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

VIRNETX INC., *et al.*,	§	
	§	
Plaintiffs,	§	CIVIL ACTION NO. 6:12-CV-00855-RWS
	§	
v.	§	
	§	(Unsealed and Corrected)
APPLE INC.,	§	
	§	
Defendant.	§	

ORDER

Before the Court are (1) Defendant Apple Inc.'s Omnibus Motion for Judgment as a Matter of Law Under Rule 50(b) and for a New Trial (Docket No. 1012) and (2) Plaintiff VirnetX Inc.'s Motion for Entry of Judgment and Equitable and Statutory Relief (Docket No. 1013). The Court heard argument on both motions on December 17, 2020. As set forth below, Apple's motion for JMOL and for new trial is **DENIED**, and VirnetX's motion for entry of judgment is **GRANTED-AS-MODIFIED**.

BACKGROUND

This dispute between VirnetX and Apple, now spanning more than a decade, has attained Dickensian proportions rivaling *Jarndyce and Jarndyce*.[1] An overview of the history of this matter provides helpful context for the Court's opinion.

[1] "Jarndyce and Jarndyce drones on. This scarecrow of a suit has, over the course of time, become so complicated, that no man alive knows what it means. The parties to it understand it least; but it has been observed that no two Chancery lawyers can talk about it for five minutes without coming to a total disagreement as to all the premises. Innumerable children have been born into the cause; innumerable young people have married into it; innumerable old people have died out of it. Scores of persons have deliriously found themselves made parties in Jarndyce and Jarndyce without knowing how or why; whole families have inherited legendary hatreds with the suit. The little plaintiff or defendant, who was promised a new rocking-horse when Jarndyce and Jarndyce should be settled, has grown up, possessed himself of a real horse, and trotted away into the other world. Fair wards of court have faded into mothers

VirnetX sued Apple on August 11, 2010, alleging infringement of U.S. Patent Nos. 6,502,135 ("the '135 patent"), 7,418,504 ("the '504 patent"), 7,490,151 ("the '151 patent") and 7,921,211 ("the '211 patent"). Case No. 6:10-cv-417 ("'417 action"), Docket No. 1. On November 6, 2012, a jury found that the first versions of Apple's accused VPN On Demand and FaceTime features infringed the asserted patents and that the asserted patents were not invalid. '417 action, Docket No. 790. That same day, VirnetX filed the instant case, accusing several of Apple's redesigned products of infringing the same patents. *See* Docket No. 1.

In the '417 action, Apple and VirnetX both filed post-trial motions, which the Court resolved in a memorandum opinion. '417 action, Docket No. 851. On appeal, the United States Court of Appeals for the Federal Circuit affirmed-in-part, reversed-in-part and remanded for further proceedings. '417 action, Docket No. 853; *VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1313–14 (Fed. Cir. 2014). Specifically, the Federal Circuit affirmed the jury's finding of infringement by VPN On Demand and affirmed the Court's denial of Apple's motion for judgment as a matter of law on invalidity. *Id.* The court vacated the infringement finding for FaceTime based upon a change in claim construction, holding that the term "secure communication link" requires both "security and anonymity," and vacated damages for VPN On Demand and FaceTime because it found that the jury had relied on a flawed damages model. *Id.* at 1314.

After receiving the Federal Circuit's mandate, the Court solicited the parties' proposals on the best path forward. '417 action, Docket No. 855. VirnetX proposed that the Court consolidate the remaining issues in the '417 action with the impending trial in the '855 action. '417 action, Docket No. 864 at 4. Apple opposed consolidation. '417 Action, Docket No. 873 at 45:20–46:6. After a status conference on March 10, 2015, the Court consolidated the '855 and '417 actions,

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and grandmothers; a long procession of Chancellors has come in and gone out." CHARLES DICKENS, BLEAK HOUSE 4–5 (George D. Sproul, New York 1902).

designating this action as the lead case with a revised schedule. Docket No. 220. After extensive motion practice (*see* Docket Nos. 315, 317–323, 326; *see also* Docket Nos. 362, 468), the consolidated action was tried to a jury, which returned a verdict finding infringement of all four asserted patents.

Again, both parties filed post-trial motions. Docket Nos. 462, 463. On July 29, 2016, the Court granted Apple's Motion for a New Trial Based Upon the Consolidation of Cause Nos. 6:10-cv-417 and 6:12-cv-855. Docket No. 500. The Court reasoned that the consolidation and the parties' repeated discussion of the previous jury verdict resulted in an unfair trial. *Id.* at 14. In its Order, the Court explained that "Cause No. 6:10-cv-417 will be retried with jury selection to begin on September 26, 2016, unless the parties agree otherwise on an alternative date, and immediately followed by a second trial on the issue of willfulness. Cause No. 6:12-cv-855 will be retried after Cause No. 6:10-cv-417." *Id.* at 15.

After another round of extensive motion practice (*see, e.g.*, '417 action, Docket Nos. 930–931, 937, 944–945), the '417 action was again tried to a jury. The jury found that FaceTime infringed the '211 and '504 patents and awarded approximately $302 million in damages for the collective infringement by the VPN On Demand and FaceTime features in the accused Apple products. '417 action, Docket No. 1025. After the September trial, both parties submitted post-trial motions (*see* '417 action, Docket Nos. 1018–1019, 1047, 1062–1063), which the Court resolved in a memorandum opinion (Docket No. 1079). Apple appealed the '417 action's final judgment, and the Federal Circuit summarily affirmed. *See* '417 case, Docket Nos. 1079, 1089, 1091; *see also VirnetX Inc. v. Cisco Sys., Inc.*, 748 F. App'x 332 (Fed. Cir. 2019).

Meanwhile, on February 9, 2017, the Court requested that the parties meet and confer about the timing of the '855 trial and propose a schedule. The parties each filed a response (Docket Nos.

519, 520), and Apple simultaneously filed a motion to stay (Docket No. 518). The Court denied Apple's motion (Docket Nos. 527, 553) and set the case on a schedule (Docket No. 539).

The Court held a jury trial in this matter in April 2018. The trial was bifurcated into (1) a liability and damages phase and (2) a willfulness phase, which were tried in succession to one jury. After the liability and damages phase, the jury returned a verdict finding that both VPN On Demand and FaceTime infringed each asserted patent and awarding $502,567,709 in damages. Docket No. 723. After the willfulness phase, the jury returned a verdict that Apple's infringement was willful. Docket No. 729. Both parties filed post-trial motions, which the Court resolved in a memorandum opinion. Docket No. 798. Apple appealed. Docket No. 812. The Federal Circuit affirmed-in-part, reversed-in-part and remanded for further proceedings. *See VirnetX Inc. v. Apple Inc.*, 792 F. App'x 796 (Fed. Cir. 2019). The Federal Circuit affirmed this Court's finding that Apple was precluded from asserting its invalidity defenses and the jury's finding that redesigned VPN On Demand infringed the '151 and '135 patents. *Id.* at 803, 806. The Federal Circuit vacated the infringement finding for FaceTime based on another change in claim construction, holding that the term "domain name service system" incorporated the construction for "domain name service." *Id.* at 809. The Federal Circuit then left it to the parties and this Court "to consider in the first instance relevant aspects of whether to hold a limited damages-only retrial given the reduced basis of liability." *Id.* at 813.

After receiving the mandate, the Court ordered the parties to meet and confer and inform the Court their respective positions on the necessity of a damages-only retrial. Docket No. 821. The parties filed a notice indicating that they could not agree and proposing a briefing schedule on the issue. Docket No. 822. Following briefing (*see* Docket Nos. 824, 825, 828, 830), the Court denied VirnetX's request that the Court enter judgment on the prior jury verdict. Docket No. 840.

Specifically, the Court found that VirnetX had not shown that departure from the normal rule requiring a new trial was warranted because the jury's verdict did not necessitate a feature-independent royalty rate and Apple had not waived its right to seek a new trial. *Id.* at 12, 16. The Court entered a docket control order setting trial for August 17, 2020, and providing for a brief discovery period. Docket No. 849. After extensive motion practice (*see* Docket Nos. 852, 893, 895, 896, 956) and a COVID-related delay (*see* Docket Nos. 914, 934), the damages issues were tried to a jury in October 2020. The jury returned a verdict awarding VirnetX $0.84 per infringing unit for a total of $502,848,847.20 in damages. Docket No. 977.

Apple now seeks JMOL under Rule 50(b) of the Federal Rules of Civil Procedure and a new trial. Docket No. 1012. VirnetX moves for entry of judgment, costs, supplemental damages, an ongoing royalty and pre- and post-judgment interest. Docket No. 1013.

APPLICABLE LAW

Judgment as a matter of law is only appropriate when "a reasonable jury would not have a legally sufficient evidentiary basis to find for the party on that issue." FED. R. CIV. P. 50(a). "The grant or denial of a motion for judgment as a matter of law is a procedural issue not unique to patent law, reviewed under the law of the regional circuit in which the appeal from the district court would usually lie." *Finisar Corp. v. DirecTV Group, Inc.*, 523 F.3d 1323, 1332 (Fed. Cir. 2008).

Under Fifth Circuit law, a court is to be "especially deferential" to a jury's verdict and must not reverse the jury's findings unless they are not supported by substantial evidence. *Baisden v. I'm Ready Prods., Inc.*, 693 F.3d 491, 499 (5th Cir. 2012). "Substantial evidence is defined as evidence of such quality and weight that reasonable and fair-minded men in the exercise of impartial judgment might reach different conclusions." *Threlkeld v. Total Petroleum, Inc.*, 211

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