

United States Court of Appeals for the Federal Circuit

PACKET INTELLIGENCE LLC,
Plaintiff-Appellee

v.

**NETSCOUT SYSTEMS, INC., NETSCOUT SYSTEMS
TEXAS, LLC, FKA TEKTRONIX TEXAS, LLC DBA
TEKTRONIX COMMUNICATIONS,**
Defendants-Appellants

2019-2041

Appeal from the United States District Court for the
Eastern District of Texas in No. 2:16-cv-00230-JRG, Judge
J. Rodney Gilstrap.

Decided: July 14, 2020

PAUL SKIERMONT, Skiermont Derby LLP, Dallas, TX,
for plaintiff-appellee. Also represented by SADAF R.
ABDULLAH, STEVEN WAYNE HARTSELL, STEVEN UDICK;
MIEKE K. MALMBERG, Los Angeles, CA.

ERIC KRAEUTLER, Morgan, Lewis & Bockius LLP, Phil-
adelphia, PA, for defendants-appellants. Also represented
by JULIE S. GOLDEMBERG; JASON D. FRANK, Boston, MA;
KARON NICOLE FOWLER, Chicago, IL; WILLIAM R.
PETERSON, Houston, TX; AHREN CHRISTIAN HSU-HOFFMAN,

MICHAEL JOHN LYONS, THOMAS Y. NOLAN, Palo Alto, CA;
MICHAEL FRANCIS CARR, Milpitas, CA.

Before LOURIE, REYNA, and HUGHES, *Circuit Judges*.

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

Opinion concurring in part and dissenting in part filed by
Circuit Judge REYNA.

LOURIE, *Circuit Judge*.

NetScout Systems, Inc. and NetScout Systems Texas, LLC (“NetScout”) appeal from the judgment of the U.S. District Court for the Eastern District of Texas after a jury verdict and bench trial that (1) NetScout willfully infringed claims 10 and 17 of U.S. Patent 6,665,725 (“the ’725 patent”), claims 1 and 5 of U.S. Patent 6,839,751 (“the ’751 patent”), and claims 19 and 20 of U.S. Patent 6,954,789 (“the ’789 patent”); (2) no asserted claim is invalid under 35 U.S.C. §§ 101, 102(a), 102(f); (3) Packet Intelligence LLC (“Packet Intelligence”) is entitled to \$3.5 million in damages for pre-suit infringement; (4) Packet Intelligence is entitled to post-suit damages of \$2.25 million; (5) Packet Intelligence is entitled to \$2.8 million in enhanced damages; and (6) Packet Intelligence is entitled to an ongoing royalty for future infringement of 1.55%. *Packet Intelligence LLC v. NetScout Sys., Inc.*, No. 2:16-cv-230-JRG, 2018 WL 4286193, at *1 (E.D. Tex. Sept. 7, 2018).

Because the district court erred in denying NetScout’s motion for judgment as a matter of law on pre-suit damages, we reverse the district court’s pre-suit damages award and vacate the court’s enhancement of that award. We affirm the district court’s judgment in all other respects.

BACKGROUND

Packet Intelligence owns the '725, '751, and '789 patents, which teach a method for monitoring packets exchanged over a computer network. A stream of packets between two computers is called a connection flow. '789 patent col. 2 ll. 43–45. Monitoring connection flows cannot account for disjointed sequences of the same flow in a network. *Id.* col. 3 ll. 56–59. The specifications explain that it is more useful to identify and classify “conversational flows,” defined as “the sequence of packets that are exchanged in any direction as a result of an activity.” *Id.* col. 2 ll. 45–47. Conversational flows provide application-specific views of network traffic and can be used to generate helpful analytics to understand network load and usage. See '751 patent col. 3 l. 2–col. 4 l. 11.

The claims of the '725, '751, and '789 patents asserted in the district court describe apparatuses and methods for network monitoring. The '789 patent recites apparatus claims, and claims 19 and 20 were asserted. Claim 19 of '789 patent is drawn to a “packet monitor”:

19. A packet monitor for examining packets passing through a connection point on a computer network, each packet[] conforming to one or more protocols, the monitor comprising:
 - (a) a packet acquisition device coupled to the connection point and configured to receive packets passing through the connection point;
 - (b) an input buffer memory coupled to and configured to accept a packet from the packet acquisition device;
 - (c) a parser subsystem coupled to the input buffer memory and including a slicer, the parsing subsystem configured to extract selected portions of the accepted packet and

to output a parser record containing the selected portions;

(d) a memory for storing a database comprising none or more flow-entries for previously encountered conversational flows, each flow-entry identified by identifying information stored in the flow-entry;

(e) a lookup engine coupled to the output of the parser subsystem and to the flow-entry memory and configured to lookup whether the particular packet whose parser record is output by the parser subsystem has a matching flow-entry, the looking up using at least some of the selected packet portions and determining if the packet is of an existing flow; and

(f) a flow insertion engine coupled to the flow-entry memory and to the lookup engine and configured to create a flow-entry in the flow-entry database, the flow-entry including identifying information for future packets to be identified with the new flow-entry, the lookup engine configured such that if the packet is of an existing flow, the monitor classifies the packet as belonging to the found existing flow; and if the packet is of a new flow, the flow insertion engine stores a new flow-entry for the new flow in the flow-entry database, including identifying information for future packets to be identified with the new flow-entry,

wherein the operation of the parser subsystem depends on one or more of the protocols to which the packet conforms.

'789 patent col. 36 l. 31–col. 37 l. 2. Claim 20 of the '789 patent depends from claim 19 and further requires that “each packet passing through the connection point is accepted by the packet buffer memory and examined by the monitor in real time.” *Id.* col. 37 ll. 3–6.

In contrast to the apparatus claims of the '789 patent, the '725 and '751 patents recite method claims. The '725 patent claims recite a method for performing protocol-specific operations on a packet through a connection point on a network, comprising receiving a packet and executing protocol specific operations on it, including parsing and extraction to determine whether the packet belongs to a conversational flow. And the '751 patent claims recite methods of analyzing a flow of packets with similar steps. Although the asserted claims include varied language, the parties treat claim 19 of the '789 patent as representative of all of the asserted claims for infringement and invalidity. Thus, we focus on claim 19 in our analysis.

Packet Intelligence asserted claims 19 and 20 of the '789 patent, claims 10 and 17 of the '725 patent, and claims 1 and 5 of the '751 patent against NetScout's “G10” and “GeoBlade” products in the United States District Court for the Eastern District of Texas. The case was tried to a jury on the issues of infringement, damages, willfulness, and invalidity under 35 U.S.C. § 102. The jury found all claims willfully infringed, rejected NetScout's invalidity defenses, and awarded pre-suit and post-suit damages. Following the jury verdict, the district court issued findings of fact and conclusions of law under Fed. R. Civ. P. 52 rejecting NetScout's § 101 invalidity defense. The court also enhanced damages in the amount of \$2.8 million and, in accordance with the jury's verdict, awarded an ongoing royalty for post-verdict infringement.

NetScout appealed, and we have jurisdiction under 28 U.S.C. § 1295(a)(1).

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