable Facetime and iMessage on all of its devices. VirnetX merely requests that the Court order Apple to remove the patented technology from the Facetime, iMessage, and VPN On Demand features for devices that it sells in the future.

### **2. Sunset Compulsory Royalty for Adjudicated Infringing Products**

For the period of time between entry of final judgment and Apple's removal of the infringing functionalities from its products, VirnetX requests a "sunset" ongoing royalty in order to be compensated for Apple's ongoing, willful infringement. The Federal Circuit has specifically endorsed the use of such a royalty for the interim period in between final judgment and the start of the injunction period. *See, e.g., Broadcom Corp. v. Emulex Corp.*, 732 F.3d

1325, 1339 (Fed. Cir. 2013). “[T]he law must ensure that an adjudged infringer who voluntarily chooses to continue his infringing behavior must adequately compensate the patent holder for using the patent holder’s property.” *Paice LLC v. Toyota Motor Corp.*, 609 F. Supp. 2d 620, 630 (E.D. Tex. 2009).

“[F]ollowing a jury verdict and entry of judgment of infringement and no invalidity, a defendant’s continued infringement will be willful absent very unusual circumstances. . . . General deterrence of infringing activity is also a factor to be considered.” *DataTreasury*, 2011 WL 8810604, \*8. Therefore, “an on-going post-verdict royalty is appropriately higher than the jury’s pre-verdict reasonable royalty.” *Soverain Software LLC v. Newegg, Inc.*, 836 F. Supp. 2d 462, 483 (E.D. Tex. 2010), *rev’d on other grounds* at 705 F.3d 1333 (Fed. Cir. 2013) (citing *Amado v. Microsoft Corp.*, 517 F.3d 1353, 1362 n.2 (Fed. Cir. 2008)).

When determining an ongoing compulsory royalty, “the jury’s implied royalty rate provides a starting point for determining the ongoing post-judgment royalty rate.” *Soverain Software LLC v. J.C. Penney Corp.*, 899 F. Supp. 2d 574, 589 (E.D. Tex. 2012), *rev’d on other grounds* at *Soverain Software LLC v. Victoria’s Secret Direct Brand Mgmt., LLC*, 778 F.3d 1311 (Fed. Cir. 2015). As discussed above, the jury’s implied royalty rate was \$1.41 per infringing unit. In order to determine how much to enhance the jury’s award in light of the defendant’s ongoing willful infringement, the Court must account for two primary factors: (1) any changed economic circumstances that were not considered by the jury, and (2) the fact that the defendant’s future infringement is willful. *See Mondis Tech. Ltd. v. Chimei Innolux Corp.*, 822 F. Supp. 2d 639, 645–46 (E.D. Tex. 2011); *Soverain v. J.C. Penney Corp.*, 899 F. Supp. 2d at 588 (E.D. Tex. 2012); *Paice LLC*, 609 F. Supp. 2d at 624. Further, this Court has analyzed the *Read* factors to perform this analysis. *See, e.g., Fractus, S.A. v. Samsung Elecs. Co., Ltd.*, No.

6:09-cv-421, 2013 WL 1136964, \*2 (E.D. Tex. Mar. 15, 2013). As discussed above, an analysis of the *Read* factors indicates that the Court should enhance the jury's award by fifty percent.<sup>16</sup> Apple may argue in response that pre-judgment damages should not be enhanced because it had allegedly reasonable defenses. However, following entry of judgment, Apple will have no remaining ability to point to these defenses as they will be conclusively rejected (as they were by the jury). Thus, any post-judgment infringement by Apple deserves further deterrence through an enhanced ongoing royalty. VirnetX requests that the ongoing royalty be enhanced another 25% to \$2.65 per infringing unit.<sup>17</sup> This additional enhancement tracks the enhancement for post-verdict changed circumstances in the Court's enhancement of the ongoing royalty it awarded VirnetX for Apple's willful infringement following the first trial. -211 Dkt. No. 48 at 3-7.

In order to ensure that Apple has time to modify its products, VirnetX requests that the Court allow Apple thirty days to comply with the permanent injunction. This amount of time is appropriate because Apple need only distribute software updates to its customers as opposed to recalling physical products. Accordingly, because Apple will continue to infringe between the entry of judgment and the time at which it complies with the permanent injunction, VirnetX requests that the ongoing royalty apply until Apple complies with the permanent injunction.

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<sup>16</sup> Further supporting enhancement of the ongoing royalty is that Apple offered no evidence that it had considered VirnetX's patents while developing iMessage or that it had taken any remedial measures with respect to iMessage since VirnetX first accused iMessage of infringement. Apple had notice of VirnetX's patents since August 2010, but it designed the infringing iMessage feature and released it in October 2011 with the release of iOS 5. These facts are relevant under *Read* factors 6 and 7.

<sup>17</sup>  $\$2.12 \times 1.25 = \$2.65$ . However, if the Court determines that the jury's damages verdict should not be enhanced based on Apple's willful infringement, VirnetX requests that the Court at least order a higher ongoing royalty for the same reasons that it requests enhancement of past damages.



### **3. Sunset Compulsory Royalty for Products That Are Not Colorably Different from the Adjudicated Infringing Products**

Subsequent to the release of the adjudicated infringing products, Apple released other infringing products that are not colorably different from the adjudicated infringing products. As discussed above, these Later Released Products include: iPhone 6S, iPhone 6S Plus, iPad Air 2, iPad Mini 3, iPad Mini 4, iPad Pro, and iPod Touch 6<sup>th</sup> Gen. As discussed above, for the Later Released Products that run the same version of the adjudicated infringing software (iOS 7-8), the parties agreed that Apple would provide an accounting regarding these products. 2/2/2016 Trial Tr. at 123:12-124:2. However, certain of these Later Released Products were sold with a later version of iOS—iOS 9—that was not specifically considered by the jury. Nonetheless, Later Released Products running iOS 9 are not colorably different from the adjudicated infringing products because they still contain the infringing features that operate the same way.<sup>18</sup> Accordingly, the sunset royalty should be applied to all of these products and any other products that are not “colorably different” from the adjudicated products. *Fractus*, 2013 WL 1136964 at \*2. That an ongoing royalty may apply to products not colorably different from adjudicated products is a form of equitable relief flowing from the Court’s “broad discretion to determine how best to enforce its injunctive decrees.” *See Creative Internet Adver. Corp. v. Yahoo! Inc.*, 674 F. Supp. 2d 847, 854 (E.D. Tex. 2009) (internal quotations omitted). Furthermore, it is undisputed that the “not colorably different” set of products are, for the purposes of infringement, identical to the products adjudicated as infringing. Thus, it is proper for Apple to pay an enhanced ongoing royalty on these products for their willfully infringing sales of these

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<sup>18</sup> VirnetX sought discovery (upon the granting of a motion to compel) regarding whether Apple has changed the current operation of its products. Apple refused that discovery. Ex. J at 95:15-102:8 (1/21/2016 Jaynes Depo. Tr.). Apple should not now be heard to argue that the accused features operated differently in the current version of its iOS software (assuming Apple intends to argue that).

products.

In order to fully compensate VirnetX for Apple's infringement until the permanent injunction is entered, VirnetX requests that the ongoing royalty for the products adjudicated infringing at trial run from the day after entry of judgment until Apple complies with the permanent injunction.<sup>19</sup> VirnetX requests that the ongoing royalty for the Later Released Products run from the date those products were sold with iOS 9 until Apple complies with the permanent injunction.

However, if the Court determines not to enter a permanent injunction in this case, VirnetX requests that the enhanced ongoing royalty of \$2.65/unit apply until the earlier of (1) Apple ceasing infringement by redesigning its products, or (2) the expiration of all of the patents-in-suit.<sup>20</sup>

## **VII. THE COURT SHOULD AWARD PRE-JUDGMENT INTEREST.**

Congress codified the award of pre-judgment interest in patent cases in 35 U.S.C. § 284: “[u]pon finding for the claimant, *the court shall award* the claimant damages adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made

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<sup>20</sup> VirnetX also requests that the Court require Apple to provide quarterly reporting of its ongoing infringing sales with payment due sixty days after the close of each quarter, which is this Court's standard practice. *Mondis Tech. Ltd. v. Chimei Innolux Corp.*, Case No. 2:11-cv-378-JRG, 2012 WL 1554645, \*3 (E.D. Tex. Apr. 30, 2012) (“*Mondis IP*”). If Apple does not make its payments by this deadline, VirnetX requests that the Court require Apple to pay interest on the overdue amounts at the prime rate, compounded quarterly (consistent with the Court's practice regarding prejudgment interest). VirnetX also requests that the Court require Apple to provide VirnetX notice of any material change to its business of importing or selling products containing the accused functionalities within fourteen days of such change becoming known to Apple. *Mondis II*, 2012 WL 1554645 at \*3. VirnetX also requests that the Court order that Apple's duty to pay VirnetX ongoing royalties extends to Apple's successors and assigns. *Mondis II*, 2012 WL 1554645 at \*7. VirnetX also requests audit rights and that Apple mark its products with VirnetX's patents in accordance with U.S.C. § 287. See *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc.*, Case No. 2:03-cv-00597-PHX-MHM, 2010 U.S. Dist. Lexis 144259, \*37-39 (D. Ariz. Sept. 9, 2010).

of the invention by the infringer, *together with interest and costs as fixed by the court.*” 35 U.S.C. § 284 (emphases added).

Pre-judgment interest should typically “be awarded where necessary to afford the plaintiff full compensation for the infringement.” *Gen. Motors Corp. v. Devex Corp.*, 461 U.S. 648, 655 (1983). “[A]n award of prejudgment interest is necessary to ensure that the patent owner is placed in as good a position as he would have been in had the infringer entered into a reasonable royalty agreement.” *Id.* (citation omitted); *see also Beatrice Foods Co. v. New England Printing & Lithographing Co.*, 923 F.2d 1576, 1580 (Fed. Cir. 1991); *Bio-Rad Labs. v. Nicolet Instrument Corp.*, 807 F.2d 964, 967 (Fed. Cir. 1986). Except in unusual circumstances not present here, a prevailing patent owner is entitled to pre-judgment interest on the damages awarded because complete compensation includes the “forgone use of the money between the time of infringement and the date of judgment.” *Gen. Motors*, 461 U.S. at 655-56.

Courts in this district typically award pre-judgment interest at the prime rate compounded annually. *See SimpleAir, Inc. v. Google Inc.*, No. 2:11-cv-416, No. 2:13-cv-587, slip op. at 2 (E.D. Tex. Apr. 21, 2014). In this case, pre-judgment interest assessed on the jury’s verdict amounts to \$149,886,045 through March 4, 2016. Ex. H at ¶ 5. Furthermore, prejudgment interest will continue to accrue at \$69,053 per day from March 5, 2016 through the date that judgment is entered. *Id.*

### **VIII. THE COURT SHOULD AWARD POST-JUDGMENT INTEREST.**

VirnetX is entitled to post-judgment interest under 28 U.S.C. § 1961, as of the date judgment is entered in this action and requests such an award by the Court. Pursuant to 28 U.S.C. § 1961, interest is computed daily, at a rate equal to the weekly average 1-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the calendar week preceding the date of judgment, and shall be compounded annually. *See,*

*e.g., Rialto Capital Advisors, LLC v. Lewis*, No. 1:11-cv-698, 2013 WL 1701590, \*5-6 (E.D. Tex. Apr. 18, 2013).

**IX. CONCLUSION**

For the reasons stated above, VirnetX requests entry of final judgment as outlined in its proposed form of judgment attached to this motion.

DATED: March 8, 2016.

Respectfully submitted,

**CALDWELL CASSADY & CURRY**

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**ATTORNEYS FOR PLAINTIFF  
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**CERTIFICATE OF SERVICE**

The undersigned certifies that all counsel of record who have consented to electronic service are being served with a copy of this document via the Court's CM/ECF system pursuant to Local Rule CV-5(a)(3)(A) on this the 8th day of March 2016.

/s/ Bradley W. Caldwell  
Bradley W. Caldwell

IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
TYLER DIVISION

VIRNETX INC. AND  
SCIENCE APPLICATIONS  
INTERNATIONAL CORPORATION

Plaintiffs,

v.

APPLE INC.,

Defendant.

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Civil Action No. 6:12-cv-00855-RWS  
LEAD CONSOLIDATED CASE

JURY TRIAL DEMANDED

DECLARATION OF DANIEL R. PEARSON  
IN SUPPORT OF PLAINTIFF VIRNETX INC.'S MOTION FOR ENTRY OF  
JUDGMENT AND EQUITABLE AND STATUTORY RELIEF

I, Daniel R. Pearson, hereby declare as follows:

1. I am an attorney at the law firm of Caldwell Cassidy Curry P.C. in Dallas, Texas. I am admitted to practice in the State of Texas and the Eastern District of Texas. I submit this declaration based on personal knowledge and following a reasonable investigation. If called upon as a witness, I could and would competently testify to the truth of each statement herein.
2. The document attached as Exhibit C<sup>1</sup> is a true and correct copy of a demonstrative slide Apple using during opening statements on Jan. 25, 2016.
3. The document attached as Exhibit D is a true and correct copy of certain post-grant proceedings related to VirnetX's patents.
4. The document attached as Exhibit E is a true and correct copy of IPR2013-00348 Paper 14, entered on Dec. 13, 2013.
5. The document attached as Exhibit F is a true and correct copy of Paper 57 of IPR2014-00171 through IPR2014-00177, which is a redacted copy of Paper 49 that was entered on June 5, 2014.

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<sup>1</sup> Exhibits A and B are intentionally omitted.

6. The document attached as Exhibit G is a true and correct copy of IPR2013-00348 Paper 7, submitted on August 21, 2013.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on March 8, 2016

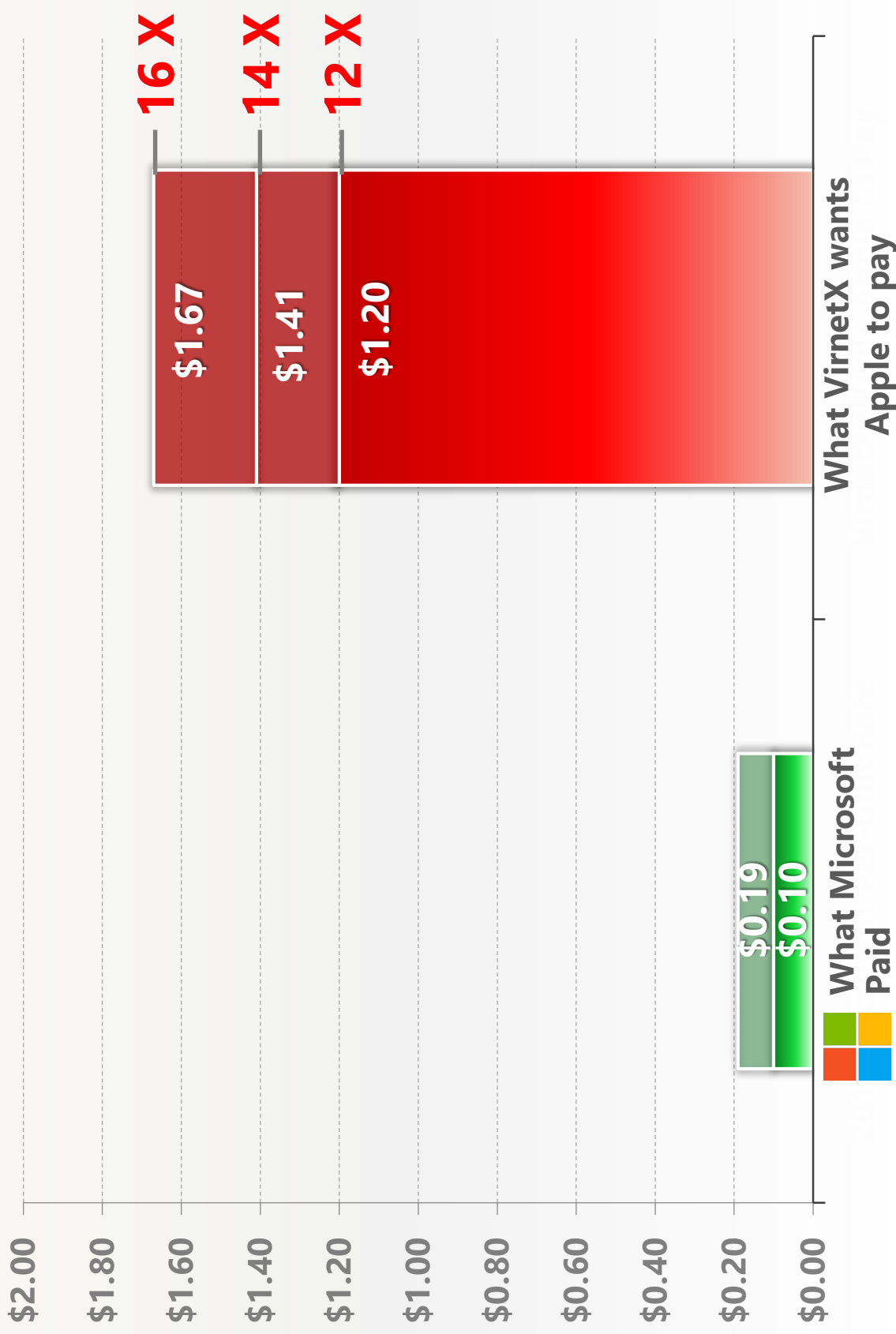
/s/ Daniel R. Pearson

Daniel R. Pearson



# Exhibit C

# But VirnetX Wants Many Times MORE from Apple



# Exhibit D

Number	Patent	Petitioner
IPR2013-00348	6,502,135	Apple
IPR2013-00349	6,502,135	Apple
IPR2013-00354	7,490,151	Apple
IPR2013-00375	6,502,135	New Bay
IPR2013-00376	7,490,151	New Bay
IPR2013-00377	7,418,504	New Bay
IPR2013-00378	7,921,211	New Bay
IPR2013-00393	7,418,504	Apple
IPR2013-00394	7,418,504	Apple
IPR2013-00397	7,921,211	Apple
IPR2013-00398	7,921,211	Apple
IPR2014-00171	6,502,135	RPX
IPR2014-00172	6,502,135	RPX
IPR2014-00173	7,490,151	RPX
IPR2014-00174	7,921,211	RPX
IPR2014-00175	7,921,211	RPX
IPR2014-00176	7,418,504	RPX
IPR2014-00177	7,418,504	RPX
IPR2014-00237	8,504,697	Apple
IPR2014-00238	8,504,697	Apple
IPR2014-00481	7,188,180	Apple
IPR2014-00482	7,188,180	Apple
IPR2014-00483	7,987,274	Apple
IPR2014-00484	7,987,274	Apple
IPR2014-00485	8,051,181	Apple
IPR2014-00486	8,051,181	Apple
IPR2015-00185	7,921,211	Apple
IPR2015-00186	7,921,211	Apple
IPR2015-00187	7,490,151	Apple
IPR2015-00188	7,418,504	Apple
IPR2015-00189	7,418,504	Apple
IPR2015-00810	8,868,705	Apple
IPR2015-00811	8,868,705	Apple
IPR2015-00812	8,850,009	Apple
IPR2015-00813	8,850,009	Apple
IPR2015-00866	8,458,341	Apple
IPR2015-00867	8,458,341	Apple
IPR2015-00868	8,516,131	Apple
IPR2015-00869	8,516,131	Apple
IPR2015-00870	8,560,705	Apple
IPR2015-00871	8,560,705	Apple
IPR2015-01046	6,502,135	Mangrove
IPR2015-01047	7,490,151	Mangrove

IPR2015-01009	8,843,643	Apple
IPR2015-01010	8,843,643	Apple
IPR2016-00062	6,502,135	Apple
IPR2016-00063	7,490,151	Apple
IPR2016-00331	8,504,696	Apple
IPR2016-00332	8,504,696	Apple
95/001,682	6,502,135	Apple
95/001,697	7,490,151	Apple
95/001,788	7,418,504	Apple
95/001,789	7,921,211	Apple
95/001,949	8,051,181	Apple

# Exhibit E

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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APPLE INC.  
Petitioner

v.

VIRNETX, INC. and SCIENCE APPLICATION INTERNATIONAL  
CORPORATION  
Patent Owner

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Case IPR2013-00348  
Patent 6,502,135

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Before SALLY C. MEDLEY, KARL D. EASTHOM, and STEPHEN C. SIU,  
*Administrative Patent Judges.*

EASTHOM, *Administrative Patent Judge.*

DECISION  
Denying *Inter Partes* Review  
*37 C.F.R. § 42.108*

## I. BACKGROUND

Petitioner, Apple Inc., filed a Petition on June 12, 2013 requesting *inter partes* review of claims 1-10, 12-15, and 18 of U.S. Patent No. 6,502,135 under 35 U.S.C. §§ 311-319. Paper 1 (“Pet.”). Patent Owner, “Virnetx et al.,” submitted a Preliminary Response under 37 C.F.R. § 42.107(b). Paper 10. The Board has jurisdiction under 35 U.S.C. § 314.

For the reasons that follow, the Board determines that the Petition was not filed timely within the statutory period of 35 U.S.C. § 315(b), and therefore, the Board declines to institute an *inter partes* review.

### *Related Proceedings*

According to Petitioner, the ’135 Patent is the subject of a number of civil actions, two of which are at issue here, as follows: *VirnetX Inc. v. Cisco Systems, Inc. et al.*, Civ. Act. No. 6:10-cv-00417-LED (E.D. Tex., filed Aug. 11, 2010) (the “2010 litigation”); and *VirnetX Inc. v. Apple Inc.*, Civ. Act. No. 6:12-cv-00855-LED (E.D. Tex., filed Nov. 6, 2012) (the “2012 litigation”). *See* Pet. 3-4 (listing other related actions); Prelim. Resp. 6-7 (discussing the 2010 and 2012 litigation); Ex. 2006.

The ’135 Patent also is the subject of merged *inter partes* reexamination numbers 95/001,679 and 95/001,682. Petitioner is the real party of interest in the latter proceeding. The ’135 Patent also is the subject of *inter partes* review petition IPR2013-00349. *Id.* Petitioner is the listed petitioner on the following related *inter partes* review proceedings: IPR2013-00349, -354, -393, -394, -397, and -398.



## II. ANALYSIS

According to Petitioner, Petitioner was served with a complaint alleging infringement of the '135 Patent on two relevant occasions, the 2010 litigation, in August 2010, and the 2012 litigation, in December 2012. Pet. 1; *see* Related Proceedings *supra*. The earlier complaint was served more than one year before Petitioner filed the present Petition, the latter, less than one year. Regarding the earlier complaint, according to Patent Owner and cited exhibits of record, “a jury upheld the validity of the asserted claims in the 2010 litigation, and the district court entered judgment finding those claims valid.” Prelim Resp. 7 (citing Exs. 2002 (verdict form), 2006 (final judgment)).

Section 315(b) of Title 35 of the United States Code follows:

(b) PATENT OWNER’S ACTION.—An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

Petitioner argues that its Petition is timely because it was filed less than one year after the date on which it was served with “**any** complaint”—i.e., the complaint in the 2012 litigation. Pet. 2. Petitioner argues that under the plain language of section 315(b), filing a petition within one year of “any complaint,” such as the December 2012 complaint, nullifies the effect of the earlier, August 2010 complaint, on the timeliness of this Petition. *See id.*

In addition to arguing that the plain language of the statute supports its position, Petitioner presents other arguments: Precluding the *inter partes* review “would be particularly unjust in this case. . . . [because] [t]he 1-year period following service of the August 2010 complaint expired before it was possible to

submit an IPR petition;” that requiring the filing of an *inter partes* review within one year of a petitioner being served with “a complaint” would allow a patent owner to “gam[e] the system;” and that “Congress designed the IPR authority to be [an] option to contest validity of a patent **concurrently** with the district court proceedings involving the same patent.” Pet. at 2-3.

Notwithstanding the arguments, the earlier complaint remains “a complaint” under the statute. The plain language of the statute does not specify that a later complaint will nullify the effect of an earlier complaint for timeliness purposes of a petition. Petitioner does not dispute that the Petition “was filed more than 1 year after the date on which the [P]etitioner . . . [wa]s served with a complaint alleging infringement of the patent.” See 35 U.S.C. § 315 (b). Therefore, according to the statute, “[a]n *inter partes* review may not be instituted.” See *id.*

“It is well settled law that the plain and unambiguous meaning of the words used by Congress prevails in the absence of a clearly expressed legislative intent to the contrary.” *Hoechst Aktiengesellschaft v. Quigg*, 917 F.2d 522, 526 (Fed. Cir. 1990). Petitioner does not explain persuasively how allowing a review outside the statutory one year limit based on the filing of another complaint corresponds to a “clearly expressed legislative intent” that prevails over the plain meaning. See *Universal Remote Control v. Universal Electronics, Inc.*, IPR 2013-00168, Paper 9 (PTAB Aug. 26, 2013) (cited at Prelim. Resp. 9 for similar reasons).

The timeliness limitation of 35 U.S.C. § 315(b) does not apply to a request for joinder. As such, Petitioner filed a motion to join the instant proceeding with another proceeding, IPR2013-00375, pursuant to 35 U.S.C. 315(c). See Paper 7 (“Petitioner’s Motion for Joinder of Proceedings”). Granting the motion would obviate the time bar under 35 U.S.C. § 315 (b). The IPR2013-00375 proceeding, however, has been terminated. *New Bay Capital, LLC v. Virnetx, Inc.*, IPR2013-

00375, Paper 16 (PTAB Nov. 12, 2013). Accordingly, Petitioner's motion for joinder is *dismissed*.

Based on the foregoing discussion, pursuant to 35 U.S.C. § 315(b), “[a]n inter partes review may not be instituted,” because the Petition “was filed more than 1 year after the date on which the [P]etitioner . . . [wa]s served with a complaint alleging infringement of the patent.”

### III. CONCLUSION

The Board denies the Petition because it was not filed within the time limit imposed by 35 U.S.C. § 315(b). Petitioner's motion for joinder is *dismissed*.

### IV. ORDER

For the reasons given, it is

ORDERED that Petitioner's motion for joinder is *dismissed*; and

FURTHER ORDERED that the Petition challenging the patentability of claims 1-10, 12-15, and 18 of U.S. Patent No. 6,502,135 is *denied*.

IPR2013-00348  
Patent 6,502,135

For Petitioner Apple Inc.:

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# Exhibit F

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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RPX CORPORATION  
Petitioner

v.

VIRNETX INC.  
Patent Owner

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Case IPR2014-00171 (Patent 6,502,135)  
Case IPR2014-00172 (Patent 6,502,135)  
Case IPR2014-00173 (Patent 7,490,151)  
Case IPR2014-00174 (Patent 7,921,211)  
Case IPR2014-00175 (Patent 7,921,211)  
Case IPR2014-00176 (Patent 7,418,504)  
Case IPR2014-00177 (Patent 7,418,504)

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Before MICHAEL P. TIERNEY, KARL D. EASTHOM, and STEPHEN C. SIU, *Administrative Patent Judges*.

EASTHOM, *Administrative Patent Judge*

DECISION<sup>1</sup>  
Denial of *Inter Partes* Review  
37 C.F.R. § 42.108

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<sup>1</sup>The Board exercises discretion to issue one identical Decision in each case using this caption style. Unless otherwise authorized, the parties are not permitted to use this style.

IPR2014-00171 (Patent 6,502,135); IPR2014-00172 (Patent 6,502,135); IPR2014-00173 (Patent 7,490,151); IPR2014-00174 (Patent 7,921,211); IPR2014-00175 (Patent 7,921,211); IPR2014-00176 (Patent 7,418,504); IPR2014-00177 (Patent 7,418,504)

## I. INTRODUCTION<sup>2</sup>

Petitioner, RPX Corporation (“RPX”), filed Petitions in the above-listed cases. Patent Owner, Virnetx Inc. (“Virnetx”), submitted Preliminary Responses. Because the dispositive issues are similar, we treat IPR2014-00171 (“the ’171 proceeding”) as representative of the seven proceedings, which involve four Virnetx patents: U.S. Patent No. 6,502,135; U.S. Patent No. 7,490,151; U.S. Patent No. 7,921,211; and U.S. Patent No. 7,418,504 (“the Virnetx Patents”).

The seven proceedings involving the Virnetx Patents, challenged under 35 U.S.C. §§ 311–319, are summarized in the following table:

Proceeding	Claims	Virnetx Patents
IPR2014-00171	1–10, 12–15, and 18	6,502,135
IPR2014-00172	1–10, 12–15, and 18	6,502,135
IPR2014-00173	1–16	7,490,151
IPR2014-00174	1, 2, 5, 6, 8, 14, 17, 19, 20, 23, 27–30, 33, 34, 36, 47, 51, and 60	7,921,211
IPR2014-00175	1, 3, 15–18, 20–26, 31, 32, 35, 36, 37, 47, 51, and 60	7,921,211
IPR2014-00176	1, 2, 5, 6, 8, 14, 16, 17, 19, 20, 21, 23, 27–30, 33, 34, 36, 47, 51, and 60	7,418,504
IPR2014-00177	1, 2, 3, 5, 15–18, 20–27, 31, 32, 35, 36, 47, 51, and 60	7,418,504

As the table reflects, in the ’171 proceeding, RPX filed a Petition requesting *inter partes* review of claims 1–10, 12–15, and 18 of U.S. Patent

<sup>2</sup>

After receiving the Decision, the parties jointly may request a redacted version of the Decision. After consideration of the joint request, or, if no request is filed, the Board will issue a subsequent public Decision.

IPR2014-00171 (Patent 6,502,135); IPR2014-00172 (Patent 6,502,135); IPR2014-00173 (Patent 7,490,151); IPR2014-00174 (Patent 7,921,211); IPR2014-00175 (Patent 7,921,211); IPR2014-00176 (Patent 7,418,504); IPR2014-00177 (Patent 7,418,504)

No. 6,502,135 (“the ’135 Patent”). *See* Paper 1 (“Pet.”).<sup>3</sup> Virnetx submitted a Preliminary Response under 37 C.F.R. § 42.107(b). Paper 35 (“Prelim. Resp.”).

We have jurisdiction under 35 U.S.C. § 314. We determine that Apple Inc. (“Apple”) is a real-party-in interest.<sup>4</sup> We deny the Petitions because the Petitions are time-barred. Contrary to the requirements of 35 U.S.C. § 315(b), the Petitions were “filed more than 1 year after the date on which the . . . real party in interest[, Apple,] . . . [wa]s served with a complaint alleging infringement of the patent.” Therefore, according to 35 U.S.C. § 315(b), “[a]n inter partes review may not be instituted.”

For an analysis of the time bar issue pursuant to 35 U.S.C. § 315(b), we refer to, and incorporate by reference, the Board’s previous decisions holding that earlier petitions filed by Apple, a real party-in-interest in those proceedings challenging the Virnetx Patents, were time-barred.<sup>5</sup> As Apple is a real party-in-interest in the instant proceedings, the Petitions are time-

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<sup>3</sup> Record citations refer to the representative ’171 proceeding.

<sup>4</sup> The Petitions do not list Apple, as 35 U.S.C. § 312(a)(2) requires: “A petition filed under section 311 may be considered only if . . . the petition identifies all real parties in interest.”

<sup>5</sup> *See Apple Inc. v. Virnetx, Inc.*, IPR2013-00348 (PTAB Dec. 13, 2014) (denying *Inter Partes* Review of U.S. Patent No. 6,502,135), *reh’g denied*, (PTAB Feb. 12, 2014); IPR2013-00349 (same, Patent 7,490,151); IPR2013-00354 (same, Patent 7,490,151); IPR2013-00393 (same, Patent 7,418,504); IPR2013-00394 (same, Patent 7,418,504); IPR2013-00397 (same, Patent 7,921,211); IPR2013-00398 (same, Patent 7,921,211). In the latter four cases, the decisions were entered on December 18, 2013, although the rehearing decisions were entered on the same date in all the cases, February 12, 2014.



IPR2014-00171 (Patent 6,502,135); IPR2014-00172 (Patent 6,502,135); IPR2014-00173 (Patent 7,490,151); IPR2014-00174 (Patent 7,921,211); IPR2014-00175 (Patent 7,921,211); IPR2014-00176 (Patent 7,418,504); IPR2014-00177 (Patent 7,418,504)

barred for the same reasons as previously held. *See* Prelim. Resp. 3–4 (discussing time-bar).

## II. BACKGROUND

At issue here is whether RPX, notwithstanding its relationship with its client Apple, may obtain *inter partes* review of the Virnetx Patents. Virnetx asserts, and RPX does not dispute, that RPX filed *inter partes* review (“IPR”) requests against the Virnetx Patents pursuant to a newly created program in which Apple, as RPX’s client, in October 2013, paid RPX a sum of \$500,000, among other things, to file IPR reviews. *See* Prelim. Resp. 3–4; Ex. 2049 (Premium Services Overview); Ex. 2055 (signed “Addendum” agreement between Apple and RPX, Oct. 22, 2013).

In addition to RPX and Apple, another petitioner also filed a series of *inter partes* review petitions against the Virnetx Patents, which Apple attempted to join. Those proceedings were styled as *New Bay Capital v. Virnetx* (“the New Bay proceedings”): IPR2013-00375; IPR2013-00376; IPR2013-00377; and IPR2013-00378. Pursuant to New Bay’s request, the Board terminated the New Bay proceedings, and according to Virnetx, “end[ed] Apple’s hopes of joining New Bay’s petitions.” *See* Prelim. Resp. 4; Ex. 2036 (discussing Apple’s motion for joinder in New Bay cases); Ex. 2037 (New Bay email to office requesting to file motion to terminate); Exs. 2039–42 (judgments terminating the New Bay proceedings).

Prior and subsequent to the New Bay proceedings, RPX and Apple had discussed a general proposal “to challenge patents of questionable quality through post-grant proceedings at the U.S. Patent and Trademark

IPR2014-00171 (Patent 6,502,135); IPR2014-00172 (Patent 6,502,135); IPR2014-00173 (Patent 7,490,151); IPR2014-00174 (Patent 7,921,211); IPR2014-00175 (Patent 7,921,211); IPR2014-00176 (Patent 7,418,504); IPR2014-00177 (Patent 7,418,504)

Office.” Ex. 2043, 15. According to RPX, the following “Topic” of discussion between Apple and RPX occurred on August 8, 2013:

Apple informed RPX that Apple had been approached by New Bay Capital (“NBC”) and that NBC had asked Apple to compensate NBC for NBC to continue pursuing its IPRs [now terminated] against VirnetX. Apple informed RPX that it was not interested in NBC’s offer. Apple inquired [of RPX] about the status of the previously-socialized RPX program to perform prior art searches and challenge patents of questionable quality.

Ex. 2043, 15 (“August 8<sup>th</sup> discussion”).

Subsequent to the August 8<sup>th</sup> discussion about the Virnetx Patents, Apple and RPX signed the “Addendum” agreement, pursuant to which Apple paid RPX \$500,000, among other things, to “fil[e] with the United States Patent and Trademark Office (‘USPTO’) requests for reexamination, or petitions for post grant, covered business method, or inter partes review with respect to patents of questionable quality.” Ex. 2055, 2 (Addendum agreement). The Addendum agreement lists other generic activities that RPX might perform. *See id.* (“analyzing data . . . [about] patent assertions by non-practicing entities,” “[e]ducating the general public,” “[c]onducting prior art searches to assist with challenges against potentially invalid patents,” and “[c]reating mechanisms to increase transparency in the patent market.”) The addendum states that RPX would have “complete control” over the listed activities. *Id.*

Apple and RPX executed the Addendum agreement on October 22, 2013. *Id.* at 3. On the same day, Apple expressed a concern that RPX “would not use all of the funds that Apple contributed to the program focused on patent quality.” Ex. 2043, 16. One day prior, RPX obtained

IPR2014-00171 (Patent 6,502,135); IPR2014-00172 (Patent 6,502,135); IPR2014-00173 (Patent 7,490,151); IPR2014-00174 (Patent 7,921,211); IPR2014-00175 (Patent 7,921,211); IPR2014-00176 (Patent 7,418,504); IPR2014-00177 (Patent 7,418,504)

Apple’s consent to hire Apple’s law firm, which had prepared the above-discussed time-barred petitions on behalf of Apple. *See* Paper 38, 4–5 (citing Ex. 2045 at 5, retainer agreement); Prelim. Resp. 6–7 (discussing the sharing of counsel); Ex. 2057, 27:6–28:18–21 (transcript of Board conference call).

Less than one month later, RPX served the instant Petitions on Virnetx challenging the Virnetx Patents. According to RPX, in the ’171 proceeding, “[t]he grounds of Petitioner’s challenge are substantially identical to the grounds advanced by [Apple or New Bay] in IPR2013-00348, IPR2013-00349, and IPR2013-00375”—the former two proceedings involve Apple’s time-barred petitions. *See* Pet. 6.<sup>6</sup>

### III. ANALYSIS

The Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,759–60 (Aug. 14, 2012) (“TPG”) cites *Taylor v. Sturgell*, 553 U.S. 880 (2008), as informing real party-in-interest determinations. *Taylor*, 553 U.S. at 893–895, lists six categories that create an exception to the common law rule that normally forbids nonparty preclusion in litigation. *Id.* Under a category relevant here, “a party bound by a judgment may not avoid its preclusive force by relitigating through a proxy.” *Id.* at 895. *Taylor* refers to a proxy as a “representative or agent of a party who is bound by the prior adjudication.” *Id.* at 905. For further guidance, the TPG also cites *In re*

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<sup>6</sup> According to RPX, the ’171 Petition is “substantially identical” to the petition in IPR2013-00349, the petition filed by Apple with respect to one prior art reference. For example, the ’171 Petition (Paper 1, ii) and the petition in IPR2013-00349 (paper 1, ii) each assert that Aventail anticipates claims 1-10, 12-15, and 18 of the ’135 Patent.

IPR2014-00171 (Patent 6,502,135); IPR2014-00172 (Patent 6,502,135); IPR2014-00173 (Patent 7,490,151); IPR2014-00174 (Patent 7,921,211); IPR2014-00175 (Patent 7,921,211); IPR2014-00176 (Patent 7,418,504); IPR2014-00177 (Patent 7,418,504)

*Guan*, Reexamination Control No. 95/001,045 (Aug. 25, 2008)(Decision Vacating Filing Date). TPG at 48,761. Apple is bound by the prior time-barred district court adjudications. Thus, because RPX is Apple’s proxy, the RPX Petition is also time-barred.

In *Guan*, a “Troll Busters” website invited prospective patent challengers to “[p]ick any five Affymetrix or Symyx U.S. patents and Troll Busters will invalidate a sixth for free.” *Guan* at 2. The Office held that

[a]n entity named as the sole real party in interest *may not receive a suggestion from another party that a particular patent should be the subject* of a request for inter partes reexamination and be compensated by that party for the filing of the request for inter partes reexamination of that patent without naming the party [as a real party-in-interest] *who suggested and compensated the entity for the filing of a request for inter partes reexamination of the patent.*

*Id.* at 7–8 (emphasis added). Based on the failure to list such a real party-in-interest, the Office vacated the filing date of the reexamination request. *Id.* at 9.

Like the unnamed real party-in-interest in *Guan*, Apple at least *suggested* that RPX file challenges to the specific Virnetx Patents by compensating RPX to perform certain generic services that included filing IPR challenges to “patents of questionable quality.” Ex. 2043, 15; Ex. 2055, 2. The record shows that Apple and RPX considered the Virnetx Patents to be patents of questionable quality. *See* Ex. 2043, 15; Background section, above. Further, RPX does not dispute that Apple and RPX discussed “VirnetX and the filing of IPRs with RPX,” or that RPX and Apple shared counsel and Apple’s expert. Paper 46, 7.

IPR2014-00171 (Patent 6,502,135); IPR2014-00172 (Patent 6,502,135); IPR2014-00173 (Patent 7,490,151); IPR2014-00174 (Patent 7,921,211); IPR2014-00175 (Patent 7,921,211); IPR2014-00176 (Patent 7,418,504); IPR2014-00177 (Patent 7,418,504)

Other important factors also support the conclusion that Apple is a real party-in-interest. For example, as Virnetx contends, *General Foods Corp. v. Massachusetts Department of Public Health*, 648 F.2d 784, 788 (1st Cir. 1981), instructs that “a member of a trade association who finances an action which it brings on behalf of its members impliedly authorizes the trade association to represent him in that action.” Paper 38, 5. Several factors support a finding that Apple implicitly authorized RPX to represent Apple in the instant proceedings: Apple’s \$500,000 payment to RPX; the discussions and signed agreement between Apple and RPX regarding the filing of IPRs on patents of questionable quality; Apple and RPX’s “August 8<sup>th</sup> discussion” about New Bay’s request for funding to continue its IPR challenges against the Virnetx Patents combined with Apple’s interest in funding a program to challenge patents of questionable quality; and Apple’s demonstrated interest in challenging the Virnetx Patents.

These factors are analogous to those that supported a finding of real-party-in-interest in *General Foods*, including payments by association members to instigate litigation, implicit authorization for the trade association to represent the paying member, and “challenged regulations [that] did not affect the trade association itself but only its members.” *See* 648 F.2d at 787–788; *see also Expert Electric, Inc. v. Levine*, 554 F.2d 1227, 1233 (2nd Cir. 1977) (trade association’s interests “were the collective interests of the individual participants”). By further analogy, Apple was the single, interested “member” of the Fund, unlike the numerous interested trade association members in *General Foods*. [REDACTED]

IPR2014-00171 (Patent 6,502,135); IPR2014-00172 (Patent 6,502,135);  
IPR2014-00173 (Patent 7,490,151); IPR2014-00174 (Patent 7,921,211);  
IPR2014-00175 (Patent 7,921,211); IPR2014-00176 (Patent 7,418,504);  
IPR2014-00177 (Patent 7,418,504)

RPX argues a distinction over *General Foods*, wherein the trade association asserted standing based on its independent members. Here, RPX asserts independent standing through § 311(a), which confers standing on any entity that is not the patent owner. Paper 46, 4. In *General Foods*, however, standing was only one of several factors identified by the court that helped to show that the members implicitly authorized the suit by the association. *See* 648 F.2d at 787–788. We hold that, based on the record presented, the interactions between RPX and Apple show an implicit authorization to challenge the Virnetx Patents, even in the absence of the standing factor that contributed to the outcome in *General Foods*.

Apple’s interests include potentially avoiding payment of the damages awarded for infringement of the Virnetx Patents in the district court judgment. *See* Prelim. Resp. 3–4; Ex. 2009. On this record, RPX is, at most, a “nominal plaintiff” with “no substantial interest” in these IPR challenges apart from those of its client, Apple, further supporting the finding that RPX is a proxy of Apple, according to the following case cited by *Taylor*.

[W]e held [in a previous case] that the United States was bound by an estoppel which might have been invoked against the real party in interest if the suit had been brought in his name, *because it appeared that the United States had no substantial interest in the controversy, and was merely a nominal plaintiff.* *United States v. Des Moines Valley R. Co.*, 84 F. 40, 44–45 (8th Cir. 1897) (emphasis added), *cited* in *Taylor*, 553 U.S. at 900 (in the context of a

IPR2014-00171 (Patent 6,502,135); IPR2014-00172 (Patent 6,502,135);  
IPR2014-00173 (Patent 7,490,151); IPR2014-00174 (Patent 7,921,211);  
IPR2014-00175 (Patent 7,921,211); IPR2014-00176 (Patent 7,418,504);  
IPR2014-00177 (Patent 7,418,504)

proxy); *see also Chicago R.I. & P. Ry. Co. v. Schendel*, 270 U.S. 611, 620 (1926) (“Identity of parties is not a mere matter of form, but of substance. Parties nominally the same may be, in legal effect, different; and parties nominally different may be, in legal effect, the same.”)

Our determination that RPX is acting as a proxy, which bars the institution of the proceeding, is also consistent with the express legislative intent concerning the need for quiet title. *See* 157 Cong. Rec. S1034, S1041 (Mar. 1, 2011) (Sen. Kyl) (stating “the present bill does coordinate inter partes . . . review with litigation . . . setting a time limit for seeking . . . review if the petitioner . . . is sued for infringement of the patent”). Congress “recognizes the importance of quiet title to patent owners to ensure continued investment resources.” H.R. Rept. No 112-98, at 48 (2011) (Judiciary Committee Report on H.R. 1249, June 1, 2011). Changes to the statutory structure “are not to be used as tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks . . . Doing so would frustrate the purpose of the section as providing quick and cost effective alternatives to litigation.” *Id.* “It would divert resources from the research and development of inventions.” *Id.*

#### IV. CONCLUSION

Based on the foregoing discussion, Apple is an unlisted real party-in interest in the Petitions, which are time-barred under 35 U.S.C. § 315 (b). Accordingly, the following Petitions hereby are denied: IPR2014-00171 (Patent 6,502,135); IPR2014-00172 (Patent 6,502,135); IPR2014-00173 (Patent 7,490,151); IPR2014-00174 (Patent 7,921,211); IPR2014-00175

IPR2014-00171 (Patent 6,502,135); IPR2014-00172 (Patent 6,502,135);  
IPR2014-00173 (Patent 7,490,151); IPR2014-00174 (Patent 7,921,211);  
IPR2014-00175 (Patent 7,921,211); IPR2014-00176 (Patent 7,418,504);  
IPR2014-00177 (Patent 7,418,504)

(Patent 7,921,211); IPR2014-00176 (Patent 7,418,504); and IPR2014-00177  
(Patent 7,418,504).

#### V. ORDER

It is hereby ORDERED that the Petitions filed in IPR2014-00171,  
IPR2014-00172, IPR2014-00173, IPR2014-00174, IPR2014-00175,  
IPR2014-00176, and IPR2014-00177, are *denied*.



IPR2014-00171 (Patent 6,502,135); IPR2014-00172 (Patent 6,502,135);  
IPR2014-00173 (Patent 7,490,151); IPR2014-00174 (Patent 7,921,211);  
IPR2014-00175 (Patent 7,921,211); IPR2014-00176 (Patent 7,418,504);  
IPR2014-00177 (Patent 7,418,504)

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# Exhibit G

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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APPLE INC.  
Petitioner,

v.

VIRNETX, INC. AND SCIENCE APPLICATION INTERNATIONAL  
CORPORATION,  
Patent Owner

Patent No. 6,502,135

Issued: December 31, 2002

Filed: November 29, 1999

Inventors: Victor Larson, *et al.*

Title: Agile Network Protocol For Secure Communications With Assured System  
Availability

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*Inter Partes* Review No. IPR2013-00348

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**PETITIONER'S MOTION FOR JOINDER OF PROCEEDINGS**

Pursuant to the authorization granted by the Panel on August 14, 2013 in Paper No. 6, Petitioner Apple Inc. (“Petitioner” or Apple) moves to have the Board join IPR proceedings IPR2013-00348 & -00349 to each other and with IPR proceeding IPR2013-00375 filed by New Bay Capital, LLC (“NBC”), each of which concerns U.S. Patent No. 6,502,135.

**I. Relevant Facts**

Apple filed petitions seeking *inter partes* review of the ’135 patent on June 12, 2013. Each petition challenged the patentability of claims 1-10, 12-15, and 18 based on three references: Aventail, BinGO, and Beser (Exs. 1007-1009). On June 23, 2013, NBC filed its petition challenging the patentability of claims 1, 3, 7, and 8 over two references: Kiuchi and Dalton (Exs. 1002 & 1003 in IPR2013-00375).

The ’135 patent is a member of a family of patents owned by VirnetX that includes U.S. Patent Nos. 7,490,151, 7,418,504 and 7,921,211. The specifications of these patents are nearly identical. VirnetX has asserted varying sets of claims of the ’135 and other of its patents against Apple and other entities in numerous lawsuits. In August of 2010, VirnetX sued Apple and five other entities (the “2010 Litigation”). VirnetX asserted “at least” claims 1, 3, 7, 8-10, and 12 of the ’135 patent against Apple and claims 1-5, 7, 9, 10, 12, and 13 against co-defendant Cisco. After trial, it obtained a judgment of infringement against Apple on, *inter*

*alia*, claims 1, 3, 7, and 8 of the '135 patent. That action now is on appeal to the Federal Circuit.

On December 31, 2012, VirnetX served a new complaint on Apple asserting infringement of “at least” claims 1, 3, 7, 8-10, and 12 of the '135 patent (the “2012 Litigation”). *See* Ex. 1050 at 5. When VirnetX served this new complaint on Apple, it established a 12 month period for Apple to submit a petition for *inter partes* review of the '135 patent that runs until December 31, 2013. 35 U.S.C. § 315(b); *see* Petition at 1-3. The new complaint led to a civil action, now pending in the Eastern District of Texas, that will go to trial on October 13, 2015.

VirnetX also asserted the '135 patent against Microsoft in separate lawsuits filed in February 2007, March 2010, and April 2013,<sup>1</sup> and against numerous other defendants<sup>2</sup> in actions filed in 2010 and 2011.

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<sup>1</sup> The 2013 complaint broadly alleges infringement of the patent without specifying particular claims, and infringement contentions are not due until September 2013. In its 2007 case against Microsoft, VirnetX contended claims 1-3, 1-10, and 12 were infringed.

<sup>2</sup> Specifically, VirnetX sued Avaya, Inc.; Mitel Networks Corp.; Mitel Networks, Inc.; Siemens Enterprise Commc'ns GmbH & Co. KG; Siemens Enterprise Commc'ns, Inc.; Siemens AG; Siemens Commc'ns, Inc.; and Siemens Corp. in

(Footnote continued)

## **II. Argument**

Apple submits that joinder of the proceedings is fully warranted. *See* IPR2013-00004, Paper 15 at 4; *Dell v. Network-1 Security Solutions, Inc.*, IPR2013-00385, Paper 17 at 2-3. Joinder is proper under the statutory design of *inter partes* review, will simplify and reduce the number of issues before the Board and will enable streamlined proceedings (*i.e.*, one coordinated proceeding instead of three separate proceedings). In addition, the Board can manage the joined proceeding in a way that does not impact scheduling or conduct of the proceedings. *See Motorola Mobility LLC v. Softview, LLC*, IPR2013-00256, Paper 10 at 2-3.

### **A. Joinder Is Authorized and Appropriate**

The Board is authorized to join these proceedings pursuant to 35 U.S.C. § 315(c). *Dell*, IPR2013-00385, Paper 17 at 2-6. In addition, joinder is not precluded by § 315(b), were that provision found to apply to the instant petitions. *Id.* As Apple explained in its petition, § 315(b) does not preclude the submission of its petition or institution of trial on the basis of this petition. *See* Petition at 1-3.

Joinder will further the statutory purpose of the *inter partes* review authority and is justified in this case. It will enable the Board to efficiently review, in a 

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Case No. 6:11-cv-00018-LED (E.D. Tex.) and Aastra Techs. Limited; Aastra USA, Inc.; Apple Inc.; Cisco Systems, Inc.; NEC Corp.; and NEC Corporation of America in Case No. 6:10-cv-00417-LED (E.D. Tex.).

single proceeding, the patentability of all the claims in the '135 patent that VirnetX has asserted in multiple actions against multiple defendants, including Apple. The schedule of the joined proceedings is also fully compatible with the schedule of the 2012 Litigation. Because that litigation will not go to trial until October 2015, the Board will have ample time to conduct a trial in the joined proceeding and to issue a final written decision before the trial. The joined proceeding will thus provide an alternative forum to efficiently review the patentability of claims being asserted in district court litigation, will reduce the number of issues the district court must address and will minimize any duplication of effort by the Board and the Court. *See* Comments General Trial Rules, 77 Fed. Reg. at 48663. In other words, the Board will be able to issue a decision on the challenged claims that will have a meaningful impact on the 2012 Litigation without causing delay. *See* H.R. Rpt. 112-98, at 45 (2011) (discussing “time limits during litigation”); 157 Cong. Rec. S1326 (daily ed. Mar. 7, 2011) (statement of Sen. Sessions). Joining these proceedings thus is perfectly consonant with the statutory purpose and design of the *inter partes* review authority.

Joinder of the two proceedings initiated by Apple, which involve the same exhibits and same primary references, also will help secure “the just, speedy, and inexpensive resolution of” the proceedings before the Board. *See LaRose Indus. v. Capriola Corp.*, IPR2013-00121, Paper 11 at 24 (joining proceedings “filed on the

same day” involving “the same patent and parties” with “some overlap in the asserted prior art”). Joining Apple’s proceedings with the NBC proceeding (IPR2013-00375) will reduce the overall administrative burden on the Board of individually conducting trials on each petition. Moreover, because the Board has not yet decided on which grounds to institute review, it will be able to review the grounds in the petitions, and institute a single trial in a manner that avoids undue delay or complication. *See Motorola*, IPR2013-00256, Paper 10 at 10 (granting joinder where it would “not unduly complicate or delay” earlier-initiated proceeding).

**B. Petitioner Is Willing to Limit the Grounds of Its Petition**

To minimize the burden on the Board, and in view of the Panel’s comments during the August 5, 2013 telephone conference, Apple is willing to limit the grounds of unpatentability upon which it is requesting *inter partes* review of the ’135 patent. First, in the context of this motion, Apple requests the Board to consider only those grounds presented in petition nos. IPR2013-00348 and -00349 that are based on the Aventail publication, Ex. 1007, and the Beser patent, Ex. 1009. These are set forth at pages 5 to 6 of the IPR2013-00348 petition, and page 5 of the IPR2013-00349 petition. Apple also is willing to limit the grounds of its challenge to certain combinations based on these primary references; namely, those involving Aventail with RFC 1035, Ex. 1017, and Reed, Ex. 1014, and those



involving Beser with RFC 2401, Ex. 1010, and Blum, Ex. 1011.<sup>3</sup> While the other grounds identified in its petitions are fully warranted, Apple recognizes that limiting the grounds of its petitions to these will substantially reduce the number of issues that the Panel must address and will conserve the time and resources of the Board.

Second, although Apple has contested more claims of the '135 patent in its petitions than NBC has, the issues raised by the additional claims will not complicate the joined proceedings in any significant way. The additional claims being disputed by Apple present the same or highly similar concepts and limitations and do not raise unique patentability questions. *See Ariosa Diagnostics v. Isis Innovation*, IPR2012-00022, Paper 32 at 5 (permitting joinder of new petition where new challenges were “premised on the same grounds [as the] earlier proceeding, adding only additional references as needed to address the limitations of the dependent claims.”). Notably, each of the independent claims is directed towards a method or system for establishing a “virtual private network” or “virtual private link” between two computers. Claim 1 is directed to a “method of

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<sup>3</sup> The resulting grounds upon which inter partes review is requested are (a) grounds (i) to (v) in the IPR2013-00348 Petition, and (b) grounds (i) to (iii) of the IPR2013-00349 Petition.

transparently creating a [VPN]” between a client and target comprising (i) “generating” a DNS request, (ii) “determining” whether the DNS request corresponds to a secure target, and (iii) automatically “initiating” a VPN between the client and the target. Claim 18 includes the same three elements, but adds in the limitations specified in dependent claims 2 and 4. Independent claim 10 is directed to a “system that transparently creates a [VPN]” that incorporates elements of process claims 1, 8 (a “DNS proxy server”), and 7 (a “gatekeeper”).

The Board has permitted joinder of proceedings involving different prior art and different claims. For example, the Board allowed joinder of a second petition challenging certain claims not originally asserted by the patent owner after it had instituted trial to review the originally asserted claims. *See, e.g., Microsoft Corp. v. Proxyconn, Inc.*, IPR2013-00109, Paper 14 at 2-3. Similarly, the Board has permitted joinder based on a petition seeking review of claims that were the subject of a first trial on the basis of prior art the PTAB previously declined to review. *See ABB, Inc. v. Roy-G-Biv Corp.*, IPR2013-00282, Paper 6.

Here, allowing the joined proceeding to address claims beyond those addressed in NBC’s petition is appropriate in view of Patent Owner’s decision to file multiple infringement suits against multiple parties raising various combinations of its claims. For example, Patent Owner is alleging that Apple infringes multiple claims not addressed in NBC’s petition. Patent Owner also has

recently filed lawsuits against third parties broadly alleging infringement of all claims of the '135 patent. Because Patent Owner has repeatedly asserted various combinations of the claims in serial litigation, consideration of claims that are not presented in the NBC petition is warranted, particularly in view of the statutory purpose of IPR proceedings. *See* § II.A, *above*.

**C. Joinder Will Not Impact the Schedule and Will Simplify the Board's Review of the Issues**

Unlike motions for joinder filed after a trial has been instituted, here, the Board can establish, and the parties can follow, a single schedule in the joined proceedings. Petitioner believes that doing so will substantially minimize the burdens on the Board and the parties. For example, in a joined IPR proceeding, it is anticipated that only one expert witness per petitioner, and one or two witnesses from Patent Owner, will present testimony. Depositions of this small number of witnesses can be readily accommodated within a standard IPR schedule.

Moreover, joining the proceedings at this stage will not prejudice either Patent Owner or NBC. The Board has yet to institute a trial on the patent, and it will be able to evaluate the arguments of both petitioners and any response from the Patent Owner prior to instituting such trial. The Board will then be able to define the scope of the issues and select the grounds that will lead to the most efficient resolution of all these proceedings. *Cf. Netapp, Inc. v. Personal Web Techs, LLC*, IPR2013-00319, Paper 18 (denying joinder because new petition was filed after

trial was instituted, raised new substantive issues that would delay schedule, and would disrupt coordination between five other IPRs).

**D. Briefing and Discovery Can Be Streamlined**

In the interest of efficiency, Petitioner is willing to accept reasonable restrictions on discovery so long as they do not preclude it from independently challenging the claims. In addition, Petitioner is willing to accept the condition that each party limit its participation to the grounds presented in its respective petition(s). *See Motorola*, IPR2013-00256, Paper 10 at 2-3. Thus, if the Board instituted review on the basis of the two primary references advanced by Apple and one primary reference advanced by NBC, Apple would be willing to limit its comments to issues raised by its prior art, and forgo comments on NBC's grounds.

**E. Petitioner Has Shown a Need to Use this Forum**

Apple also has a need to use this process as a cost-effective alternative to district court litigation. This need outweighs any countervailing consideration of joinder, including the burden and prejudice to the parties as discussed above. Apple presently is defending itself against multiple lawsuits filed by the Patent Owner that assert dozens of claims from the '135 patent and related patents. Also, Petitioner has faced substantial procedural challenges in addressing invalidity issues in district court. For example, in the 2010 Litigation, even though Patent Owner asserted at trial over a dozen claims from four different patents, Apple was

given only 12 hours of trial time to put on an invalidity, non-infringement, inequitable conduct, and damages case.

Finally, VirnetX will suffer no prejudice from joinder. VirnetX has filed multiple actions against multiple parties over several years, each changing in scope and the particular claims being asserted. By joining the present proceedings, the Board will be able to limit, in the aggregate, the grounds at issue in these various proceedings. Thus, joinder will enable the efficient resolution of these proceedings before the Board without affecting the schedule of concurrent litigation and will reduce, rather than increase the complexity of the concurrent litigation by reducing the number of issues in those proceedings.

### **III. Conclusion**

For all of these reasons, Apple submits that joinder is warranted between IPR2013-00348 & -00349 and IPR2013-00375.

Dated: August 21, 2013

Respectfully Submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that on this 21st day of August 2013, a copy of this Motion for Joinder, has been served in its entirety by e-mail and Express Mail on the following counsel of record for patent owner:

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Dated: August 21, 2013

Respectfully submitted,

/Jeffrey P. Kushan/  
Jeffrey P. Kushan  
Reg. No. 43,401  
Attorney for Petitioner

**IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF TEXAS  
TYLER DIVISION**

<b>VIRNETX INC., and</b>	§	
<b>SCIENCE APPLICATIONS</b>	§	
<b>INTERNATIONAL</b>	§	
<b>CORPORATION,</b>	§	
	§	<b>No. 6:12-cv-00855-RWS</b>
<b>Plaintiffs,</b>	§	<b>(Lead Consolidated Case)</b>
	§	
<b>v.</b>	§	<b>No. 6:10-cv-00417-RWS</b>
	§	
<b>APPLE INC.,</b>	§	<b>JURY TRIAL DEMANDED</b>
	§	
<b>Defendant.</b>	§	

**FINAL JUDGMENT**

On August 11, 2010, VirnetX Inc. (“VirnetX”) filed Civil Action No. 6:10-cv-00417 against Apple Inc. (“Apple”). On November 6, 2012, VirnetX and Science Applications International Corporation (“Leidos”) filed Civil Action No. 6:12-cv-00855 against Apple. Beginning on January 25, 2016, the Court conducted a seven day jury trial. Final Judgment is now appropriate because all issues between VirnetX, Leidos, and Apple have been finally resolved either by the jury trial or by order of this Court.

Therefore, Pursuant to Rules 54 and 58 of the Federal Rules of Civil Procedure and in accordance with the jury’s verdict and the entirety of the record available to the Court, it is **ORDERED, ADJUDGED** and **DECREED** and the Court **ENTERS JUDGMENT** as follows:

- VirnetX shall have and recover from Apple the sum of \$334,908,773.73 as compensatory damages based on the jury verdict for Apple’s infringement of U.S. Patent 6,502,135 (“ ’135 Patent”) and U.S. Patent 7,490,151 (“ ’151 Patent”) through the Original Version of VPN on Demand feature (iOS 3-6, 2009-2013).



- Apple has infringed Claims 1 and 7 of the '135 Patent, Claim 13 of the '151 Patent, Claims 1, 2, 5, and 27 of U.S. Patent No. 7,418,504 (“ ’504 Patent”), and Claims 36, 47, and 51 of U.S. Patent No. 7,291,211 (“ ’211 Patent”).
- VirnetX shall have and recover from Apple the sum of \$290,725,067.31 as compensatory damages based on the jury verdict for Apple’s infringement of the ’135 Patent, ’151 Patent, ’504 Patent, and ’211 Patent beyond the infringement of the Original Version of VPN on Demand.
- Apple’s infringement through the following features has been willful: Apple’s Original Version of VPN on Demand (iOS 3-6, 2009-2013) following the verdict in the first trial on November 6, 2012, Apple’s 2013 Version of VPN on Demand (iOS 7-8, 2013-present), Apple’s Original Version of the FaceTime system (iOS 4-6 and OS X 10.7-10.8, 2010-2013), and Apple’s 2013 Version of the FaceTime system (iOS 7-8 and OS X 10.9-10.10, 2013-present).
- VirnetX shall have and recover from Apple supplemental compensatory damages at the rate of \$1.41 per unit for each adjudicated infringing product sold following the verdict, as well as for each Later Released Product (iPhone 6S, iPhone 6S Plus, iPad Air 2, iPad Mini 3, iPad Mini 4, iPad Pro, and iPod Touch 6<sup>th</sup> Gen.) sold with iOS 7-8 from the date of the Later Released Product through the date of judgment.
- VirnetX shall have and recover from Apple as additional exemplary damages based on Apple’s willful conduct, an additional amount of \$0.71 per unit (for a total per device of \$2.12) for the sale of every adjudicated infringing product, as well as for each Later Released Product (iPhone 6S, iPhone 6S Plus, iPad Air 2, iPad Mini 3, iPad Mini 4, iPad Pro, and iPod Touch 6<sup>th</sup> Gen.) sold with iOS 7-8. Apple does not

owe exemplary damages for the sales of the 167,988,587 products addressed by Question 1 of the jury verdict that were sold prior to November 6, 2012.

- Pursuant to 35 U.S.C. § 284, the Court awards VirnetX pre-judgment interest at the prime rate compounded annually. Thus, VirnetX is entitled to pre-judgment interest in the amount of \$149,886,045.00 for the time period through March 4, 2016, plus \$69,053.00 per day for the time period of March 5, 2016 through the date of this final judgment.
- Pursuant to 28 U.S.C. § 1961, the Court awards VirnetX post-judgment interest applicable to all sums awarded herein, at the statutory rate, from the date of entry of this judgment until paid.
- Pursuant to Rule 54(d) of the Federal Rules of Civil Procedure and 28 U.S.C. § 1920, VirnetX is the prevailing party in this matter and is entitled to costs consistent therewith.
- This is an exceptional case and VirnetX is entitled to attorneys' fees pursuant to 35 U.S.C. § 285.
- For all adjudicated infringing products sold between the date of this final judgment and the date Apple comes in compliance with the permanent injunction, Apple must pay to VirnetX a royalty of \$2.65 per adjudicated infringing product.
- For all products that are not colorably different from the adjudicated infringing products, running iOS 9 or later, and sold between the date of first release with iOS 9 for each product and the date Apple comes in compliance with the permanent injunction, Apple must pay to VirnetX a royalty of \$2.65 per product.
- In accordance with the Court's contemporaneously issued memorandum opinion and

order in this case, Apple Inc. is hereby permanently enjoined as follows:

## **I. DEFINITIONS**

“VPN on Demand Infringing and Future Products” means Apple devices running iOS version 3.0 and later with a capability identical to or not more than colorably different from the capability of determining whether to initiate a VPN using domain name matching and the http probe as part of the determination as highlighted in Exhibit A to this order.

“FaceTime Infringing and Future Products” means iPhone 4 and after; iPod Touch Gen 4 and after; iPad 2 and after; Mac with 10.6.6 and later that includes a capability identical to or not more than colorably different from the capability of using one or more FaceTime Infringing and Future Servers to establish a non-relayed, encrypted FaceTime call.

“FaceTime Infringing and Future Servers” means servers or machine-readable media that includes a capability identical to or not more than colorably different from the capability of supporting establishing a non-relayed, encrypted FaceTime call.

“FaceTime Infringing and Future Products” means iPhone 4 and after; iPod Touch Gen 4 and after; iPad 2 and after; Mac with 10.6.6 and later that includes a capability identical to or not more than colorably different from the capability of using one or more iMessage Infringing and Future Servers to establish communication through APNS with another Apple device.

“iMessage Infringing and Future Servers” means servers or machine-readable media that includes a capability identical to or not more than colorably different from the capability of receiving a phone number or Apple ID from a requesting Apple device, and in response, enabling the requesting Apple device to communicate through APNS with the device associated with the phone number or Apple ID.

## **II. INJUNCTION PERTAINING TO U.S. PATENT NOS. 6,502,135 AND 7,490,151**

**IT IS HEREBY ORDERED** that, pursuant to 35 U.S.C. § 283, Apple, Inc., its officers,

agents, servants, employees, and attorneys, and those persons in active concert or participation with them who receive actual notice of the order by personal service or otherwise are permanently restrained and enjoined from performing the following actions during the term of U.S. Patent Nos. 6,502,135 and 7,490,151:

1. making, offering to sell, selling, importing, and/or using VPN on Demand Infringing and Future Products in or into the United States;
2. instructing or encouraging anyone (alone or jointly with Apple) to make, offer to sell, sell, import, and/or use in or into the United States VPN on Demand Infringing and Future Products; and
3. selling a component with a capability identical to or not more than colorably different from the capability of determining whether to initiate a VPN using domain name matching and the http probe as part of the determination as highlighted in Exhibit A to this order.

Notwithstanding the foregoing, Apple is not enjoined from performing the above actions with respect to VPN on Demand Infringing and Future Products that were included in the royalty base at trial or covered by the Court's per diem through judgment.

### **III. INJUNCTION PERTAINING TO U.S. PATENT NOS. 7,418,504 AND 7,921,211**

**IT IS FURTHER ORDERED** that, pursuant to 35 U.S.C. § 283, Apple, Inc., its officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with them who receive actual notice of the order by personal service or otherwise are permanently restrained and enjoined from performing the following actions during the term of U.S. Patent Nos. 7,418,504 and 7,921,211:

1. making, offering to sell, selling, importing, and/or using one or more FaceTime Infringing and Future Servers, FaceTime Infringing and Future

Products, iMessage Infringing and Future Servers, and/or iMessage Infringing and Future Products, in or into the United States;

2. instructing or encouraging anyone, alone or jointly with Apple, to make, offer to sell, sell, import, and/or use in or into the United States one or more FaceTime Infringing and Future Servers, FaceTime Infringing and Future Products, iMessage Infringing and Future Servers, and/or iMessage Infringing and Future Products;

3. selling a component with a capability identical to or not more than colorably different from the capability of supporting establishing a non-relayed, encrypted FaceTime call.

4. selling a component with a capability identical to or not more than colorably different from the capability of receiving a phone number or Apple ID from a requesting Apple device, and in response, enabling the requesting Apple device to communicate through APNS with the device associated with the phone number or Apple ID.

Notwithstanding the foregoing, Apple is not enjoined from supporting establishment of non-relayed, encrypted FaceTime calls between two or more FaceTime Infringing and Future Products that were all included in the royalty base at trial or covered by the Court's per diem through judgment. Nor is Apple is enjoined from supporting iMessage communication through APNS between two or more iMessage Infringing and Future Products that were all included in the royalty base at trial or covered by the Court's per diem through judgment.

#### **IV. EFFECTIVE DATE OF THE INJUNCTION**

This injunction becomes effective 30 days from the date of this order.

**V. PROCEDURES FOR COMPLYING WITH THE INJUNCTION**

Within ten business days of the effective date of the injunction, Apple is **ORDERED** to provide to VirnetX a verified, written, confidential explanation detailing how Apple has complied with this Order. Thereafter, if Apple makes material changes to how it is complying with this Order, Apple is **ORDERED** provide to VirnetX a supplement to its verified, written, confidential explanation within ten business days of such change.

For the avoidance of doubt, any disputes related to compliance with this Order shall be brought in this Court.

- All relief not specifically granted herein is **DENIED**. All pending motions not previously resolved are **DENIED**.