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

VIRNETX INC. and LEIDOS, INC.,	§	
	§	
Plaintiffs,	§	CIVIL ACTION NO. 6:12-CV-00855-RWS
	§	
v.	§	
	§	
APPLE INC.,	§	
	§	
	§	
Defendant.	§	

MEMORANDUM OPINION

Defendant Apple Inc. ("Apple") filed a Motion to Stay (Docket No. 518) on February 28, 2017. On September 29, 2017, the Court denied the motion with memorandum order to follow and ordered Plaintiff VirnetX Inc. ("VirnetX") and Apple to meet and confer on a trial date for this case. Docket No. 527.[1] The Court now issues this memorandum opinion detailing the reasons for its ruling.[2]

BACKGROUND

The case has both a lengthy and complex procedural history. On August 11, 2010, VirnetX filed Case No. 6:10-cv-417 against Apple 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") (collectively, "the asserted patents"). Case No. 6:10-cv-417 ("417 action"),

[1] Unless otherwise specified, references to the docket refer to the docket in Case No. 6:12-cv-855 (the "855 action").
[2] The Court recognizes that Apple filed a petition for writ of mandamus with the Federal Circuit on January 5, 2018 asking the Federal Circuit to vacate the Court's September 29, 2017 Order and to stay the case pending the appeals of several Patent Office ("PTO") proceedings. *See* Docket No. 547; Petition for Writ of Mandamus, *In re Apple*, No. 18-123 (Fed. Cir. Jan. 5, 2018). In its September 29, 2017 Order, the Court provided the parties with its ruling to avoid undue delay and uncertainty while it prepared its full opinion. Although the Court was hesitant to issue this memorandum opinion in light of the pending petition, the parties are entitled to the opinion as initially promised.

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Docket No. 1. On November 6, 2012, a jury found that 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. On the same day, VirnetX filed Case No. 6:12-cv-855. Docket No. 1.

In the 417 action, Apple and VirnetX both filed post-trial motions, which the Court ruled on. 417 action, Docket No. 851. The matter was appealed, and the Federal Circuit affirmed-in-part, reversed-in-part and remanded for further proceedings. 417 action, Docket No. 853; *see VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1313–14 (Fed. Cir. 2014).

The Federal Circuit affirmed the jury's finding of infringement of VPN On Demand and affirmed the Court's denial of Apple's motion for judgment as a matter of law on invalidity. *Id.* The Federal Circuit 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 relied on a flawed damages model. *Id.* at 1314.

Upon receipt of the Federal Circuit's mandate, the Court solicited the parties' proposals on how to proceed. 417 action, Docket No. 855. The parties submitted a status report in which VirnetX proposed the Court consolidate the remaining issues in the 417 action with the upcoming trial in the 855 action. Docket No. 864 at 4. Apple opposed the consolidation. *See* 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, designating the 855 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 case was tried to a jury, and the jury returned a verdict finding infringement of the '135, '151, '504 and '211 patents.

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Again, both Apple and VirnetX 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 repeated discussion of the complex procedural history and previous jury verdict in front of the jury resulted in an unfair trial. Docket No. 500 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 returned a verdict finding that FaceTime infringed the '211 and '504 patents and awarded approximately $302 million in damages for the collective infringement of 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* Docket Nos. 1018–1019, 1047, 1062–1063).

While the post-trial motions were pending, 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 this motion to stay (Docket No. 518). The Court held a telephonic hearing regarding the parties' responses, during which VirnetX requested that a schedule for this case not be entered until the post-trial motions from the 417 retrial had been ruled upon. Docket No. 521 at 6:5–11. The Court took no further action on the remaining 855 retrial until September 29, 2017, when the Court issued its memorandum opinion and order on the post-trial motions and issued final judgment in the 417

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action. 417 action, Docket Nos. 1079, 1082. At that point, the Court denied Apple's motion to stay the 855 action explaining that this memorandum opinion would follow. Docket No. 527.

LEGAL STANDARD

A district court has the inherent power to control its own docket. *Landis v. N. Am. Co.*, 299 U.S. 248, 254 (1936). The party seeking a stay bears the burden of showing that the stay is appropriate. *Landis*, 299 U.S. at 254–55. This inherent power includes "the authority to order a stay pending conclusion of a PTO reexamination." *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426–27 (Fed. Cir. 1988). In deciding whether to stay litigation pending PTO proceedings, courts typically consider: (1) whether the stay will unduly prejudice the nonmoving party, (2) whether the proceedings before the court have reached an advanced stage, including whether discovery is complete and a trial date has been set and (3) whether the stay will likely result in simplifying the case before the court. *NFC Tech. LLC v. HTC Am., Inc*., No. 2:13-CV-1058-WCB, 2015 WL 1069111, at *2 (E.D. Tex. Mar. 11, 2015) (Bryson, J.) (citing *Lennon Image Techs., LLC v. Macy's Retail Holdings, Inc*., No. 2:13-cv-235, 2014 WL 4652117, at *2 (E.D. Tex. Sept. 17, 2014); *Market–Alerts Pty. Ltd. v. Bloomberg Fin. L.P*., 922 F.Supp.2d 486, 489 (D. Del. 2013); *Soverain Software LLC v. Amazon.com*, Inc., 356 F.Supp.2d 660, 662 (E.D. Tex. 2005)).

These factors are not exclusive, and, ultimately, deciding whether to stay proceedings "calls for the exercise of judgment, which must weigh competing interests and maintain an even balance." *Landis*, 299 U.S. at 254–55; *see also TruePosition, Inc. v. Polaris Wireless, Inc*., No. 12-646, 2013 WL 5701529, at *2 (D. Del. Oct. 21, 2013) (citing *SoftView LLC v. Apple, Inc*., No. 10-389-LPS, 2012 U.S. Dist. LEXIS 104677, at *6–7 (D. Del. July 26, 2012)).

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DISCUSSION

With this background, the Court now considers the three factors relevant to granting a stay pending PTO proceedings: (1) whether a stay will unduly prejudice or present a clear tactical disadvantage to the nonmovant; (2) whether the proceedings before the court have reached an advanced stage, including whether discovery is complete and a trial date has been set; and (3) whether the stay will likely result in simplifying the case before the court. As outlined below, each of these factors weighs against granting a stay.

(1) whether a stay will unduly prejudice or present a clear tactical disadvantage to the nonmovant

The Court first considers whether a stay would unduly prejudice or present a tactical disadvantage to the nonmovant. Under this factor, courts consider whether the timing of the request for a stay suggests any dilatory motive on behalf of the movant. *Market-Alerts*, 922 F. Supp. 2d at 494.

Granting a stay in this case would result in undue prejudice to VirnetX. VirnetX has an interest in timely enforcing its patents, which is entitled to weight, but is "not sufficient, standing alone, to defeat a stay motion." *NFC Tech.*, 2015 WL 1069111, at *2. As discussed above, VirnetX first tried this case to verdict in 2012, and, "due to the necessity of [] retrial[s], [VirnetX] has still received no damages award as compensation." *Apple, Inc. v. Samsung Elecs*. Co., No. 11-CV-01846-LHK, 2013 WL 6225202, at *5 (N.D. Cal. Nov. 25, 2013) (finding that the prejudice factor weighed against a stay when the plaintiff opposed defendant's motion to stay pending reexamination after a jury found the patent valid and infringed).

Aside from the prejudice relating to the timely enforcement of its patent rights, VirnetX identifies competitive harm it will suffer in the form of lost sales, lost market share, and reputation harm and identifies the unique prejudice from the pendency of the litigation and the impending

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