

PUBLIC VERSION

**UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.**

In the Matter of

**CERTAIN DEVICES WITH SECURE
COMMUNICATION CAPABILITIES,
COMPONENTS THEREOF, AND
PRODUCTS CONTAINING THE SAME**

Inv. No. 337-TA-818

Order No. 15: INITIAL DETERMINATION
Terminating the Investigation Due to Lack of Standing

Respondent Apple Inc. (“Apple”) filed a “Motion to Terminate the Investigation Based on VirnetX’s Lack of Standing” pursuant to Commission Rule 210.21,¹ and a memorandum in support thereof. Motion Docket No. 818-11. Apple argues that complainant VirnetX, Inc. (“VirnetX”) lacks standing to bring an infringement action without joining as a complainant Science Applications International Corporation (“SAIC”), who is alleged to own substantial rights in U.S. Patent No. 8,051,181 (“the ‘181 patent”), the sole patent asserted by VirnetX in this investigation. *See* Mot. at 1. VirnetX filed an opposition to the motion.

The ‘181 patent is one patent in a family of patents that includes U.S. Patent Nos. 6,502,135 (“the ‘135 patent”), 6,839,759 (“the ‘759 patent”), 7,188,180 (“the ‘180 patent”), 7,418,504 (“the ‘504 patent”), and 7,921,211 (“the ‘211 patent”). VirnetX obtained rights to the ‘181 patent family from SAIC pursuant to a Patent License and Assignment Agreement (“PLAA”) dated August 15, 2005. Mot. Ex. 1 (PLAA); *see* Mot. Ex. 2 (Security Agreement

¹ Commission Rule 210.21 provides, *inter alia*, that “[a]ny party may move at any time prior to the issuance of the initial determination on violation of section 337 of the Tariff Act of 1930 to terminate an investigation in whole or in part . . . for good cause . . .” 19 C.F.R. § 210.21(a).

dated Aug. 15, 2005). SAIC and VirnetX subsequently executed two Amendments to the PLAA on November 2, 2006, and March 12, 2008, and an Assignment on December 21, 2006, in which SAIC conveyed additional applications in the '181 patent family and the right to claim priority thereto. Mot. Exs. 3 (2006 Amendment), 4 (2008 Amendment), 5 (Assignment). According to the terms of the PLAA and the amendments thereto, SAIC retains an equity interest in the '181 patent family, as well as the right to object to any proposed license, assignment, or settlement. *See, e.g.*, Mot. Ex. 1 (PLAA) §§ 6.3.4, 7; Mot. Ex. 3 (2006 Amendment) § 5; Mot. Ex. 4 (2008 Amendment) §§ 4, 8.

The Commission's jurisdiction in this investigation depends on whether VirnetX has standing to enforce the '181 patent. *See SiRF Tech., Inc. v. Int'l Trade Comm'n*, 601 F.3d 1319, 1325 (Fed. Cir. 2010) ("The question of standing to assert a patent claim is jurisdictional . . ."). The requirement that a complainant in an ITC investigation have standing to bring an enforcement suit for infringement applies to this investigation just as it would to a district court case. *See SiRF Tech.*, 601 F.3d at 1326; *Certain Catalyst Components & Catalysts for the Polymerization of Olefins*, Inv. No. 337-TA-307, Notice of Comm'n Determination to Grant an Appl. for Interlocutory Appeal and to Affirm an Order Finding that Compls. Lack Standing, 1990 WL 710392 (June 7, 1990).

A party holding exclusionary rights in a patent has constitutional standing to sue alleged infringers. *See Intellectual Property Development, Inc. v. TCI Cablevision of Cal., Inc.*, 248 F.3d 1333, 1346-47 (Fed. Cir. 2001). In order to sue alleged infringers without joining additional parties as plaintiffs, a plaintiff with constitutional standing must also satisfy the prudential standing requirement by possessing all substantial rights in the asserted patent. *See id.* at 1348. If a party has constitutional standing to enforce a patent, but does not possess all

substantial rights in the patent, it lacks prudential standing and must join the owner of the remaining rights as co-plaintiff. *See id.* at 1347-48. In other words, a defect in prudential standing can only be cured if the party owning the remaining rights to the asserted patent is joined as a party. *See id.*

With respect to the '181 patent asserted in this investigation, VirnetX does not possess all substantial rights. Specifically, SAIC retains the right to review and object to any proposed license, assignment, or settlement involving the '181 patent family. *See* Mot. Ex. 1 (PLAA) § 6.3.1; Mot. Ex. 4 (2008 Amendment) § 8. SAIC also retains an equity interest in any proceeds from licensing the '181 patent and the '181 patent family, as well as any proceeds from related litigation, and the agreements between VirnetX and SAIC require that VirnetX use commercially reasonable efforts to enforce the assigned patents. *See* Mot. Ex. 1 (PLAA) §§ 6.3.4, 7; Mot. Ex. 3 (2006 Amendment) § 5; Mot. Ex. 4 (2008 Amendment) §§ 4, 8. Indeed, the District Court for the Eastern District of Texas recently analyzed the agreements between VirnetX and SAIC, and determined that VirnetX lacked prudential standing to maintain an enforcement action involving the '181 patent family absent joinder of SAIC as a party. *VirnetX, Inc. v. Cisco Sys., Inc.*, No. 6:10-cv-417, Order at 9-12 (Mar. 22, 2012).

Inasmuch as VirnetX does not possess all substantial rights in the '181 patent, it lacks prudential standing to maintain this investigation before the Commission absent the joinder of SAIC as a co-complainant.² VirnetX has twice moved for leave to amend the complaint and notice of investigation to add SAIC as a complainant, but Order Nos. 9 and 14 denied VirnetX's motions for failure to show good cause. VirnetX is therefore unable to cure the defect in

² In its opposition to the pending motion, VirnetX does not deny that the joinder of SAIC is required to cure the defect in prudential standing. *See* Opp'n at 15 ("VirnetX can moot any standing issue by joining voluntarily SAIC as a complainant.").

prudential standing by joining SAIC as a complainant, and does not have standing to assert the '181 patent in this investigation.

For the above reasons, Motion No. 818-11 is granted. It is the INITIAL DETERMINATION of the undersigned that this investigation is terminated based on VirnetX's lack of standing to bring an action enforcing the '181 patent.

This Initial Determination is hereby certified to the Commission. Pursuant to 19 C.F.R. § 210.42(h), this Initial Determination shall become the determination of the Commission unless a party files a petition for review of the initial determination pursuant to 19 C.F.R. § 210.43(a), or the Commission, pursuant to 19 C.F.R. § 210.44, orders on its own motion a review of the Initial Determination or certain issues contained herein.

Within seven days of the date of this document, each party shall file with the Commission Secretary a statement as to whether or not it seeks to have any portion of the document redacted from the public version. Any party seeking to have a portion of this document redacted from the public version must submit to this office a copy of this document with red brackets indicating the portion, or portions, asserted to contain confidential business information.

So ordered.



David P. Shaw
Administrative Law Judge

Issued: July 18, 2012

**CERTAIN DEVICES WITH SECURE
COMMUNICATION CAPABILITIES,
COMPONENTS THEREOF, AND PRODUCTS
CONTAINING THE SAME**

Inv. No. 337-TA-818

PUBLIC CERTIFICATE OF SERVICE

I, Lisa R. Barton, hereby certify that the attached **ORDER NO. 15** was served on the following parties as indicated, on APR 09 2013.



Lisa R. Barton, Acting Secretary
U.S. International Trade Commission
500 E Street, SW, Room 112A
Washington, DC 20436

FOR COMPLAINANT VIRNETX, INC.:

Benjamin Levi, Esq.
MCKOOL SMITH, PC
1999 K Street, NW
Suite 600
Washington, DC 20006

() Via Hand Delivery
(☒) Via Overnight Mail
() Via First Class Mail
() Other: _____

FOR RESPONDENT APPLE INC.:

Marcia H. Sundeen, Esq.
KENYON & KENYON LLP
1500 K Street, NW
Washington, DC 20005

() Via Hand Delivery
(☒) Via Overnight Mail
() Via First Class Mail
() Other: _____

**CERTAIN DEVICES WITH SECURE
COMMUNICATION CAPABILITIES,
COMPONENTS THEREOF, AND PRODUCTS
CONTAINING THE SAME**

Inv. No. 337-TA-818

PUBLIC MAILING LIST

Angela Ruby LEXIS-NEXIS 9443 Springboro Pike Miamisburg, OH 45342	<input type="checkbox"/> Via Hand Delivery <input type="checkbox"/> Via Overnight Mail <input checked="" type="checkbox"/> Via First Class Mail <input type="checkbox"/> Other: _____
Kenneth Clair Thomson West 1100 13 th Street, NW, Suite 200 Washington, DC 20005	<input type="checkbox"/> Via Hand Delivery <input type="checkbox"/> Via Overnight Mail <input checked="" type="checkbox"/> Via First Class Mail <input type="checkbox"/> Other: _____