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

VIRNETX INC. AND SCIENCE APPLICATIONS INTERNATIONAL CORPORATION,	§	
Plaintiffs,	§	**CASE NO. 6:12-CV-855**
vs.	§	
APPLE INC.,	§	
Defendant.	§	

MEMORANDUM OPINION

On January 7, 2016, the Court heard oral argument on various motions. This document provides the written opinion of the Court's prior rulings on January 11, 2016. *See* Docket No. 362. This opinion addresses: (1) Defendant Apple Inc.'s ("Apple") denied Motion for Partial Summary Judgment of Noninfringement by FaceTime (Docket No. 315); (2) Plaintiff VirnetX Inc.'s ("VirnetX") granted-in-part and denied-in-part Motion for Partial Summary Judgment of No Invalidity on Dependent Claims of Previously Tried Claims (Docket No. 320); (3) VirnetX's granted Motion for Summary Judgment of No Inequitable Conduct (Docket No. 322); and (4) VirnetX's granted Motion to Strike Portions of the Opinion and Testimony of Mr. Christopher Bakewell (Docket No. 316).

1. Apple's Motion for Partial Summary Judgment of Noninfringement by FaceTime (Docket No. 315)

Summary judgment shall be rendered when there is no genuine issue of material fact and the moving party is entitled to judgment as a matter of law. FED. R. CIV. P. 56(c); *Celotex Corp. v. Catrett*, 477 U.S. 317, 322–25 (1986); *Ragas v. Tenn. Gas Pipeline Co.*, 136 F.3d 455, 458 (5th Cir. 1998). An issue of material fact is genuine if the evidence could lead a reasonable jury

to find for the non-moving party. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986). In determining whether a genuine issue of fact exists, a court views all inferences drawn from the factual record in the light most favorable to the nonmoving party. *Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 587 (1986).

In a summary judgment motion, Apple argued that the FaceTime feature does not infringe because it is not anonymous as required by the claim term "secure communication link." Docket No. 352 at 1; *see VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1319 (Fed. Cir. 2014) (construing "secure communication link" as "a direct communication link that provides data security and anonymity"). Apple first explained that, in the specifications of the patents asserted against the FaceTime feature, the preferred embodiment requires "anonymity" by describing a first layer of obfuscation for content and a second layer of obfuscation for source and destination Internet Protocol ("IP") addresses. Docket No. 352 at 1. Apple concluded that FaceTime is not anonymous because it does not conceal IP addresses as described in the patent specifications. Docket No. 315 at 1. Apple stated that VirnetX incorrectly interpreted "anonymity" as the inability to "correlate" a person or machine to an IP address, instead of as "concealment of source and designation IP addresses." Docket No. 352 at 5.

Apple effectively asked the Court to further construe a "secure communication link" as implementing a particular process of providing anonymity. *See* Docket No. 315 at 4–7. The particular examples of providing anonymity to a communication link disclosed in the patent specifications should not limit the claims. *See VirnetX*, 767 F.3d at 1319. Based on how the FaceTime feature operates, a jury determined what degree of anonymity is sufficient to infringe the claims. Therefore, a genuine issue of material fact existed as to whether the FaceTime feature satisfied the "anonymity" requirement of the asserted claims.

Apple further stated that Network Address Translations ("NATs"), which were relied on by VirnetX in one of its two "anonymity" theories, are not part of the FaceTime feature.[1] Docket No. 352 at 1–3. The only specific argument that Apple identified as support for NATs being distinct from the FaceTime feature is third party control. *Id.* at 1–2. Apple described a NAT as a "new device." *Id.* at 2. However, the asserted claims are not directed to a single device. *E.g.*, U.S. Patent No. 7,921,211 ("the '211 Patent") at claim 1 (claiming a system). In addition, Apple did not provide support of its position that the introduction of another component, which is not under Apple's control, negates infringement of the FaceTime feature. *See* Docket No. 352 at 2.

Apple next argued that NATs do not provide the necessary "anonymity" because private and public IP addresses are the same; however, Apple did not explain in what respects the IP addresses are the same. *Id.* at 3. Further, Apple did not claim that the IP addresses are identical, and a description of an IP address as public or private appears to provide some meaning as to how it operates. *See* Docket No. 336 at 4.

Apple also stated that NATs do not provide anonymity because a communication link contains a participant's private IP address before it interacts with a NAT. Docket No. 352 at 3–4. During this window before a communication reaches a NAT, the participant's private IP address is allegedly accessible by eavesdroppers. *Id.* VirnetX retorted that, when eavesdroppers intercept packets of an ongoing FaceTime call between participating devices located behind NATs (*i.e.*, after the packets reach the NATs), eavesdroppers cannot correlate a device to a participant. *See* Docket No. 336 at 4, n.1. A reasonable jury could have found that the IP address conversion performed by a NAT early in the communication's path is sufficient to establish anonymity.

[1] In addition, Apple disagreed with VirnetX's characterization of anonymous because it would encompass NAT technology that was invented before the asserted patents. Docket No. 352 at 4. This is an invalidity position, which is unrelated to noninfringement.

Apple also shed doubt on VirnetX's second basis for "anonymity" within the FaceTime feature—the call setup process establishing "anonymity" of a communication. Apple stated that any anonymity established during the call setup process is irrelevant because it is the secure communication link that must be anonymous. Docket No. 352 at 4–5. VirnetX responded that the call setup process creates a secure communication link for the remainder of the communication. *Id.* Drawing all inferences in the light most favorable to VirnetX, a reasonable jury could have found that the call setup process establishes anonymity.

Apple finally argued that the construction of "domain name service system" incorporates the Court's construction of "domain name service." Docket No. 365 at 54:24–59:13; *see also* Docket No. 369 (VirnetX filing an Emergency Motion to Clarify Under *O2 Micro*). Apple relied on previous Court proceedings in attempting to infer that the construction of a "domain name service system" was meant to include the construction of a "domain name service." However, the Court previously interpreted "domain name service" and "domain service system" as separate terms with different constructions. Case No. 6:10-cv-417 ("*Apple I*"), Docket No. 266 at 15, 20. These two separate terms generally appear in different contexts: the claim preamble versus the body of the claim. Docket No. 369 at 8–10; *e.g.*, '211 Patent at claims 1, 36. Accordingly, the original constructions of "domain name service system" and "domain name service" continue to apply.

Apple did not demonstrate the absence of a genuine issue of material fact as to whether the FaceTime feature infringed the asserted patents. Accordingly, the Court denied Apple's Motion for Partial Summary Judgment of Noninfringement by FaceTime (Docket No. 315). Docket No. 362.

2. VirnetX's Motion for Partial Summary Judgment of No Invalidity on Dependent Claims of Previously Tried Claims (Docket No. 320)

VirnetX filed a motion for partial summary judgment based upon the *Apple I* jury finding of no invalidity of the asserted claims. Docket No. 320. VirnetX argued that, because the independent claims in U.S. Patent No. 7,418,504 ("the '504 Patent") and the '211 Patent were found not invalid in *Apple I*, the five newly asserted claims that depend from the previously tried claims must also be not invalid. *Id.* at 4–6. VirnetX submitted that, if a claim is not invalid, a claim that depends from it also cannot be invalid because it is narrower in scope. *Id.* at 5–6. More specifically, VirnetX alleged that the five newly asserted dependent claims are not invalid under (1) anticipation; (2) obviousness; (3) derivation; or (4) nonjoinder. Docket No. 359 at 1.

The newly asserted dependent claims are not captured by issue preclusion, because "[e]ach claim of a patent . . . shall be presumed valid independently of the validity of other claims." *See* 35 U.S.C. § 282(a). Although issue preclusion does not dictate that the newly asserted dependent claims are not invalid as anticipated and obvious, the relationship between the scope of independent claims and that of dependent claims does.

A dependent claim further defines an independent claim. *See* 35 U.S.C. § 112(d); 37 C.F.R. § 1.75(c). In other words, the scope of subject matter captured by an independent claim is broader than a claim that depends from it. *See* 35 U.S.C. § 112(d); 37 C.F.R. § 1.75(c). In the context of anticipation, if a reference does not read on the limitations of an independent claim, it cannot read on the limitations of a dependent claim that includes additional requirements. *See Aspex Eyewear, Inc. v. Zenni Optical, Inc.*, 713 F.3d 1377, 1381 (Fed. Cir. 2013). This is also true of obviousness. *See id.* If an independent claim is nonobvious, then a claim that depends from it is also nonobvious. *See id.*

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