

NOTE: This disposition is nonprecedential.

**United States Court of Appeals
for the Federal Circuit**

**VIRNETX INC., LEIDOS, INC., FKA SCIENCE
APPLICATIONS INTERNATIONAL
CORPORATION,**
Plaintiffs-Appellees

v.

APPLE INC.,
Defendant-Appellant

VIRNETX INC.,
Plaintiff-Appellee

v.

APPLE INC.,
Defendant-Appellant

2019-1050

Appeal from the United States District Court for the
Eastern District of Texas in Nos. 6:11-cv-00563-RWS, 6:12-
cv-00855-RWS, Judge Robert Schroeder, III.

Decided: November 22, 2019

JEFFREY A. LAMKEN, MoloLamken LLP, Washington, DC, argued for all plaintiffs-appellees. Plaintiff-appellee VirnetX Inc. also represented by JAMES A. BARTA, MICHAEL GREGORY PATILLO, JR., LUCAS M. WALKER, RAYINER HASHEM; ALLISON MILEO GORSUCH, Chicago, IL; LAUREN F. DAYTON, JENNIFER ELIZABETH FISCHELL, New York, NY; BRADLEY WAYNE CALDWELL, JASON DODD CASSADY, JOHN AUSTIN CURRY, Caldwell Cassady & Curry, Dallas, TX.

DONALD SANTOS URRABAZO, Urrabazo Law, P.C., Los Angeles, CA, for plaintiff-appellee Leidos, Inc.

WILLIAM F. LEE, Wilmer Cutler Pickering Hale and Dorr LLP, Boston, MA, argued for defendant-appellant. Also represented by MARK CHRISTOPHER FLEMING, LAUREN B. FLETCHER; THOMAS GREGORY SPRANKLING, Palo Alto, CA; BRITTANY BLUEITT AMADI, Washington, DC.

Before LOURIE, MAYER, and TARANTO, *Circuit Judges*.
TARANTO, *Circuit Judge*.

VirnetX Inc. and Leidos, Inc. (together, VirnetX) brought this case against Apple Inc., alleging that Apple infringed four VirnetX patents. The district court entered summary judgment for VirnetX on invalidity, determining that Apple was precluded from pressing its proposed invalidity challenges because of previous litigation between the parties. A jury found for VirnetX on infringement and awarded roughly \$503 million as a reasonable royalty, equal to a rate of \$1.20 for each device whose sale by Apple infringed. The district court denied Apple's post-trial motion for judgment as a matter of law and entered a final judgment for VirnetX.

Apple appeals. We affirm the district court's determination that Apple is precluded by the prior litigation from pressing its proposed invalidity challenges. We affirm the judgment of infringement as to two of the patents but reverse as to two others. In light of our partial reversal on infringement, we vacate the damages award and remand for the district court to consider whether it can and should enter a revised award without conducting a new trial and, if not, to hold a new trial limited to damages.

I

A

VirnetX owns U.S. Patent Nos. 6,502,135, 7,418,504, 7,490,151, and 7,921,211, the patents asserted in this case. Those patents are related to and claim improvements over VirnetX's U.S. Patent No. 7,010,604, which is not at issue in this appeal. The '604 patent describes Virtual Private Network (VPN) techniques for securely and privately transmitting communications over public networks. In particular, it describes a method in which a data packet is sent through a randomized series of servers before reaching its final destination. '604 patent, col. 3, lines 3–12. An intermediate server in the series may send the packet to its final destination or to another randomly selected server, subject to the constraint that each packet must stop at a minimum number of intermediate servers before being sent to its final destination. *Id.*, col. 3, lines 29–37. The recipient's identity is thereby obscured, enhancing privacy.

The '135, '151, '504, and '211 patents claim improvements of existing VPN methods, such as the '604 patent's method. The parties group the '135 and '151 patents together and the '504 and '211 patents together.

The '135 patent teaches a method of automatically establishing a VPN in response to a domain name inquiry. '135 patent, col. 47, lines 20–32. Claim 1 is representative of the asserted claims of the '135 patent:

1. A method of transparently creating a virtual private network (VPN) between a client computer and a target computer, comprising the steps of:

- (1) generating from the client computer a Domain Name Service (DNS) request that requests an IP [internet protocol] address corresponding to a domain name associated with the target computer;
- (2) determining whether the DNS request transmitted in step (1) is requesting access to a secure website; and
- (3) in response to determining that the DNS request in step (2) is requesting access to a secure target web site, automatically initiating the VPN between the client computer and the target computer.

Id.; see also '151 patent, col. 48, lines 18–29 (claim 13). The '151 patent issued from a divisional of the '135 patent's application, so the two patents share a specification. Whereas the '135 patent recites a method claim, the '151 patent recites a “computer readable medium” capable of executing a set of instructions. '151 patent, col. 48, lines 18–29. Claim 13 is the only asserted claim of the '151 patent:

13. A computer readable medium storing a domain name server (DNS) module comprised of computer readable instructions that, when executed, cause a data processing device to perform the steps of:

- (i) determining whether a DNS request sent by a client corresponds to a secure server;
- (ii) when the DNS request does not correspond to a secure server, forwarding the DNS request to a DNS function that returns an IP address of a nonsecure computer; and

(iii) when the intercepted DNS request corresponds to a secure server, automatically creating a secure channel between the client and the secure server.

Id.

The '504 patent and the '211 patent make up the second group of patents at issue in this case. The '504 patent, which issued from a continuation-in-part of the '135 patent's application, describes certain logistical aspects of a secure communication link between computer nodes, including a repository of names and network addresses. '504 patent, col. 55, lines 49–56. Claim 1 is representative of the asserted claims of the '504 patent:

1. A system for providing a domain name service for establishing a secure communication link, the system comprising:

A domain name service system configured to be connected to a communication network, to store a plurality of domain names and corresponding network addresses, to receive a query for a network address, and to comprise an indication that the domain name service system supports establishing a secure communication link.

Id.; *see also* '211 patent, col. 57, lines 38–46 (claim 36). The '211 patent issued from a continuation of the '504 patent's application, so the two patents share a specification. Whereas the '504 patent recites a system claim, the '211 patent claims a “machine-readable medium” comprising instructions for establishing the system. '211 patent, col. 57, lines 38–46.

B

Apple designs and sells mobile devices. Over time, various such devices have used different versions of Apple's

Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

Real-Time Litigation Alerts



Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

Advanced Docket Research



With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

Analytics At Your Fingertips



Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

LAW FIRMS

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

FINANCIAL INSTITUTIONS

Litigation and bankruptcy checks for companies and debtors.

E-DISCOVERY AND LEGAL VENDORS

Sync your system to PACER to automate legal marketing.