

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

VIRNETX INC.,

Plaintiff,

vs.

CISCO SYSTEMS, INC. et al.,

Defendants.

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CASE NO. 6:10-CV-417

ORDER

Before the Court are Apple’s Motion for Protective Order for Halting the Deposition of Mr. Christophe Allié Pursuant to Rule 30(d) and Rule 26 (Docket No. 250, “PO MOTION”) and VirnetX’s Motion for Sanctions (Docket No. 272, “SANCTIONS MOTION”). The Court held a hearing on July 12, 2012, and after hearing extensive argument regarding both motions, **DENIED** Apple’s motion for a protective order and **GRANTED** VirnetX’s motion for sanctions. The Court now memorializes its orders.

BACKGROUND

On April 6, 2012, VirnetX took the deposition of Mr. Christophe Allié, noticed pursuant to Federal Rule of Civil Procedure 30(b)(1), in Palo Alto, California. PO MOTION at 2. Mr. Allié is an engineering manager at Apple who was sitting for his first deposition. *Id.* Mr. Allié testified that he worked on Apple’s VPN on Demand and claimed to have come up with the idea of “determining whether to establish a VPN based on a domain name for Apple’s VPN on Demand” for the iPhone. SANCTIONS MOTION, EX. C at 27:10–29:5. Mr. Allié confirmed that he is a listed inventor on Apple’s U.S. Patent Application No. 10/940,225 (“the ‘225 application”).

SANCTIONS MOTION, EX. B. Mr. Allié also agreed that, via the ‘225 application, he tried to patent the idea of using a domain name to determine whether to establish a VPN. *Id.* at 30:11–15. Mr. Allié further testified that he had consulted with Apple’s experts in this case and helped Apple’s attorneys respond to interrogatories regarding his work on Apple’s VPN on Demand.

VirnetX is asserting U.S. Patent No. 6,502,135 (“the ‘135 patent”) against Apple, which VirnetX alleges claims systems and methods that create a VPN based on a DNS request. SANCTIONS MOTION at 1. In sum, VirnetX is alleging that Apple attempted to patent identical ideas in its ‘225 patent application, hence the importance of Mr. Allié’s testimony, as a listed co-inventor and person with extensive knowledge of the technology behind the application.

During his deposition, Mr. Allié testified that he had no knowledge of VirnetX’s ‘135 patent and had never seen it before. PO MOTION, EX. 1 at 36:12–37:6; 52:11–53:14. VirnetX’s counsel presented the ‘135 patent to Mr. Allié, then asked him to turn to claim 1 of the ‘135 patent and had him review each limitation of the claim. *Id.* at 37:11–38:13. VirnetX’s counsel next asked Mr. Allié whether he still thought Apple was first to come up with the idea of determining whether to establish a VPN based on a domain name request. *Id.* At this point, Apple’s counsel lodged a speaking objection and stated that Mr. Allié should be given an opportunity to read and analyze the document before answering. *Id.* at 38:14–23. Ultimately, Mr. Allié stated that he could not state whether there is overlap between the ‘225 application and the ‘135 patent. *Id.* at 39:7–22; 52:11–53:14.

VirnetX’s counsel then asked Mr. Allié whether he would be willing to go through the ‘135 patent and testify regarding the differences between it and the ‘225 application. *Id.* at 55:22–56:8. Mr. Allié stated that he may need some explanation regarding the content of the ‘135 patent. *Id.* VirnetX’s counsel then asked Mr. Allié again to turn to claim 1 of the ‘135

patent and stated that he would read the claim and Mr. Allié could state if there was anything he did not understand. *Id.* at 56:10–20. At that point, Apple’s counsel stated that he objected to the line of questioning and that Mr. Allié should have an opportunity to review the patent in detail. *Id.* at 56:21–25.

VirnetX’s counsel then walked Mr. Allié through every limitation of claim 1 and asked him whether he understood; to which, Mr. Allié responded that despite being slightly vague, he understood. *Id.* at 57:6–58:24. Once Mr. Allié confirmed that he understood claim 1, VirnetX’s counsel then asked him how claim 1 of the ‘135 patent was different from what Apple tried to patent in the ‘225 application. *Id.* at 59:1–4. At this point, Apple’s counsel objected and stated that if “we’re going to continue this line of questioning,” he was going to shut the deposition down and move for a protective order. *Id.* at 59:5–61:6. Apple’s counsel stated that he was going to shut the deposition down because Mr. Allié should be allowed to review the entirety of the ‘135 patent specification and prosecution history prior to answering any questions regarding the patent. *Id.*

At that point, the parties were at an impasse, and VirnetX’s counsel suggested calling the Court’s discovery hotline to resolve the issue. *Id.* 61:7–21. Given that the deposition was taking place during a Court holiday, the hotline was unavailable. During the approximately 15-minute recess, Mr. Allié made no attempt to review the ‘135 patent, and at no point did Mr. Allié affirmatively state that he did not understand claim 1 of the ‘135 patent. VirnetX’s counsel persisted in attempting to get Mr. Allié to answer the question after the recess, and Apple’s counsel ultimately shut down the deposition. *Id.* at 62:1–66:9.

APPLE’S MOTION FOR PROTECTIVE ORDER

Apple contends that VirnetX’s counsel conducted the deposition of Mr. Allié in an “oppressive manner,” and requests a protective order pursuant to Federal Rule of Civil Procedure 30(d)(3). PO MOTION at 4.

Applicable Law

Federal Rule of Civil Procedure 30(c)(2) states that “[a] person may instruct a deponent not to answer only when necessary to preserve a privilege, to enforce a limitation ordered by the court, or to present a motion under Rule 30(d)(3).” FED. R. CIV. P. 30(c)(2). In turn, Federal Rule of Civil Procedure 30(d)(3)(A) states that “[a]t any time during a deposition, the deponent or a party may move to terminate or limit it on the ground that it is being conducted in bad faith or in a manner that unreasonably annoys, embarrasses, or oppresses the deponent or party.” FED. R. CIV. P. 30(d)(3)(A).

Analysis

As an initial matter, the Court has reviewed the transcript excerpts submitted by the parties and viewed the entirety of the video of Mr. Allié’s deposition. At no point did VirnetX’s counsel conduct the deposition in a manner that could be characterized as intended to annoy, embarrass, or oppress Mr. Allié. VirnetX’s counsel did not badger Mr. Allié, raise his voice, or use inappropriate language. On the contrary, VirnetX’s counsel conducted the deposition in a professional and respectful manner.

The crux of Apple’s complaint is that VirnetX’s counsel denied Mr. Allié an opportunity to review the entirety of the ‘135 patent and prosecution history at his deposition prior to asking him any related questions. PO MOTION at 4–6. VirnetX’s counsel, however, never refused a

request from Mr. Allié to read the '135 specification. In fact, Mr. Allié never requested to read the specification or prosecution history.

As detailed above, VirnetX's counsel took Mr. Allié through claim 1 of the '135 patent, and Mr. Allié affirmatively confirmed that he understood each limitation. PO MOTION, EX 1 at 55:22–56:8. At no point after VirnetX's counsel read the text of claim 1 did Mr. Allié state that he did not understand the claim. Apple's counsel, however, repeatedly lodged speaking objections during the deposition, stating that Mr. Allié was not in a position to understand the '135 patent until he had reviewed the entirety of the specification and prosecution history. Yet when asked, Mr. Allié himself confirmed that he understood the limitations of claim 1 of the '135 patent as recited by VirnetX's counsel and never requested to review the specification nor the prosecution history. *Id.*

Even after Apple's counsel's not so subtle speaking objections, Mr. Allié never asked for clarification or explanation of the meaning of any of the claim language. Thus, he was presumably willing and able to answer VirnetX's counsel's questions. Nevertheless, Apple's counsel did not allow him to answer the questions. Mr. Allié is a person of skill in the art of the '135 patent and the intended audience of such a document; therefore, it is not surprising that he was in a position to understand the meaning of the claims. Indeed, Mr. Allié is an engineering manager at Apple, and despite the '135 patent covering a sophisticated technology, he is intelligent enough to know when he does not understand a question or material presented to him. *See Quantachrome Corp. v. Micromeritics Instrument Corp.*, 189 F.R.D. 694, 700 (S.D. Fla. 1999) (“The witnesses in this case are scientists and engineers who work with and create complex technology. Surely they are intelligent enough to know when they do not understand a question.”).

Rule 30 was amended in 1993 and places strict limits on when an attorney may instruct a deponent not to answer a question. *See Bristol-Myers Squibb Co. v. Rhône-Poulenc Rorer, Inc.*, 1998 WL 2829, at *3, n. 4 (S.D.N.Y. Jan. 6, 1998). “The underlying purpose of a deposition is to find out what a witness saw, heard, or did—what the *witness thinks*. . . [t]here is no proper need for the witness’s own lawyer to act as intermediary, interpreting questions, deciding which questions the witness should answer, and helping the witness to formulate answers.” *Hall v. Clifton Precision*, 150 F.R.D. 525, 528 (E.D. Pa. 1993) (emphasis added). Due to Apple’s counsel’s termination of the deposition, VirnetX has been deprived of that opportunity.

Apple’s counsel had no justification under Rule 30 to terminate the deposition. The deposition was not conducted in a manner that annoyed, embarrassed, or oppressed Mr. Allié. Apple’s counsel should have simply lodged his objections, allowed Mr. Allié to answer the questions, and then either: (1) taken an opportunity to redirect Mr. Allié on the ‘135 patent; or (2) contested the admissibility of the testimony by way of any relevant objections at the pretrial hearing or during trial. Instead, Apple’s counsel chose to end the deposition in violation of Rule 30(d)(3)(A). Merely disagreeing with a particular line of questioning is not justification to shut down the deposition. As such, Apple’s motion for protective order is **DENIED**.

VIRNETX’S MOTION FOR SANCTIONS

Rule 30(d)(2) provides that “[t]he court may impose an appropriate sanction—including the reasonable expenses and attorneys’ fees incurred by any party—on a person who impedes, delays, or frustrates the fair examination of the deponent.” FED. R. CIV. P. 30(d)(2).

As explained above, Apple’s counsel inappropriately shut down Mr. Allié’s deposition; thus, “imped[ing] and frustrat[ing] the fair examination of the deponent.” *Id.* Determining the “appropriate sanction,” under these circumstances is not a simple matter. VirnetX requests: (1)

precluding Apple from calling Mr. Allié at trial or any other witness to testify concerning the ‘225 application; (2) precluding Apple from presenting counter or rebuttal designations of Mr. Allié’s deposition testimony; and (3) an adverse inference instruction at trial regarding Apple’s improper termination of Mr. Allié’s deposition. SANCTIONS MOTION at 9. Apple contends that VirnetX’s proposed sanctions are unjust, and that there are lesser sanctions—such as attorneys’ fees or compelling another deposition—that are more appropriate. Docket No. 320 at 5.

While not directly addressing sanctions pursuant to Rule 30(d)(2), the Fifth Circuit recently stated that it is “well within [a district court’s] discretion to use sanctions to deter future abuse of discovery.” *Smith & Fuller, P.A. v. Cooper Tire & Rubber Co.*, 2012 WL 2345024, at *4 (5th Cir. June 21, 2012) (discussing the purpose of sanctions pursuant to Rule 37). The same deterrent effect must be reflected in any sanction imposed pursuant to Rule 30(d)(2) under the circumstances. Any sanction this Court imposes for Apple’s improper termination of Mr. Allié’s deposition must serve the dual purpose of deterring any similar discovery abuse in this case, as well as deterring similar abuse in future cases. Additionally, the sanction imposed must attempt to address any harm suffered by VirnetX as a result of Apple’s improper termination of the deposition.

As a result of Apple’s counsel’s improper termination of the deposition, VirnetX has been deprived of the opportunity of obtaining Mr. Allié’s answers regarding the comparison of VirnetX’s ‘135 patent and Apple’s ‘225 application. Apple’s counsel terminated the deposition at the precise moment Mr. Allié was going to provide his answers. While Apple may not have “prepared” Mr. Allié to answer questions regarding the ‘135 patent, that did not give it the right to stop the deposition.

In determining an appropriate sanction, an important factor is Apple's motivation in stopping the deposition. Was it truly to allow the witness an opportunity to review the patent and prosecution history, or was it to provide an opportunity to "woodshed" the witness as to the importance of the question and possibly how to respond? VirnetX's line of questions addressed a very important issue in this case, which the witness was well qualified to answer. Indeed, the witness never said he could not answer the question; it was only Apple's lawyer, who did not want him to answer the question. Furthermore, during the fifteen minutes that VirnetX's counsel was trying to call the Eastern District Discovery Hotline, one as skilled in the art as this witness could have easily reviewed the patent, and if more time was needed the witness could have asked for more. There is no indication he did either, again reinforcing the notion that it was Apple's counsel that needed time, not the witness. All of these facts raise a strong inference that Apple's motivation to shut down the deposition was to provide an opportunity to "woodshed" the witness, rather than to protect the witness from any unfair conduct or questioning by opposing counsel. Depositions are designed to cull the unbiased facts in an attempt to develop a truthful record. *See Hall*, 150 F.R.D. at 528 ("The witness comes to the deposition to testify, not to indulge in a parody of Charlie McCarthy, with lawyers coaching or bending the witness's words to mold a legally convenient record.").

If the Court simply imposes fees and expenses and orders completion of Mr. Allié's deposition, it would be a nominal sanction at best, as Apple would have accomplished what it conceivably wanted – disruption of the deposition and an opportunity to visit with the witness regarding his testimony. Such a nominal sanction would not provide any deterrent effect and would not put VirnetX in the position it was in prior to the termination of the deposition. In fact, such a nominal sanction would conceivably encourage tactical violations of the Rules in this case

and future cases. Absent a true and meaningful sanction, future litigants faced with a witness about to give potentially unfavorable testimony may choose to improperly terminate the deposition knowing that the most likely result is that they will merely be required to offer the witness for additional testimony at their expense at a later date.

Additionally, it is important that VirnetX not be prejudiced by Apple's counsel's conduct. VirnetX needs to be placed in as close to the position it would have been in, but for Apple's improper termination of the deposition. At the same time, to give an adverse inference instruction, as requested by VirnetX, is to conclude that Apple did in fact terminate the deposition to give it an opportunity to coach the witness and that the testimony would have been unfavorable to Apple. While there is a strong inference that this is indeed the case, the Court is hesitant to make such a definitive finding against Apple's counsel. The Court expects better of counsel, and hopes its expectations were met in this case.

Accordingly, given that Apple's counsel improperly terminated the deposition of Mr. Allié in violation of Rule 30(d)(3)(A), to address the relative harm VirnetX has suffered from such improper termination, and to act as a deterrent to such future conduct in this and other cases, the Court **GRANTS** VirnetX's motion for sanctions and imposes the following sanctions:

- (1) Apple must pay VirnetX's reasonable attorneys' fees and costs associated with responding to Apple's motion for a protective order and the filing of VirnetX's motion for sanctions;
- (2) Apple must produce Mr. Allié for completion of his deposition at a time and location selected by VirnetX, all costs of such deposition to be paid by Apple. Apple shall not, through counsel or otherwise, further communicate in any way with Mr. Allié regarding the patents about which the witness was testifying prior to

termination of his deposition. To the extent Apple has communicated with Mr. Allié about the patents since his deposition was terminated, Apple and Mr. Allié are deemed to have waived any privilege they might otherwise assert as to these conversations, and the witness will truthfully answer any and all questions regarding any such communications between Mr. Allié and Apple or any of its counsel, employees or representatives. Apple is precluded from asking any questions of the witness with regard to the comparison of the two patents.

(3) However, in lieu of Sanction #2 above, Apple may elect the following sanction and no further deposition of Mr. Allié will be taken:

- a. Apple is precluded from calling Mr. Allié at trial, or providing any rebuttal or counter-designations from Mr. Allié's deposition testimony regarding the comparison of '225 application and '135 patent; and
- b. The Court will give the following adverse inference instruction to the jury at an appropriate time during the trial:

“During the deposition of Mr. Allié, counsel for VirnetX asked questions related to comparison of VirnetX's '135 patent and Apple's '225 patent application. Counsel for Apple improperly terminated the deposition and did not permit Mr. Allié to answer these questions. You may, although you are not required to, infer that had Apple's counsel not terminated Mr. Allié's deposition, the testimony provided would have been unfavorable to Apple, and that Apple's counsel's reason for terminating the deposition was to prevent such unfavorable testimony from being presented to you in this case.”

This choice of sanctions allows Apple to complete the deposition and avoid the adverse inference instruction, but prohibits it from potentially profiting from having stopped the deposition. At the same time, if Apple chooses not to complete the deposition with any

otherwise privileged post-termination communications waived, then such an adverse inference instruction is justified and appropriate. An adverse inference instruction is appropriate upon a showing of bad faith or bad contact, as in this case. *Condrey v. SunTrust Bank of Georgia*, 431 F.3d 191, 203 (5th Cir. 2005) (citing *King v. Ill. Cent. R.R.*, 337 F.3d 550, 556 (5th Cir. 2003)). If Apple does not want to disclose any post-termination communications, then any lesser sanction would not serve to address the harm caused as a result of Apple's improper termination of the deposition and would not serve to deter other similar violations.

Apple shall file a Notice of Election within three business days of this order.

So ORDERED and SIGNED this 8th day of August, 2012.

A handwritten signature in black ink, appearing to read 'Leonard Davis', written over a horizontal line.

**LEONARD DAVIS
UNITED STATES DISTRICT JUDGE**