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

VIRNETX INC. and SCIENCE APPLICATIONS INTERNATIONAL CORPORATION,	§	
Plaintiffs,	§	**CAUSE NO. 6:10-CV-417**
vs.	§	
APPLE INC.,	§	
Defendant.	§	
VIRNETX INC. and SCIENCE APPLICATIONS INTERNATIONAL CORPORATION,	§	
Plaintiffs,	§	**CAUSE NO. 6:12-CV-855**
vs.	§	
APPLE INC.,	§	
Defendant.	§	

ORDER

Before the Court are the following motions:

- Apple Inc.'s ("Apple") Motion to Stay (Docket No. 907[1]; Cause No. 6:12-cv-855, Docket No. 499);
- VirnetX Inc.'s ("VirnetX") Motion for Reconsideration (Docket No. 914; Cause No. 6:12-cv-855, Docket No. 504);
- Apple's Motion for Leave to Supplement the Expert Report of Dr. E. Deborah Jay (Docket No. 937);

[1] Unless otherwise indicated, the docket entries refer to Cause No. 6:10-cv-417.

- Apple's Motion to Exclude the Expert Testimony of Mr. Roy Weinstein (Docket No. 944);
- Apple's Motion to Exclude the Expert Testimony of Dr. William Wecker (Docket No. 945);
- VirnetX's Motions *in Limine* (Docket No. 947); and
- Apple's Motions *in Limine* (Docket No. 949).

On September 13, 2016, the Court heard oral arguments on these motions. Based on the parties' briefing and argument, the Court rules as follows.

MOTION TO STAY & MOTION FOR RECONSIDERATION

Apple's Motion to Stay (Docket No. 907; Cause No. 6:12-cv-855, Docket No. 499) and VirnetX's Motion for Reconsideration (Docket No. 914; Cause No. 6:12-cv-855, Docket No. 504) are both **DENIED**. The grounds for denying the motions will be addressed in a forthcoming memorandum opinion.

MOTIONS TO EXCLUDE & MOTION TO SUPPLEMENT

The Court **DENIES** Apple's Motion to Exclude the Expert Testimony of Mr. Weinstein on His SAIC Profit Split Model (Docket No. 944). VirnetX may proceed with presenting two damages models, one of which applies to a subset of the accused products. Instead of requiring a single damages model, the jury will be given the opportunity to employ its own process in arriving at a damages amount, taking into account all of the evidence and expert testimony presented at trial.

The Court **DENIES** Apple's Motion to Exclude the Expert Testimony of Dr. Wecker (Docket No. 945). Dr. Wecker's survey contains data and opinions that are relevant to this case because they address the accused FaceTime feature. The survey questions also encompass

another feature not accused in this case (i.e., iMessage), but the inclusion of the additional non-accused feature in the survey is better addressed by cross examination rather than exclusion.

Apple's Motion for Leave to Supplement the Expert Report of Dr. Jay (Docket No. 937) is **GRANTED**. The redacted questions and recalculations in Dr. Jay's proposed supplemental expert report are based upon data in VirnetX's possession; however, VirnetX has not had an opportunity to depose Dr. Jay on her supplemental report. The parties shall schedule a supplemental deposition of Dr. Jay before the trial, if VirnetX so requests.

MOTIONS *IN LIMINE*

The Court **GRANTS-IN-PART and DENIES-IN-PART** Apple's Motion *in Limine* I, concerning any reference to the prior trials or related proceedings. Specifically, pursuant to an agreement between the parties, the Court grants the motion with respect to statements, inferences or suggestions regarding (1) the verdicts in the original Cause No. 6:10-cv-417 trial (i.e., the jury verdict in November of 2012) and the consolidated trial; (2) the order at Cause No. 6:13-cv-211, Docket No. 48; and (3) the Federal Circuit appeal. The parties also reached an agreement with respect to prior trial testimony.

The Court is sensitive to the parties' use of the procedural history of this litigation during the upcoming trial. Both parties have raised the specter of the procedural history's exclusion creating an unfair advantage for the other. Although the prior jury verdicts and other details of the procedural history are being excluded from the trial, the exclusion of this information should not be used offensively by either party to put the opposing party in a position where the only way it can rebut a proposition or theme is by providing context with details of the procedural history. To the extent the parties have specific concerns regarding this, they should raise it at the beginning of the trial or as soon as it arises during trial.

Further, the Court grants Apple's Motion *in Limine* I with respect to the length of time that damages have been owed. The length of time that damages have been owed is irrelevant to any disputed issue in the case and unfairly prejudicial to Apple because it implies, among other things, that Apple has improperly withheld money owed to VirnetX.

The Court denies Apple's Motion *in Limine* I with respect to the existence of Cause No. 6:12-cv-855. Apple will not be unfairly prejudiced if the jury is informed of the possibility of a future trial for Cause No. 6:12-cv-855. In contrast to this case's procedural history, the trial for Cause No. 6:12-cv-855 will follow these proceedings; infringement of and any potential damages for more recent versions of Virtual Private Network ("VPN") on Demand and FaceTime are yet to be determined. However, the Court expects any reference to a future trial to be brief.

With respect to Apple's Motion *in Limine* II, involving any reference to design changes for FaceTime or VPN on Demand post-dating the jury verdict in November of 2012, the Court **DENIES** the motion. The redesigns of VPN on Demand and FaceTime are relevant to damages.

The Court **GRANTS-IN-PART and DENIES-IN-PART** VirnetX's Motion *in Limine* A, concerning any argument, testimony, evidence, reference to, implication, or suggestion that (1) Apple agreed to infringement, does not contest or dispute infringement, respects the prior determination of infringement, is taking responsibility for its infringement, or any argument, testimony, evidence, reference to, implication, or suggestion that Apple did anything but vigorously object on numerous grounds to that prior determination; (2) any reason behind Apple's actual or proposed changes to the accused products; or (3) the iOS7 redesigns provided alternatives that avoid infringement.

With respect to part (1) of VirnetX's Motion *in Limine* A, the Court agrees with VirnetX that Apple should not characterize the stipulated infringement of VPN on Demand as something it agreed to or did not contest. Therefore, this part of the motion is granted.

The Court denies part (2) of the motion. Apple can provide reasons for its actual or proposed changes to the accused products. This part of VirnetX's motion is overly broad. If Apple has reasons for changing VPN on Demand and FaceTime, other than the jury verdict in November of 2012, these reasons are presumptively admissible. Otherwise, to the extent that Apple's sole reason for redesigning VPN on Demand and FaceTime is the prior jury verdict, the Court expects that no testimony will address this as the reason for Apple's actual or proposed redesigns of the accused products. The Court also denies part (3) of the motion. If it reflects a previous agreement or representation by VirnetX, Apple may characterize the iOS7 redesigns as an alternative that avoided infringement.

With respect to Apple's Motion *in Limine* III, regarding the timing of when, or if, Apple witnesses read VirnetX's asserted patents, and VirnetX's Motion *in Limine* B, with respect to any argument, testimony, evidence, reference to, implication, or suggestion that any Apple employee's review of the VirnetX patents after the time of the original verdict in Cause No. 6:10-cv-417, the Court instructed the parties to meet and confer after the hearing. VirnetX alleges that when Apple employees read VirnetX's asserted patents is relevant to willful blindness for induced infringement. To narrow the issues before the jury in the consolidated trial, the parties reached an agreement on induced infringement. The Court **ORDERS** the parties to file a notice by **September 21, 2016** stating whether or not they have reached a similar agreement regarding induced infringement for this trial.

The Court **GRANTS-IN-PART and DENIES-IN-PART** Apple's Motion *in Limine* IV, concerning expert testimony by a fact witness. The motion is denied with respect to Dr. Short's testimony based upon his personal knowledge and granted in all other respects. This motion, as it relates to Dr. Short's testimony, could have been raised prior to the consolidated trial. Even if the motion were unique to Cause No. 6:10-cv-417, Dr. Short, an inventor of the asserted patents, has personal information on the invention and the Gabriel product. Conversely, Dr. Short cannot testify regarding information outside of his firsthand experiences.

The Court **DENIES** VirnetX's Motion *in Limine* C, concerning no references to Dr. Jay's survey. This motion could have been raised prior to the consolidated trial. Even if this motion were unique to Cause No. 6:10-cv-417, Dr. Jay's survey is relevant to damages.

The parties reached an agreement regarding VirnetX's Motion *in Limine* D, with respect to no references to the damages award being a lump sum, and Apple's Motion *in Limine* V, concerning no references to prejudicial information about expert compensation. Therefore, these motions are **GRANTED**.

The Court **ORDERS** the parties to file a joint statement by **September 21, 2016** memorializing all evidentiary agreements reached, including (1) Apple's Motion *in Limine* I; (2) Apple's Motion *in Limine* V; and (3) VirnetX's Motion *in Limine* D.

The Court recognizes that the parties are preparing for trial on September 26, 2016 and anticipates that this Order addresses all unresolved motions necessary for trial. The only remaining disputed motions are the parties' motions for summary judgment with respect to willfulness (Docket Nos. 930, 931), and the Court intends to issue rulings on those motions as soon as possible. In the event that Apple's motion (Docket No. 931) is denied, the Court has

reserved October 14, 2016 for the purposes of a bench trial with respect to, at a minimum, the alleged willful infringement of FaceTime.

SIGNED this 15th day of September, 2016.

Robert W Schroeder III

ROBERT W. SCHROEDER III
UNITED STATES DISTRICT JUDGE