IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

PARALLEL NETWORKS LICENSING, LLC,))	
Plaintiff,))	C.A. No. 13-2073- KAJ-SRF
v.))	**JURY TRIAL DEMANDED**
MICROSOFT CORPORATION,))	
Defendant.)	

FINAL JUDGMENT

This case was tried to a jury from May 8, 2017 to May 11, 2017 and the jury rendered a verdict in favor of Defendant Microsoft Corporation ("Microsoft").

Pursuant to Federal Rule of Civil Procedure 58, final judgment is entered as follows:

Microsoft did not directly infringe claims 20, 41, or 49 of United States Patent No. 5,894,554 ("the '554 Patent") and claims 43 or 78 of United States Patent No. 6,415,335 ("the '335 Patent") by making or using Bing or MSN.

Parallel Networks Licensing LLC's claims of infringement by Microsoft of claims 12, 15, 17, 20, 27, 41, 46, 48, and 49 of the '554 patent, and claims 30, 43, 46, 48, 66, 78, 82, 83, and 85 of the '335 patent as to Microsoft Azure Web Apps, Microsoft.com, and SharePoint 2013 are dismissed with prejudice.

Microsoft's counterclaims of invalidity regarding claims 12, 15, 17, 20, 27, 41, 46, 48, and 49 of the '554 patent and claims 30, 43, 46, 48, 66, 78, 82, 83, and 85 of the '335 patent in view of the MSN system either alone or in combination with SWEB95, Garland, DataComm, Network World, IIS System, and/or any other prior art reference in Microsoft's notice under 35 U.S.C. § 282 served on April 8, 2017, are dismissed with prejudice.

Appx1

SO ORDERED this 7th day of July , 2017.

The Honorable Kent A. Jordan

App2

YOUNG CONAWAY STARGATT &
TAYLOR, LLP

/s/ Adam W. Poff
Adam W. Poff (No. 3990)
Pilar G. Kraman (No. 5199)
Rodney Square
1000 North King Street
Wilmington, DE 19801
(302) 571-6600
apoff@ycst.com
pkraman@ycst.com

OF COUNSEL
MCKOOL SMITH, PC
Douglas A. Cawley (Pro Hac Vice)
Christopher T. Bovenkamp (Pro Hac Vice)
Eric S. Hansen (Pro Hac Vice)
Avery R. Williams (Pro Hac Vice)
Justin W. Allen (Pro Hac Vice)
300 Crescent Court, Suite 1500
Dallas, TX 75201
(214) 978-4000
dcawley@mckoolsmith.com
cbovenkamp@mckoolsmith.com
ehansen@mckoolsmith.com
awilliams@mckoolsmith.com
jallen@mckoolsmith.com

Angela M. Vorpahl (Pro Hac Vice)
1 Bryant Park, 47th Floor
New York, NY 10036
(212) 402-9432
avorpahl@mckoolsmith.com

John B. Campbell (Pro Hac Vice)
Leah Bhimani Buratti (Pro Hac Vice)
Kevin P. Hess (Pro Hac Vice)
McKool Smith, P.C.
300 W. 6th Street, Suite 1700
Austin, TX 78701
(512) 692-8700
jcampbell@mckoolsmith.com
lburatti@mckoolsmith.com
khess@mckoolsmith.com

FISH & RICHARDSON P.C.

/s/ Ronald P. Golden
Martina Tyreus Hufnal (No. 4771)
Nitika Gupta Fiorella (No. 5898)
Ronald P. Golden III (No. 6254)
222 Delaware Avenue, 17th Floor
P.O. Box 1114
Wilmington, DE 19801
(302) 652-5070
hufnal@fr.com
fiorella@fr.com
golden@fr.com

Juanita R. Brooks
Jason W. Wolff
Joanna M. Fuller
12390 El Camino Real
San Diego, CA 92130
(858) 678-5070
brooks@fr.com
wolff@fr.com
fuller@fr.com

Steven A. Marshall
901 15th Street NW, 7th Floor
Washington, D.C. 2005
smarshall@fr.com

*Attorneys for Defendant Microsoft
Corporation*

Dated: June 30, 2017

3

Appx3

Attorneys for Plaintiff Parallel Networks
Licensing, LLC

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

PARALLEL NETWORKS LICENSING,)
LLC,)
)
)
Plaintiff,)
)   Civil Action No. 13-2073(KAJ)
v.)
)
MICROSOFT CORPORATION,)
)
Defendants.)

MEMORANDUM OPINION

Adam W. Poff, Esq., Pilar G. Kraman, Esq., Young Conaway Stargatt & Taylor, 1000 N. King
Street, Wilmington, DE 19801, *Counsel for Plaintiffs*
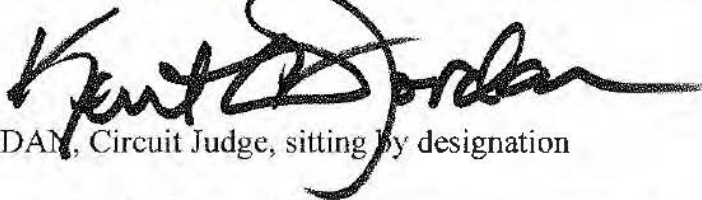   Of Counsel: Douglas A. Cawley, Esq., Christopher T. Bovenkamp, Esq., Eric S.
        Hansen, Esq., Avery R. Williams, Esq., Justin W. Allen, Esq., McKool
        Smith, PC, 300 Crescent Court – Ste, 1500, Dallas, TX 75201
        Angela M. Vorpahl, Esq., McKool Smith, PC, 1 Bryant Park – 47th Fl.,
        New York, NY 10036
        John B. Campbell, Esq., Leah Bhimani Buratti, Esq., Kevin P. Hess, Esq.,
        McKool Smith, PC, 300 W. 6th Street – Ste. 1700, Austin, TX 78701

Martina Tyreus Hufnal, Esq., Nitika Gupta, Esq., Ronald P. Golden, III, Esq., Fish & Richardson
PC, 222 Delaware Avenue, 17th Fl., Wilmington, DE 19801
Juanita R. Brooks, Esq., Jason W. Wolff, Esq., Joanna M. Fuller, Esq., Fish & Richardson PC,
12390 El Camino Real, San Diego, CA 92130
Stephen A. Marshall, Esq., Fish & Richardson PC, 1425 K Street, N.W., 11th Fl., Washington,
DC 20005, *Counsel for Defendants*

September 26, 2017
Wilmington, Delaware

JORDAN, Circuit Judge, sitting by designation

Parallel Networks filed this action on December 20, 2013, alleging that Microsoft infringed U.S. Patent Nos. 5,894,554 ("the '554 patent") and 6,415,335 ("the '335 patent"). (D.I. 1.) The case went to trial from May 8 to May 11, 2017. (D.I. 442-45.) At the conclusion of Microsoft's defense, Parallel Networks sought judgment as a matter of law under Federal Rule of Civil Procedure 50(a) as to invalidity and infringement. (Tr. 1074, 1096.) I granted the motion with respect to invalidity and denied the motion with respect to infringement.[1] (Tr. 1074, 1099.) At the conclusion of the trial, the jury returned a verdict in favor of Microsoft. (D.I. 435.) Parallel Networks then filed a renewed motion for judgment as a matter of law under Federal Rule of Civil Procedure 50(b). (D.I. 456) It argued that "Microsoft failed to raise any legally sufficient evidentiary basis for the jury to find that it did not infringe the three disputed claim terms: request, releasing, and intercepting." (D.I. 457 at 4.) At the same time, Parallel Networks filed a motion for a new trial under Federal Rule of Civil Procedure 59, (D.I. 458) arguing that Microsoft made several improper arguments that caused juror confusion. (D.I. 459 at 1.) For the following reasons, I will deny both motions.

I.   Renewed Motion for Judgment as a Matter of Law

"Entry of judgment as a matter of law is a 'sparingly' invoked remedy[.]" *Marra v. Phila. Hous. Auth.*, 497 F.3d 286, 300 (3d Cir. 2007). A motion for judgment as a matter of law may be granted only if "there is no legally sufficient evidentiary basis for a

---

[1] Microsoft acknowledged that it had not presented an invalidity defense. (Tr. 1074, 1077.)

reasonable jury to find" as it did. *Bullen v. Chaffinch*, 336 F. Supp. 2d 342, 346 (D. Del.

2004) (quoting Fed. R. Civ. P. 50(a)) (citing *Reeves v. Sanderson Plumbing Prods., Inc.*,

530 U.S. 133, 149 (2000)).   In deciding whether a verdict is reasonable, I must review all

the evidence in the record and "draw all reasonable inferences in favor of the nonmoving

party[.]" *Reeves*, 530 U.S. at 150. I must then "disregard all evidence favorable to the

moving party that the jury is not required to believe." *Id.* at 151.

At trial, Microsoft presented three non-infringement arguments. First, it argued

that the accused systems did not satisfy the "single request" limitation. (Tr. 1204.)

Second, it argued that the accused systems did not satisfy the "release" limitation. (Tr.

1205.) And third, it argued that the accused systems did not satisfy the "intercept"

limitation.[2] (Tr. 1209-12.)

To show infringement, a plaintiff has to prove that the accused product satisfies

each limitation of a claim. *Pfizer, Inc. v. Teva Pharm., USA, Inc.*, 429 F.3d 1364, 1376

(Fed. Cir. 2005); *Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363 F.3d 1263, 1273

(Fed. Cir. 2004). As a result, I must uphold the verdict if a reasonable jury could have

found in favor of *any* of Microsoft's non-infringement arguments.

My inquiry at this point starts and ends with the "intercepting" limitation. Parallel

Networks argues that Microsoft's non-infringement arguments "improperly narrowed the

Court's claim construction[.]" (D.I. 457 at 19.) I disagree. During claim construction,

the parties agreed that "intercepting" means "diverting the handling of said request before

---

[2] The asserted claims, including the challenged limitations, are described in more detail in my summary judgment opinion. (D.I. 360.)

3

Appx7

the request is processed by the Web server/HTTP-compliant device." (D.I. 67 at 6.) At

trial, Microsoft argued that it did not infringe because its systems engaged in substantial

processing before the request was diverted. As counsel for Microsoft said in her closing,

"you saw over and over again we handle truly the living daylights out of these requests at

the web server before they're diverted." (Tr. 1210.) Because Microsoft's theory is

consistent with the ordinary meaning of the parties' agreed claim construction, I cannot

conclude that Microsoft's arguments were improper. *Cf. Hewlett-Packard Co. v. Mustek

Sys., Inc.*, 340 F.3d 1314, 1321 (Fed. Cir. 2003) ("The verdict must be tested by the

charge actually given and by giving the ordinary meaning of the language of the jury

instruction.").

With respect to the evidence itself, there is no doubt that Microsoft presented

sufficient evidence to show that its systems engaged in a great deal of processing of its

systems' requests before diverting them. (*See* Tr. 891-95 (Microsoft witness Alam

testifying about the processing that takes place at the web server); Tr. 952 (Microsoft

witness Dr. Maltz testifying about the processing that takes place at the "FrontDoor" part

of the web server).) Parallel Networks conceded as much when it acknowledged that its

renewed motion challenges Microsoft's legal theory, rather than the factual sufficiency of

its defense. (D.I. 466 (Parallel Networks acknowledging that "Microsoft ... present[ed]

overwhelming evidence ... support[ing] its non-infringement theories"); *see also* Tr. 480-

4

Appx8

84 (Parallel's expert, Dr. Jones, indicating that he did not recall what processing took place in Microsoft's web server).)[3] That should end the matter.

It has not ended it, however, because Parallel Networks insists that the non-infringement theory was geared to a faulty interpretation of my claim constructions. In presenting its argument, Parallel Networks relies in large part on my summary judgment decision. But that reliance ignores vital differences between that context and this. Before the trial, Microsoft sought summary judgment of non-infringement, suggesting that, under the Court's construction, the "intercepting" limitation could only be satisfied if *no* processing took place at the web server. (D.I. 360 at 9.) In rejecting that argument, which functionally amounted to a newly proposed claim construction, I explained that the claim allows for "at least some processing" to take place at the web server before the request is diverted. (*Id*. at 10.) *Cf. Network Commerce, Inc. v. Microsoft Corp.*, 422 F.3d 1353, 1358 n.4 (Fed. Cir. 2005) (explaining that a court can use summary judgment to clarify a claim construction). That conclusion does not undermine the non-infringement theory Microsoft offered at trial. Saying that claims allow for "at least some processing" does not mean that the claims allow a "substantial" amount of processing, and it certainly does not mean that they allow the web server to engage in extensive processing (e.g., at

---

[3] To the extent that Parallel Networks disagrees with the Court's constructions, its argument also fails. "[P]arties cannot reserve issues of claim construction for the stage of post-trial motions. When issues of claim construction have not been properly raised in connection with the jury instructions, it is improper for the district court to adopt a new ... construction in connection with the JMOL motion." *Hewlett-Packard Co.*, 340 F.3d at 1320. Parallel Networks did not object to the Court's instructions regarding the "intercepting" limitation at trial, and it cannot do so now.

5

Appx9

"the living daylights" level). (Tr. 1210.) My summary judgment decision fully accommodates Microsoft's non-infringement theory.

Because a reasonable jury could conclude that the accused products did not satisfy the "intercepting" limitation, and thus that Microsoft did not infringe, I do not need to consider the remaining limitations.[4]

II.   Motion for a New Trial

Under Federal Rule of Civil Procedure 59(a)(1)(A), "[t]he court may ... grant a new trial ... after a jury trial, for any reason for which a new trial has heretofore been granted in an action at law in federal court[.]" The decision to grant a motion for a new trial should not be made lightly – "[a] new trial should be granted only where the 'great weight' of the evidence cuts against the verdict and 'where a miscarriage of justice would result if the verdict were to stand.'" *Springer v. Henry*, 435 F.3d 268, 274 (3d Cir. 2006) (quoting *Sheridan v. E.I. DuPont de Nemours & Co.*, 100 F.3d 1061, 1076 (3d Cir. 1996) (en banc)).

Parallel Networks offers five arguments in support of its motion for a new trial. None have merit. The first two arguments are essentially the same as those made in Parallel Networks' renewed motion for judgment as a matter of law. Parallel Networks argues that Microsoft "applie[d] claim construction interpretations that were not

---

[4] I note, however, that Parallel Networks' remaining arguments would not fare any better. Parallel Networks argues that Microsoft's non-infringement positions relating to the "request" and "releasing" limitations were at odds with my claim construction, and, once again, I disagree. The non-infringement theories and evidence at trial were consistent with the claim construction.

6

Appx10

consistent with the court's actual claim constructions[,]" (D.I. 459 at 5) confusing the jury and resulting in a verdict that was against the weight of the evidence. (D.I. 459 at 4, 13.) As explained above, Microsoft did not apply improper claim constructions, and the jury's verdict was reasonable.

Parallel Networks' third argument is that Microsoft confused the jury by using evidence of its past inventions "to support an improper non-infringement argument, and to misleadingly conflate invalidity with infringement." (D.I. 465 at 2.) That argument lacks support. Throughout the trial, Microsoft argued that it developed its own solution to the load-balancing problem and that its solution did not infringe the asserted claims. (Tr. 803-05 (describing its load-balancing method), Tr. 870-72 (describing Microsoft systems), Tr. (1013-38 (arguing that Microsoft's systems do not infringe); Tr. 1180-84 (summarizing the argument).) That argument is not improper. Microsoft did not rely on its invention to assert an invalidity defense. In fact, Microsoft dropped its invalidity defense and agreed to modify the jury instructions to make clear that the infringement was the only issue in the case.[5] (Tr. 1094.) Nor did Microsoft make an improper non-infringement argument. While Microsoft referenced its earlier method of load-balancing, it explained that its system was different from the asserted invention. (Tr. 1183-84.) In sum, Microsoft's references to its earlier system do not provide a basis for a new trial.[6]

---

[5] There can be no doubt that the jury instruction was understood – Parallel Networks called out the instruction in its closing arugment. (Tr. 1216 (relying on the verdict form to show that invalidity was not an issue in the case).)

[6] In its reply brief, Parallel Networks argues that Microsoft presented its evidence with ill intent. (D.I. 465 at 1-2, 8 (arguing that Microsoft "kept the Court and Parallel in

7

Appx11

Fourth, Parallel Networks argues that Microsoft advanced a "prior commercial use defense" in its closing argument. (D.I. 459 at 18.) According to Parallel Networks, "Microsoft contended that it did not infringe because Microsoft commercially released the patented load balancing technology before the patents-in-suit were filed[.]" (*Id.*) Try as they might, Parallel Networks is unable to point to any place in the record where Microsoft actually made that argument. As explained above, Microsoft argued that it engaged in load-balancing before the patents-in-suit were filed, but it also demonstrated that its invention was different from the asserted claims. Microsoft did not present a prior commercial use defense. In any case, Parallel Networks did not raise its objection at trial, so any issue that may have existed is forfeited. *Waldorf v. Shuta*, 142 F.3d 601, 629 (3d Cir. 1998) ("[I]t is clear that a party who fails to object to errors at trial waives the right to complain about them following trial.") (citing *Murray v. Fairbanks Morse*, 610 F.2d 149, 152 (3d Cir. 1979).

Finally, Parallel Networks argues that a new trial is warranted "for Microsoft's improper reliance on its own patents as a defense to infringement." (D.I. 459 at 19.) Once again, that argument finds no support in the record. Contrary to Parallel Networks' assertions, Microsoft never used its patents as a defense to infringement. While Microsoft *did* reference its patents, it did so to show that its system was different from the

---

the dark as to its plan" in order to "introduce ... irrelevant and inadmissible ... evidence[,]" that Microsoft intended to "misleadingly conflate invalidity with infringement[,]" and that Microsoft acted with "duplicity").) Parallel Networks does not offer anything but pure speculation to support those strident accusations. I will not grant a new trial on the basis of speculation. That is especially true here, where, as already explained, Microsoft's arguments are on their face fully legitimate.

Appx12

asserted claims and to refute Parallel Networks' willfulness arguments. To the extent that those arguments confused the jury, any prejudice was cured by my instructions on the law, which reminded the jury that "ownership of patents is not a defense to patent infringement and Microsoft can still infringe even if it has its own patents in the same area." (D.I. 433 at 18.) Microsoft's mention of its patents does not warrant a new trial.

III.   Conclusion

For the reasons stated, I will deny Parallel Networks' renewed motion for judgment as a matter of law (D.I. 456) and will deny Parallel Networks' motion for a new trial (D.I. 458).
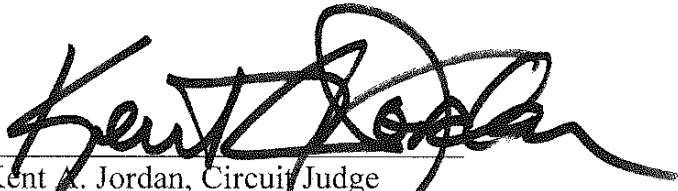
9

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

PARALLEL NETWORKS LICENSING, LLC,	)))	
Plaintiff,	))	Civil Action No. 13-2073(KAJ)
v.	))	
MICROSOFT CORPORATION,	))	
Defendants.	)	

ORDER

Plaintiff Parallel Networks Licensing, LLC has filed a renewed motion for

judgment as a matter of law (D.I. 456) as well as a motion for a new trial (D.I. 458).

For the reasons set forth in the opinion issued in this case, IT IS HEREBY

ORDERED THAT the aforesaid motions are DENIED.

Kent A. Jordan, Circuit Judge
United States Court of Appeals for the Third Circuit
(By designation)

Dated: September 26, 2017
Wilmington, Delaware

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

PARALLEL NETWORKS LICENSING,)
LLC,)
)
       Plaintiff,)
) Civil Action No. 13-2073(KAJ)
    v.)
) JURY TRIAL DEMANDED
MICROSOFT CORPORATION,) **FILED UNDER SEAL**
)
       Defendants.)

MEMORANDUM OPINION

Adam W. Poff, Esq., Pilar G. Kraman, Esq., Young Conaway Stargatt & Taylor, 1000 N. King Street, Wilmington, DE 19801, *Counsel for Plaintiffs*
    Of Counsel: Douglas A. Cawley, Esq., Christopher T. Bovenkamp, Esq., Eric S. Hansen, Esq., Avery R. Williams, Esq., Justin W. Allen, Esq., McKool Smith, PC, 300 Crescent Court – Ste, 1500, Dallas, TX 75201
                Angela M. Vorpahl, Esq., McKool Smith, PC, 1 Bryant Park – 47th Fl., New York, NY 10036
                John B. Campbell, Esq., Leah Bhimani Buratti, Esq., Kevin P. Hess, Esq., McKool Smith, PC, 300 W. 6th Street – Ste. 1700, Austin, TX 78701

Martina Tyreus Hufnal, Esq., Nitika Gupta, Esq., Ronald P. Golden, III, Esq., Fish & Richardson PC, 222 Delaware Avenue, 17th Fl., Wilmington, DE 19801
Juanita R. Brooks, Esq., Jason W. Wolff, Esq., Joanna M. Fuller, Esq., Fish & Richardson PC, 12390 El Camino Real, San Diego, CA 92130
Stephen A. Marshall, Esq., Fish & Richardson PC, 1425 K Street, N.W., 11th Fl., Washington, DC 20005, *Counsel for Defendants*

February 22, 2017
Wilmington, Delaware

JORDAN, Circuit Judge sitting by designation

I.   Background

I have before me in this patent infringement case two motions: Microsoft's motion

for summary judgment to reject Parallel Networks' infringement theories (Docket Item

("D.I.") 287), and Parallel Networks' motion for summary judgment to reject Microsoft's

invalidity theories (D.I. 292). For the reasons that follow, and after considering the

briefing and oral argument presented by counsel, I will deny Parallel Networks' motion

and will grant-in-part and deny-in-part Microsoft's motion.

Parallel Networks filed this action on December 20, 2013, alleging that Microsoft

infringed U.S. Patent Nos. 5,894,554 ("the '554 patent") and 6,415,335 ("the '335

patent"). (D.I. 1.) The '554 patent was filed on April 23, 1996, and issued on April 13,

1999. On July 24, 2012, the PTO issued an ex parte reexamination certificate cancelling

the first 11 claims of the '554 patent and adding new claims 12-49. (See Case No. 1:13-

cv-2072 D.I. 278 at A21.)[1] The '554 patent generally discloses methods for load-

balancing dynamic web requests across multiple page-servers in an Internet based system.

The '335 patent was filed on January 19, 1999 and issued on July 2, 2002. On

July 17, 2012, the PTO issued an ex parte reexamination certificate cancelling the first 29

---

[1] On October 2, 2012, the PTO issued a certificate of correction deleting claims
12-49 and replacing them with a new set of claims 12-49. (Case No. 1:13-cv-2072 D.I.
278 at A15.)

claims and adding new claims 30-85. (Case No. 1:13-cv-2072 D.I. 278 at A46.)[2] It

shares a specification with the '554 patent. (*See id.*)

Parallel Networks accuses Microsoft of infringing, both directly and indirectly, six

independent claims and 12 dependent claims of the patents-in-suit. (D.I. 288 at 9 n.4.)

The asserted claims come in two flavors: "method" claims, which disclose a "method for

managing a dynamic Web page generation request to a Web server," and "machine

readable medium" claims, which disclose "a machine readable medium having stored

thereon data representing sequences of instructions, which when executed by a computer

system, cause said computer system to perform the steps" of the method claims.

Claim 12 of the '554 patent is representative:

> 12. A computer-implemented method for managing a dynamic Web
> page generation request to a Web server, said computer-implemented
> method comprising the steps of:

> Routing said request from said Web server to a selected page server,
> said selected page server receiving said request and releasing said Web
> server to process other requests, wherein said routing step further includes
> the steps of intercepting said request at said Web server, routing said
> request from said Web server to a dispatcher, and dispatching, by said
> dispatcher, said request to said selected page server;
> Processing said request, said processing being performed by said
> selected page server while said Web server concurrently processes said
> other requests; and
> Dynamically generating a Web page by said selected page server in
> response to said request, said Web page including data dynamically
> retrieved from one or more data sources; and
> wherein dispatching includes:

---

[2] On September 11, 2012, the PTO issued a certificate of correction deleting claims 30-85 and replacing them with a new set of claims 30-85. (Case No. 1:13-cv-2072 D.I. 278 at A37.)

examining said request to make a selection of which page server should process said request from among a plurality of page servers that can each generate said Web page requested by said request;

selecting one of said plurality of page servers to dynamically generate said Web page;

wherein said selection is based on examining dynamic information regarding a load associated with each of said plurality of page servers; and

sending said request to said selected page server based on said examination.

('554 patent.)

II.   Legal Standards

Summary judgment is proper only if "the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(a). The moving party bears the burden of proving that no genuine issue of material fact exists. *See Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 585 n.10 (1986); *Rockwell Int'l Corp. v. United States*, 147 F.3d 1358, 1362 (Fed. Cir. 1998). "A dispute about a material fact is genuine if the evidence is such that a reasonable jury could return a verdict for the nonmoving party." *Schering Corp. v. Geneva Pharm., Inc.*, 339 F.3d 1373, 1381 (Fed. Cir. 2003) (internal citations omitted).

If the moving party has demonstrated an absence of material fact, the nonmoving party then "must come forward with 'specific facts showing that there is a *genuine issue for trial.*'" *Matsushita*, 475 U.S. at 587 (quoting Fed. R. Civ. P. 56(e) (1968)). The court will "view the evidence in a light most favorable to the non-movant, and draw all reasonable inferences in its favor." *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1045 (Fed. Cir. 2001). The mere existence of some evidence in support of the nonmoving party, however, will not be sufficient for denial of a motion for summary

judgment; there must be enough evidence to enable a reasonable jury to find for the

nonmoving party on that issue. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 249

(1986). If the nonmoving party fails to make a sufficient showing on an essential element

of its case with respect to which it has the burden of proof, the moving party is entitled to

judgment as a matter of law. *See Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986).

III.   Microsoft's Motion for Summary Judgment of Non-Infringement

Parallel Networks offers both direct and indirect infringement theories. It argues

that Microsoft directly infringed the asserted claims by using the accused products[3] to

host "microsoft.com," to operate Azure Web Apps, and to operate Bing & MSN, as well

as by selling the accused products to others. (D.I. 312 at 3.) Parallel Networks also

argues that Microsoft is liable for indirect infringement on theories of induced

infringement and contributory infringement. (*Id.* at 16 n.4.)

Microsoft filed a motion for summary judgment asking the Court to reject Parallel

Networks' infringement theories. With respect to direct infringement, Microsoft argues

that it is entitled to summary judgment because Parallel Networks has failed to show that

the accused products satisfy each limitation of the asserted claims. With respect to

indirect infringement, Microsoft argues that it is entitled to summary judgment because

Parallel Networks has failed to show that any third parties used the accused products in

an infringing manner. For the reasons that follow, I will deny Microsoft's motion with

---

[3] The accused products include (1) Windows Server, when running with Internet
Information Services (IIS), Application Request Routing (ARR), and URL Rewrite, and
(2) SharePoint 2013, when used with Request Manager. (D.I. 312 at 3.)

respect to direct infringement, but will grant the motion with respect to indirect infringement.

A.   Direct Infringement

A party directly infringes a patent if it "makes, uses, offers to sell, or sells" the patented invention without permission. 35 U.S.C. § 271(a). In order to prove infringement, a plaintiff must show that the accused product meets each limitation of the asserted claims. *See Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 443 (2007); *Rotec Indus., Inc. v. Mitsubishi Corp.*, 215 F.3d 1246, 1252 n.2 (Fed. Cir. 2000).

1.   Single Request

Microsoft points out that the asserted claims are limited to a *single* web request, and argues that the accused products do not infringe because they necessarily involve *multiple* web requests. That argument is based on briefing that took place during the IPR that Microsoft initiated.[4] According to Microsoft, during the IPR, Parallel Networks disclaimed subject matter upon which it now relies to prove infringement. Microsoft had argued at the IPR that the asserted claims were anticipated by a 1995 document that described a "Scalable Web Server" (SWEB). (D.I. 289 Ex. 4 at 10.) Parallel Networks responded by distinguishing SWEB based on the asserted claims "requir[ing] a *single dynamic Web page generation request* to be received, intercepted, routed, and processed,"

---

[4] "On December 23, 2014 ... Microsoft ... requested an *inter partes* review of claims 12-19, 32, 34, 46, and 48 of the '554 patent .... On the same date, Microsoft Corporation filed a separate, but substantially similar, Petition challenging claims 12, 20-31, 33, 35-45, 47 and 49 of the '554 patent." (D.I. 313 Ex. 1 at 2.) On July 15, 2015, the PTAB granted Microsoft's petition. (*See* D.I. 289 Ex. 2.)

while SWEB necessarily involved multiple requests. (D.I. 289 Ex. 6 at 20.) Parallel

Networks argued:

> SWEB 95's use of URL Redirection means that more than one request will necessarily be required .... SWEB 95 states that an HTTP request is sent from the Web client to the SWEB server. ... [T]he original request is re-written and returned ... to the Web client that originally made the request. Figure 6 of SWEB 95 shows "r" going to the alleged Web server S0 and something different—"r'"—coming back....
>
> After the new URL r' ... is received by the Web client from S0, the Web client must go through the entire process of making another HTTP request. ... SWEB 95 identified the need to make a second request as a potential disadvantage of the described system: "The primary disadvantage of URL redirection in practice is the added overhead of an *additional connect/pass request/parse/respond cycle* after the redirection occurs." ...
>
> SWEB95 teaches that what gets sent from the SWEB server S0 is not the original request. ... [W]hat gets returned as "r'=http://s1/myfile"—something clearly different from the original request r—is an HTTP response. ...
>
> Each independent claim also requires "said selected page server receiving *said request*," but HTTP request "r" or "x" is never received by the alleged page server. ... [T]he alleged page server S1 receives a new, second HTTP request generated by the Web client after receiving a response from the alleged Web server S0. ... The alleged page server receives a new, second HTTP request. ... Because of its use of URL redirection—necessarily requiring the sending by the Web client of two, different requests—SWEB 95 does not anticipate any of the independent claims of the '335 patent.

(D.I. 289 Ex. 6 at 22-24 (internal citations and footnotes omitted).)

In Microsoft's view, the centerpiece of Parallel Networks' attempt to distinguish

SWEB was the fact that the original web request, "r," was modified and rewritten before

it was sent to the page server. (D.I. 288 at 20-21.) Microsoft argues that that fact also

distinguishes the accused products from the asserted claims (*id.* at 21-22 (pointing out

that the accused products receive a web request and modify the request before sending it

to its destination)), and that Parallel Networks should be estopped from presenting an interpretation of the claims that is at odds with what it told the PTAB. (*Id.* at 21.)

In response, Parallel Networks argues that Microsoft has mischaracterized its IPR arguments. It says that it distinguished the asserted claims from SWEB based on SWEB's "**forc[ing] the Web client to start the process of requesting a Web page over again.**" (D.I. 312 at 9 (quoting D.I. 313 Ex. 9 at 22).)

"To invoke argument-based estoppel ... 'the prosecution history must evince a clear and unmistakable surrender of subject matter.'" *Conoco, Inc. v. Energy & Envt'l Intern., LC*, 460 F.3d 1349, 1364 (Fed. Cir. 2006). "The relevant inquiry is whether a competitor would reasonably believe that the applicant had surrendered the relevant subject matter." *Id.* (quoting *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1457 (Fed. Cir. 1998), *overruled on other grounds, Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 789 F.3d 1335 (Fed. Cir. 2015)); *see also* Robert L. Harmon et al., *Patents and the Federal Circuit* 636 (2015). Parallel Networks' arguments to the PTAB do not "clearly and unmistakably" indicate that the uniqueness of a request depends on the content of the request. Instead, as Parallel Networks points out, its primary argument, and the argument on which the PTAB relied, was that requests are defined from the perspective of the client. (*See* D.I. 289 Ex. 6 at 20, 22-24; Ex. 7 at 16-17.) There is not enough contradiction here to warrant estoppel.

As an alternative to its estoppel argument, Microsoft contends that Parallel Networks has failed to offer evidence showing that the accused products use only one request. (D.I. 332 at 4-5.) This is incorrect. Parallel Networks identifies several sources

of evidence – including some produced by Microsoft – that would allow a reasonable jury to conclude that the accused products rely on a single request. (*See* D.I. 313 Ex. 2 at 15-17 (explaining that the URL Rewrite module "sends the request down the line ... where it can be routed to a specific server for processing"); Ex. 7 at 58 (explaining that non-substantive modifications of a request do not result in a new request); Ex. 10 (explaining that ARR "forwards HTTP requests"); Ex. 3 at 4 (explaining that HTTP.sys "*passes* the request to the server application" (emphasis added)).) While Parallel Networks' evidence is by no means unrefuted (*see* D.I. 313 Ex. 13 at 101-06 ("ARR will make ... its own HTTP request to another server....")), it is sufficient to withstand Microsoft's motion for summary judgment.

2. *Intercepting*

Microsoft's arguments regarding the "intercepting" limitation are best understood as claim construction arguments. The parties originally agreed that "intercepting said request" means "diverting the handling of said request before the request is processed by the Web server/HTTP-compliant device." (D.I. 288 at 23.) In its motion for summary judgment, Microsoft seeks to further limit the term and argues that, in order for a request to be intercepted, it must be diverted from the Web server before *any* handling is done. (*Id.* at 23-25.)[5] Microsoft does not offer any analysis to support its interpretation.

---

[5] The parties agree that web servers associated with the accused products perform at least some handling of incoming requests before the requests are sent to the dispatcher. (*See* D.I. 288 at 24 (Microsoft); D.I. 312 at 14-15 (Parallel Networks).) This means that if the Court were to adopt Microsoft's proposed construction, there would be no infringement.

Parallel Networks, however, argues that Microsoft's proposed construction is precluded by Figure 5 of the '554 patent, which shows that in a preferred embodiment, at least some processing takes place before the request is intercepted. (*See* '554 patent at Fig. 5, 2:50-53.) I agree. Because "[a] claim interpretation that excludes a preferred embodiment from the scope of the claim is rarely, if ever, correct," *see On-Line Techs., Inc. v. Bodenseewerk Perkin-Elmer GmbH*, 386 F.3d 1133, 1138 (Fed. Cir. 2004) (internal quotation marks omitted), Microsoft's new construction is untenable,[6] and I will deny Microsoft's motion for summary judgment with respect to the "intercepting" limitation.

B.   Indirect Infringement

Parallel Networks alleges that Microsoft is liable for indirect infringement. In order to prove indirect infringement, a patent owner must show that there was an underlying act of direct infringement by a third party, that the defendant knew the acts were infringing, and either that the accused product was especially made or adapted for an infringing use or that the infringer took active steps to encourage infringement. *See* 35 U.S.C. § 271; *i4i Ltd. P'ship v. Microsoft Corp.*, 598 F.3d 831, 851 (Fed. Cir. 2010). Microsoft argues, and I agree, that Parallel Networks has failed to produce evidence sufficient to show an act of direct infringement by a third party.

Parallel Networks offers two theories to support its theory of indirect infringement. First, it says that internal Dell documents and specifications show that one of Microsoft's

---

[6] In its reply brief, Microsoft asserts that its interpretation is supported by Figure 4 of the '554 patent. Figure 4, however, does not speak to how much processing, if any, is performed on the web request before it is sent to the dispatcher. (*See* D.I. 332 at 7.)

10

clients, Dell, used the accused products in an infringing manner. Second, it relies on a survey to show that a large number of unidentified Microsoft clients use the accused products in an infringing manner.

Microsoft challenges both theories. With respect to Dell, Microsoft argues that Parallel Networks failed to show that Dell's network satisfies each claim limitation. (D.I. 288 at 26-27.) Microsoft especially emphasizes that there is no evidence on which a reasonable jury could rely to conclude that Dell's use of the accused products satisfies the "concurrently processing" limitation of the asserted claims.[7] (*Id.*)

In response, Parallel Networks points to its expert report, prepared by Dr. Mark Jones, and argues that Dr. Jones's analysis shows that Dell's system satisfies each of the limitations in the asserted claims. (D.I. 312 at 21-22.) Not so. While Dr. Jones indicates that "Dell.com makes use of Microsoft's ARR" and that "Dell uses ARR in conjunction with Dell.com," there is no indication that Dell uses ARR to serve dynamic web pages (as opposed to other kinds of content), or that Dell's system satisfies the "concurrently processing" limitation, as is required by the asserted claims. (D.I. 313 Ex. 2 at 157-59.) Given the lack of detail in Dr. Jones's report, I will grant Microsoft's motion for summary judgment of non-infringement with respect to Dell's use of the accused products.

---

[7] The "concurrently processing limitation" is found in each of the asserted independent claims, as well as the claims that depend from them. Representative claim 12 contains the pertinent language: "processing said request, said processing being performed by said selected page server while said Web server concurrently processes said other requests." ('554 patent.)

Parallel Networks' second theory of indirect infringement relies on a survey conducted by Dr. Bruce Isaacson. Microsoft argues that the Isaacson survey is unreliable and should be excluded pursuant to the Supreme Court's opinion in *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579 (1993). For the reasons stated in my separately filed opinion on the *Daubert* motion, I agree with Microsoft and conclude that the Isaacson survey is unreliable and inadmissible. Accordingly, I will grant Microsoft's motion for summary judgment of non-infringement with respect to the indirect infringement allegations arising from the Isaacson Survey.

IV.   Parallel Networks' Motion for Summary Judgment of Invalidity

Microsoft contends that the asserted claims are rendered obvious by MSN 1.0, a client-server system that was released several months before the priority date of the patents-in-suit. Parallel Networks disagrees and seeks a summary judgment order rejecting Microsoft's obviousness defense.[8]

To determine whether a patented invention is obvious, courts consider "(1) the scope and content of the prior art; (2) differences between the prior art and the claims at issue; (3) the level of ordinary skill in the pertinent art; and (4) secondary considerations of nonobviousness." *Redline Detection, LLC v. Star Envirotech, LLC*, 811 F.3d 435, 449 (Fed. Cir. 2015) (citing *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966)). When mounting an obviousness challenge, a party "must demonstrate ... that a skilled artisan would have had reason to combine the teaching of the prior art references to achieve the

---

[8] Parallel Networks also seeks summary judgment on the issue of anticipation. (D.I. 294 at 14.) Because Microsoft does not offer an anticipation defense, I will deny the motion as moot.

claimed invention, and that the skilled artisan would have had a reasonable expectation of success from doing so." *Id.* (quoting *PAR Pharm., Inc. v. TWI Pharm., Inc.*, 773 F.3d 1186, 1193 (Fed. Cir. 2014)).

Parallel Networks identifies the following problems with Microsoft's invalidity argument: first, Microsoft failed to provide evidence sufficient to show how the MSN system operated; second, Microsoft failed to provide evidence sufficient to show that the MSN system balanced web requests, rather than session requests; and third, Microsoft failed to provide evidence sufficient to show that it would have been obvious to adapt the MSN system for use on the World Wide Web. Parallel Networks needs only to prevail on one of its three arguments to be entitled to summary judgment on the issue of obviousness.

A.   Operation of MSN 1.0

According to Parallel Networks, Microsoft cannot prevail on its obviousness theory because it cannot reliably establish "the scope and content" of the MSN 1.0 system. *See Graham*, 383 U.S. at 17-18. Microsoft's expert, Dr. Darrell Long, relied on three kinds of sources to arrive at his understanding of the MSN 1.0 system: internal Microsoft documents, including a product specification manual ("The Microsoft Network Version 1.0 Specification"); a series of Microsoft patents relating to the MSN system (U.S. Patent No. 5,774,668, U.S. Patent No. 5,941,947, and U.S. Patent No. 5,974,409); and the testimony and depositions of two Microsoft engineers – William Griffin and David Howell – who worked on the product. (*See* D.I. 296 Ex. J at A595, A602.)

Parallel Networks identifies flaws with each of the sources upon which Dr. Long relies. It argues that the product specification "does not provide detail on the structure and operation of the MSN system as it existed on August 24, 1995" (D.I. 294 at 10), that the patents "describe and contain elements not included within the MSN system" (*id.* at 8), and that the testimony from Griffin and Howell does not support Dr. Long's conclusions (D.I. 330 at 8-9 (arguing that "Mr. Howell's testimony provides no meaningful evidence regarding the relevant operation of the MSN 1.0 System" and that "Mr. Griffin's testimony ... is limited to a few discrete aspects of the relevant technology")).

Microsoft disagrees with Parallel Networks' characterization of its evidence. It explains that Dr. Long's understanding of the MSN system was based primarily on testimony from Mr. Griffin and Mr. Howell (D.I. 315 at 10-11) and that Dr. Long only used the documentary evidence to corroborate the testimony and to "put flesh on the bones of the MSN system." (D.I. 296 Ex. J at A604.) With respect to the adequacy of the witness testimony, Microsoft simply disagrees with Parallel Networks' claim that Griffin and Howell "provide[d] no meaningful evidence" about the operation of the MSN 1.0 system. (*See* D.I. 315 at 11-12.)

The parties' disagreement about the reliability of the various sources, along with their disagreement as to how the sources were used, shows that there are several disputes of fact, and thus that summary judgment would be inappropriate. It will be for the jury to decide whether Dr. Long's opinion is sufficiently supported and persuasive.

14

B.   Load-Balancing in MSN 1.0

The parties have a discrete disagreement regarding load-balancing in the MSN 1.0 system. They rely on the same evidence to reach different factual conclusions. Parallel Networks argues that load-balancing was done on a by-session basis, such that each of a client's requests for content was sent to the same back-end server. (*See* D.I. 294 at 18-19.) In making that argument, Parallel Networks relies on the Microsoft patents, Mr. Griffin's deposition testimony, and the MSN specification. (*Id.*) Microsoft, on the other hand, points to the same evidence, but argues that individual requests were load-balanced. (*See* D.I. 315 at 14-18.)

The issue is fact based and material, so the motion for summary judgment of invalidity with respect to it cannot be granted.

C.   "On the World Wide Web"

Parallel Networks argues that it is entitled to summary judgment because Microsoft has failed to show that it would have been obvious to implement MSN's load balancing technology on the World Wide Web.[9] (D.I. 294 at 15-16.) Parallel Networks contends that the only evidence Microsoft offers relating to this issue is a conclusory opinion from Dr. Long. (*Id.* at 15.)

Microsoft vigorously defends Dr. Long's obviousness analysis and points to specific places in his report where he reviewed the prior art and compared the prior art to the MSN system. (D.I. 315 at 21 (quoting D.I. 296 Ex. J at A605).) In presenting his

---

[9] The parties agree that the MSN 1.0 system was not "on the World Wide Web." (*See* D.I. 294 at 14 (Parallel Networks); D.I. 315 at 19 (Microsoft).)

analysis, Dr. Long identified specific pieces of prior art that would have motivated a

person of ordinary skill in the art to adapt the MSN system for use on the World Wide

Web. The most telling in this regard is the portion stating:

> [T]he gap between my application of the asserted claim language and what
> is left can largely be resolved by moving the MSN System from its
> Internet-based network, to the World Wide Web .... This gap is too small in
> view of the state of the art and level of ordinary skill in the art at the time of
> the invention to make the asserted claims patentable. Microsoft's internal
> documents discuss this move for the MSN System, as do other publicly
> available materials more broadly, thus using known Web server technology
> available at the time (*e.g.* IIS System, Garland, and SWEB) renders the
> claim invalid as obvious.

(D.I. 296 Ex. J at A605.) This reasoning, along with the rest of Dr. Long's analysis,

undermines Parallel Networks' claim that Dr. Long's opinion was conclusory. There is

enough here to defeat the motion for summary judgment and put the matter before a jury.

V.   Conclusion

For the reasons stated, I will deny Parallel Networks' motion for summary

judgment on the invalidity defenses, will deny Microsoft's motion for summary judgment

with respect to direct infringement, and will grant Microsoft's motion for summary

judgment with respect to indirect infringement.

16

Appx30

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

PARALLEL NETWORKS LICENSING,)
LLC,)
)
             Plaintiff,)
) Civil Action No. 13-2073(KAJ)
    v.)
) JURY TRIAL DEMANDED
MICROSOFT CORPORATION,)
)
             Defendants.)

ORDER

Plaintiff Parallel Networks has moved for summary judgment (D.I. 292), seeking to reject Microsoft's invalidity theories relating to U.S. Patent Nos. 5,894,554 ("the '554 patent") and 6,415,335 ("the '335 patent"). Defendant Microsoft has moved for summary judgment of non-infringement. (D.I. 287.)

For the reasons set forth in the opinion issued in this case, IT IS HEREBY ORDERED THAT:

1. Parallel Networks' motion for summary judgment is DENIED.

2. Microsoft's motion for summary judgment is GRANTED with respect to indirect infringement.

3. Microsoft's motion for summary judgment is DENIED with respect to direct

infringement.

_____
Kent A. Jordan, Circuit Judge
United States Court of Appeals for the Third Circuit
(By designation)

Dated: February 22, 2017
Wilmington, Delaware

2

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

PARALLEL NETWORKS LICENSING,)
LLC,)
)
            Plaintiff,)   Civil Action No. 13-2073(KAJ)
)
  v.)   JURY TRIAL DEMANDED
)
MICROSOFT CORPORATION,)   **FILED UNDER SEAL**
)
         Defendants.)

MEMORANDUM OPINION

Adam W. Poff, Esq., Pilar G. Kraman, Esq., Young Conaway Stargatt & Taylor, 1000 N. King Street, Wilmington, DE 19801, *Counsel for Plaintiffs*
    Of Counsel: Douglas A. Cawley, Esq., Christopher T. Bovenkamp, Esq., Eric S. Hansen, Esq., Avery R. Williams, Esq., Justin W. Allen, Esq., McKool Smith, PC, 300 Crescent Court – Ste, 1500, Dallas, TX 75201
                    Angela M. Vorpahl, Esq., McKool Smith, PC, 1 Bryant Park – 47th Fl., New York, NY 10036
                    John B. Campbell, Esq., Leah Bhimani Buratti, Esq., Kevin P. Hess, Esq., McKool Smith, PC, 300 W. 6th Street – Ste. 1700, Austin, TX 78701

Martina Tyreus Hufnal, Esq., Nitika Gupta, Esq., Ronald P. Golden, III, Esq., Fish & Richardson PC, 222 Delaware Avenue, 17th Fl., Wilmington, DE 19801
Juanita R. Brooks, Esq., Jason W. Wolff, Esq., Joanna M. Fuller, Esq., Fish & Richardson PC, 12390 El Camino Real, San Diego, CA 92130
Stephen A. Marshall, Esq., Fish & Richardson PC, 1425 K Street, N.W., 11th Fl., Washington, DC 20005, *Counsel for Defendants*

February 22, 2017
Wilmington, Delaware

JORDAN, Circuit Judge, sitting by designation

I.   Background

Microsoft has filed a motion in this patent infringement case to exclude evidence related to a survey conducted by Dr. Bruce Isaacson. (Docket Item ("D.I.") 281.) Based on the briefing and oral argument, I will grant the motion.

Plaintiff Parallel Networks filed this action on December 20, 2013, alleging that Microsoft infringed U.S. Patent Nos. 5,894,554 ("the '554 patent") and 6,415,335 ("the '335 patent"). (D.I. 1.) The asserted claims generally disclose methods for load-balancing dynamic web requests across multiple page-servers in an Internet-based system.[1]

Parallel Networks accuses Microsoft of infringing, both directly and indirectly, six independent claims and twelve dependent claims of the patents-in-suit. (D.I. 288 at 9 n.4.) Parallel Networks' theory of indirect infringement focuses on two accused products – (1) Microsoft's Windows Server, when running with Internet Information Services (IIS), Application Request Routing (ARR), and URL Rewrite, and (2) SharePoint 2013, when used with Request Manager. (D.I. 312 at 3.) In order to support its theory of indirect infringement, Parallel Networks hired Dr. Bruce Isaacson to conduct a survey that sought to determine how Microsoft customers use the accused products. (D.I. 283

---

[1] I discuss the procedural history of the patents-in-suit, as well as representative claim language, in the memorandum opinion on summary judgment filed contemporaneously with this opinion.

Ex. 1 ("Isaacson Report").) After reviewing Dr. Isaacson's survey and the accompanying

report, Microsoft filed this motion, arguing that the survey and all testimony that relies on

the survey should be deemed inadmissible under Federal Rule of Evidence 702.[2]

II.   Legal Standards

The admissibility of expert testimony is governed by Federal Rule of Evidence

702. Under that rule, expert testimony is admissible only if it "will help the trier of fact

to understand the evidence[,] ... is based on sufficient facts or data[,] ... is the product of

reliable principles and methods[,] ... [and] reliably applie[s] the principles and methods to

the facts of the case." Fed. R. Evid. 702. The role of the district court is to serve as a

"gatekeeper" – to protect the jury from evidence that is unreliable, confusing, or unduly

prejudicial. *See Kumho Tire Co., Ltd. v. Carmichael*, 526 U.S. 137, 145, 147-48 (1999);

Daubert v. Merrell Dow Pharms., Inc., 509 U.S. 579, 589-91 (1993). In order for expert

evidence to be reliable, there must be an adequate "fit" between the offered evidence and

the subject matter at issue in the case. *Daubert*, 509 U.S. at 591. "Expert testimony

which does not relate to any issue in the case is not relevant and, ergo, non-helpful." *Id.*

at 591 (quoting 3 Weinstein & Berger ¶ 702). Similarly, expert conclusions that do not

have an adequate analytical connection to the proffered evidence are excludable. *See*

Gen. Elec. Co. v. Joiner, 522 U.S. 136, 146 (1997) ("A court may conclude that there is

simply too great an analytical gap between the data and the opinion proffered.");

---

[2] Included with Microsoft's motion is a rebuttal expert report authored by Dr.
Jeffery A. Stec, who was retained by Microsoft to evaluate Dr. Isaacson's survey. (D.I.
283 Ex. 7 ("Stec Report").) No one will be surprised to learn that the rebuttal report says
the survey is unreliable.

Daubert, 509 U.S. at 591 (explaining that a study of the phases of the moon may help the trier of fact determine whether a certain night was dark, but that it "will not assist the trier of fact in determining whether an individual was unusually likely to have behaved irrationally on that night").

Pursuant to Federal Rule of Evidence 104, the burden of proof with respect to reliability under Rule 702 lies on the party attempting to offer the expert evidence. *See* Fed. R. Evid. 702 advisory committee's note ("[T]he admissibility of all expert testimony is governed by the principles of Rule 104(a). Under that rule, the proponent has the burden of establishing that the pertinent admissibility requirements are met by a preponderance of the evidence." (citing *Bourjaily v. United States*, 483 U.S. 171 (1987))).

III. Discussion

The standards articulated in *Daubert* and its progeny apply to survey evidence, *e.g.*, *Vita-Mix Corp. v. Basic Holding, Inc.*, 581 F.3d 1317, 1326 (Fed. Cir. 2009); *Citizens Fin. Grp., Inc. v. Citizens Nat. Bank of Evans City*, 383 F.3d 110, 118 (3d Cir. 2004), and the Isaacson survey and accompanying expert report fail to meet those standards. Parallel Networks has not shown, by a preponderance of the evidence, that the survey is admissible under Rule 702. Instead, it appears that the survey suffers from major analytical and methodological flaws that render its results unreliable and therefore unfairly prejudicial.

A. The Survey Is Not Adequately Linked to the Asserted Claims

First and foremost, the survey is not adequately linked to the asserted claims. While the survey generally relates to the accused products, it does not support Parallel

4

Appx36

Networks' assertion that survey respondents used the accused products in an infringing manner. The survey's deficiencies on this issue include the following: the asserted claims require that a web server be used to manage requests for dynamic Web pages, yet the survey did not ask respondents if they use the accused products to manage requests for dynamic Web pages; the claims require the web server to "concurrently process[]" multiple requests, yet the survey did not ask respondents if they use the accused product to concurrently process requests; the claims require the use of a page server to dynamically generate a web page, yet the survey did not ask respondents if they use the accused product to dynamically generate anything, let alone a web page; the claims require the use of a dynamic load balancing algorithm to determine which page server should be used to serve the request, yet the survey did not ask the SharePoint respondents whether they used a static or dynamic load balancing algorithm (D.I. 306 Ex. 8 at 163 (report from Parallel Networks' expert).).[3] Those omissions are substantial – it appears that the survey failed to address even a single limitation of the asserted claims.

---

[3] Parallel Networks contends that the survey can be used to figure out whether Microsoft customers use the accused products to generate dynamic web pages. That is incorrect. Parallel Networks cites two questions. Question H asked respondents to indicate "the total number of requests for dynamically generated web pages processed in a typical day by all servers at your employer/client?" (Isaacson Report, Ex. 2 at 3.) This question, however, is insufficient. It did not limit responses to the accused products, but instead directed respondents to answer with respect to *all* servers. Question 6 asked respondents to identify the extensions that are used to "distribute web (*e.g.*, HTTP) requests to application servers." But the term "web (*e.g.*, HTTP) requests" covers far more than just dynamic web page requests. It also covers requests for, among other things, static web pages, FTPs, and information on a local network. (*See* D.I. 283 Ex. 2 ("Dr. Long's expert report") at 32.)

5

The omissions are even more significant when one considers that the accused products can be used for a variety of non-infringing purposes. IIS can be used to manage File Transfer Protocol (FTP) requests, serve requests for static content, and manage requests for intranet resources. (*See* D.I. 289 at 32 ("IIS can be used in manners that do not infringe, serving content on an intranet, not serving dynamic Web pages at all, functioning as an FTP server, or functioning as part of an overall system that includes many different products.").) Likewise, SharePoint, the other accused product, can be used on an intranet, can be used to host content other than dynamic web pages (*e.g.*, Word and PowerPoint documents), and can be used with a static load balancing algorithm. (*Id.* at 33.)

In attempting to downplay the survey's deficiencies, Parallel Networks says that survey evidence "need not establish the ultimate question of infringement to be relevant and admissible," (D.I. 313 at 7 (quoting *Visteon Glob. Techs., Inc. v. Garmin Int'l, Inc.*, 2016 WL 6123526 (E.D. Mich. Oct. 20, 2016)) and argues that the survey established predicate facts upon which its expert, Dr. Mark Jones, relied to conclude that survey respondents likely infringed the asserted claims. While it is true that a survey need not *prove* infringement, to be admissible, the survey must, at the very least, be *relevant. See Vita-Mix Corp.*, 581 F.3d at 1326. But Dr. Isaacon's survey, which Parallel Networks offers to support its infringement allegations, does not address *any* limitation of the asserted claims, either directly or by discernible implication. *Daubert* requires an adequate "fit" between expert evidence and the purpose for which that evidence is offered. *See Daubert*, 509 U.S. at 591. In light of the survey's deficiencies, the only

6

Appx38

evidence tying the survey results to the asserted claims is Dr. Jones' naked assertion that he "found sufficient evidence that both Microsoft and its IIS/ARR and SharePoint customers directly infringe the [asserted claims]." (D.I. 306 at 163.)[4] But that opinion itself fails to satisfy *Daubert*'s requirements. Dr. Jones did not explain how he reached his conclusion. He did not cite any statistics, did not reference any journal articles or secondary sources, and did not show that his conclusion is grounded in any verifiable, widely accepted principles. Instead, he simply stated his conclusion as fact. That is insufficient.[5] "Trained experts commonly extrapolate from existing data. But nothing in either *Daubert* or the Federal Rules of Evidence requires a district court to admit opinion evidence that is connected to existing data only by the *ipse dixit* of the expert." *Gen. Elec. Co.*, 522 U.S. at 146 (1997).[6]

---

[4] Dr. Jones also opined that "[a]ppropriate answers to survey questions ... provide evidence that the respondent has configured and is using the relevant product in an infringing manner." (*Id.* at 162.)

[5] Parallel Networks attempts to downplay the deficiencies in Dr. Jones' opinion by characterizing the opinion as a "battle of the experts" between Dr. Jones and Dr. Stec (Microsoft's expert). (*See* D.I. 304 at 16.) That characterization is faulty. I need not rely on (and do not rely on) Dr. Stec's report to conclude that the Isaacson survey fails to address the asserted claims. Likewise, I need not rely (and do not rely) on Dr. Stec's report to conclude that Dr. Jones did not adequately explain how he used the survey to reach his conclusions regarding infringement.

[6] In *Vita-Mix*, the Federal Circuit concluded that a survey was admissible, despite the fact that the survey failed to speak to every limitation of the asserted claims. *Vita-Mix*, 581 F.3d at 1326. What distinguishes this case from *Vita-Mix* is that the plaintiff in *Vita-Mix* supplemented its survey with additional reliable evidence that addressed the claim limitations not considered by the survey. *See id.* There is no such additional evidence here.

7

B.   The Survey Respondents Were Not Representative of the Sample Population

The lack of fit between the survey and the asserted claims is, in and of itself, sufficient to exclude the survey as unreliable and prejudicial under *Daubert*. Nevertheless, there are additional problems with the survey that warrant discussion and that further support my decision to grant Microsoft's motion.

The survey suffers from serious methodological flaws relating to the selection of respondents. In order for a survey to be reliable, the survey respondents must reflect a representative sample of the target population. (*See* Stec Report at 19-20 ("If a researcher would like to generalize ... the results from a sample ... to the target population, it is important that the sampling frame 'cover' the target population as closely as possible.") (citing Fed. Judicial Ctr., Nat. Res. Council, *Reference Manual on Scientific Evidence* 377 (3d ed 2011)).) For the Isaacson survey, the target population appears to be network technicians who work for companies that use the accused products. (*See* Isaacson Report at 1 ("[T]he survey measured usage and configuration patterns among customers of Microsoft [IIS] software and Microsoft SharePoint Server Software. ... My survey interviewed respondents qualified as working in a position where they would likely be knowledgeable about computer software used by their companies to route web (*e.g.*, HTTP) requests to application servers.").) The problem is that Dr. Isaacson does not consider whether the survey respondents reflected a representative sample of the desired population.

8

According to Dr. Isaacson, survey respondents were recruited through an internet survey panel organized by Survey Sampling International ("SSI"). (*Id.* at 13.) But Dr. Isaacson does not provide any details on the particular panel he used for the survey. It is not clear if the panel drew from a representative sample of the United States population, of IT professionals, or from some other group. (*See id*; *see also* Stec Report at 20-22.) Without additional information, it is impossible to know whether the participants of the underlying panel deviate in some meaningful way from the target population. For example, it could be the case that some of Microsoft's customers are frugal and wish to save money – motivating them to hire less experienced IT professionals and to optimize their network configuration based on cost – while other customers are more interested in network performance – motivating them to hire experienced IT professionals and to configure their networks to minimize service times. If the SSI panel used for the survey screened individuals based on income, then the survey results could systematically over represent one set of Microsoft customers while under representing another.

Similarly, Dr. Isaacson did not account for the fact that there is an analytical gap between what he sought to determine (how *companies* use the accused products) and the population he used to reach his conclusions (*employees* of companies who use the accused products). This analytical gap risks introducing error into his results. For example, it could well be that some Microsoft customers employ a larger number of IT professionals than others. Even if one were to assume that the survey reflected a representative sample of IT professionals, the companies' different personnel policies would likely result in some companies being over-represented in the results. The survey

9

did not account for that possibility, and, from the information provided, it is impossible to know whether any of the respondents worked for the same employer.[7]

Dr. Isaacson's failure to identify the population from which the panel was drawn, and to consider whether there were any relevant differences between the survey's population frame and the target population, runs afoul of well established statistics principles and renders the survey unreliable and inadmissible. *See Citizens Fin. Grp.*, 383 F.3d at 121 (3d Cir. 2004) ("A survey of the wrong 'universe' will be of little probative value in litigation."); Stec Report at 19-23. In the face of those methodological problems, I cannot conclude that the survey results reliably reflect the practices of Microsoft's customers.

IV.   Conclusion

For the reasons stated above, I will grant Microsoft's motion to exclude Dr. Isaacson's survey, as well as any expert testimony that relies on it.
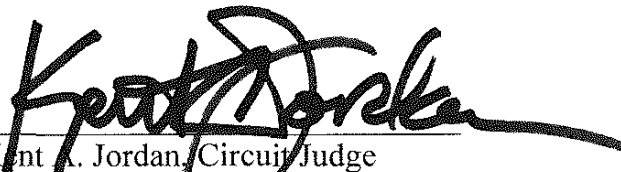
---

[7] Dr. Stec offers a persuasive critique of non-probability based samples of the kind used by SSI for Dr. Isaacon's survey. (*See* Stec Report at 29-32 (citing *Standards and Best Practices for Survey and Public Opinion Research*, Am. Ass'n for Pub. Op. ("Virtually all surveys taken seriously by social scientists, policy makers, and the informed media use some form of *random or probability sampling*, the methods of which are well grounded in statistical theory and the theory of probability.")).)

10

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

PARALLEL NETWORKS LICENSING,)
LLC,   )
)
              Plaintiff,   )
)   Civil Action No. 13-2073(KAJ)
      v.   )
)   JURY TRIAL DEMANDED
MICROSOFT CORPORATION,   )
)
              Defendants.   )

ORDER

Defendant Microsoft has moved to exclude a survey and accompanying expert

report authored by Dr. Bruce Isaacson. (D.I. 281.) For the reasons set forth in the

opinion issued in this case, IT IS HEREBY ORDERED THAT Microsoft's motion is

GRANTED.

_____
Kent A. Jordan, Circuit Judge
United States Court of Appeals for the Third Circuit
(By designation)

Dated: February 22, 2017
Wilmington, Delaware

Appx43

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

PARALLEL NETWORKS LICENSING, LLC,	)))	
Plaintiff,	))	Civil Action No. 13-2073(KAJ)
v.	))	JURY TRIAL DEMANDED
MICROSOFT CORPORATION,	))	**FILED UNDER SEAL**
Defendants.	))	

MEMORANDUM OPINION

Adam W. Poff, Esq., Pilar G. Kraman, Esq., Young Conaway Stargatt & Taylor, 1000 N. King Street, Wilmington, DE 19801, *Counsel for Plaintiffs*
    Of Counsel: Douglas A. Cawley, Esq., Christopher T. Bovenkamp, Esq., Eric S. Hansen, Esq., Avery R. Williams, Esq., Justin W. Allen, Esq., McKool Smith, PC, 300 Crescent Court – Ste, 1500, Dallas, TX 75201
                 Angela M. Vorpahl, Esq., McKool Smith, PC, 1 Bryant Park – 47th Fl., New York, NY 10036
                 John B. Campbell, Esq., Leah Bhimani Buratti, Esq., Kevin P. Hess, Esq., McKool Smith, PC, 300 W. 6th Street – Ste. 1700, Austin, TX 78701

Martina Tyreus Hufnal, Esq., Nitika Gupta, Esq., Ronald P. Golden, III, Esq., Fish & Richardson PC, 222 Delaware Avenue, 17th Fl., Wilmington, DE 19801
Juanita R. Brooks, Esq., Jason W. Wolff, Esq., Joanna M. Fuller, Esq., Fish & Richardson PC, 12390 El Camino Real, San Diego, CA 92130
Stephen A. Marshall, Esq., Fish & Richardson PC, 1425 K Street, N.W., 11th Fl., Washington, DC 20005, *Counsel for Defendants*

April 10, 2017
Wilmington, Delaware

JORDAN, Circuit Judge, sitting by designation

I.   Introduction

On February 22, 2017, I entered an order excluding a survey conducted by one of

Parallel Networks' experts, Dr. Bruce Isaacson. (Docket Item ["D.I."] 356.) Because

Parallel Networks' theory of indirect infringement relied on Dr. Isaacson's testimony, I

also entered a summary judgment order excluding Parallel Networks' theory of indirect

infringement. (D.I. 361.) Shortly after I entered my order, Parallel Networks filed a

motion for leave to supplement the report of its damages expert, Mr. John R. Bone. (D.I.

366.) Parallel Networks sought to update the report to account for the fact that the

Isaacson survey had been excluded. On March 13, 2017, I held a pre-trial conference.

(D.I. 386.) At the conference, I granted Parallel Networks' motion to supplement the

Bone report (D.I. 386 at 10.) During the conference, however, Microsoft argued that Mr.

Bone's supplemental report did not merely update Mr. Bone's damages analysis, but

instead introduced an entirely new damages theory based on an entirely new theory of

direct infringement. (*Id.* at 40 ("What was never disclosed or ... articulated by [Parallel

Networks'] expert was ... [that] the relevant infringement theory is based on Microsoft's

making of Windows Server and [Application Request Routing (ARR)].")

Because the dispute between the parties did not become clear until the pre-trial

conference, I ordered an additional round of briefing to give the parties the opportunity to

address (1) whether Parallel Networks' direct infringement theory was new to the case,

(2) whether Microsoft was entitled to summary judgment on Parallel Networks' direct

infringement theory, and (3) whether Mr. Bone's opinion relating to Parallel Networks' direct infringement theory satisfies the requirements of *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579 (1993), and Federal Rule of Evidence 702. (*Id.* at 63-64.)

Having reviewed the record in light of the supplemental briefing, I conclude that Parallel Networks' theory of direct infringement considered in Mr. Bone's supplemental report is new and untimely. I further conclude that, even if the theory were timely, it is without adequate foundation, and thus that Microsoft is entitled to summary judgment with respect to that theory.

II. Legal Standards

A. Adequate Disclosure

Federal Rule of Civil Procedure 16 grants the Court broad discretion to issue sanctions if a party "fails to obey a scheduling or other pretrial order." Fed. R. Civ. P. 16(f)(1)(C) ("On motion or on its own, the court may issue any just orders ... if a party or its attorney ... fails to obey a scheduling order or other pretrial order."). In patent cases, courts have used that authority to strike untimely infringement contentions. *02 Micro Intern. Ltd. v. Monolithic Power Sys., Inc.*, 467 F.3d 1355, 1363 (Fed. Cir. 2006) ("The court may impose any 'just' sanction for the failure to obey a scheduling order, including 'refusing to allow the disobedient party to support or oppose designated claims or defenses, or prohibiting that part from introducing designated matters in evidence." (quoting Fed. R. Civ. P. 16(f) and Fed. R. Civ. P. 37(b)(2)(B)); *see also Clear With Computers, LLC v. Hyundai Motor America*, 2011 WL 11562328, at *2 (E.D. Tex. July

5, 2011) ("Having chosen not to disclose this theory that it has been aware of for several months, HMA is therefore precluded from using the theory at trial.").

B.   Expert Evidence

The admissibility of expert testimony is governed by Federal Rule of Evidence 702. Under that rule, expert testimony is admissible only if it "will help the trier of fact to understand the evidence[,] ... is based on sufficient facts or data[,] ... is the product of reliable principles and methods[,] and ... reliably applie[s] the principles and methods to the facts of the case." Fed. R. Evid. 702. The role of the district court is to serve as a "gatekeeper" – to protect the jury from evidence that is unreliable, confusing, or unduly prejudicial. *Kumho Tire Co., Ltd. v. Carmichael*, 526 U.S. 137, 145, 147-48 (1999); *Daubert v. Merrell Dow Pharms., Inc.*, 509 U.S. 579, 589-92 (1993). There must, in that regard, be both reliable methodology in the analysis and an adequate "fit" between the offered expert opinion and the facts at issue in the case. *Daubert*, 509 U.S. at 591 (quoting *United States v. Downing*, 753 F.2d 1224, 1242 (3d Cir. 1985)). Expert conclusions that do not have an adequate analytical connection to the facts are excludable. *See Gen. Elec. Co. v. Joiner*, 522 U.S. 136, 146 (1997) ("A court may conclude that there is simply too great an analytical gap between the data and the opinion proffered.").

Pursuant to Federal Rule of Evidence 104, the burden of proof with respect to fit and reliability under Rule 702 lies on the party attempting to offer the expert evidence. *See* Fed. R. Evid. 702 advisory committee's note to 2000 amendment ("[T]he admissibility of all expert testimony is governed by the principles of Rule 104(a). Under

that rule, the proponent has the burden of establishing that the pertinent admissibility requirements are met by a preponderance of the evidence.").

C.   Summary Judgment

Summary judgment is proper only if "the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(a). The moving party bears the burden of proving that no genuine issue of material fact exists. *See Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 585 n.10 (1986); *Rockwell Int'l Corp. v. United States*, 147 F.3d 1358, 1362 (Fed. Cir. 1998). "A dispute about a material fact is genuine if the evidence is such that a reasonable jury could return a verdict for the nonmoving party." *Schering Corp. v. Geneva Pharm., Inc.*, 339 F.3d 1373, 1381 (Fed. Cir. 2003) (internal citations omitted).

If the moving party has demonstrated an absence of material fact, the nonmoving party then "must come forward with 'specific facts showing that there is a *genuine issue for trial.*'" *Matsushita*, 475 U.S. at 587 (quoting Fed. R. Civ. P. 56(e) (original emphasis)). The court will "view the evidence in a light most favorable to the non-movant, and draw all reasonable inferences in its favor." *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1045 (Fed. Cir. 2001). The mere existence of some evidence in support of the nonmoving party, however, will not be sufficient for denial of a motion for summary judgment; there must be enough evidence to enable a reasonable jury to find for the nonmoving party on that issue. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 249 (1986). If the nonmoving party fails to make a sufficient showing on an essential element of its case with respect to which it has the burden of proof, the moving

party is entitled to judgment as a matter of law. *See Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986).

III.   Discussion

A.   Parallel Networks' Theory of Direct Infringement Is New and Untimely[1]

On March 13, 2015, a scheduling order was entered in this case requiring Parallel Networks to submit its final infringement contentions by no later than May 15, 2015. (D.I. 133.) Microsoft now argues that Parallel Networks has articulated a new infringement theory in connection with the pre-trial conference held on March 13, 2017 – nearly two years past the deadline. Parallel Networks disagrees and argues that it has "repeatedly and consistently disclosed [the infringement theory in question] to Microsoft from the start of this case." (D.I. 397 at 9.) I agree with Microsoft and conclude that Parallel Networks did not timely disclose the theory in question.[2]

The thrust of the theory that Parallel describes in its supplemental briefing is that Microsoft has, on its servers, two pieces of software, Windows Server (with IIS) and

---

[1] Because the facts in this section will be relevant to my summary judgment analysis, I rely exclusively on facts that are not in dispute. Each of the propositions in this section is supported directly by Parallel Networks (through its expert report) and by Microsoft (which relied on the same facts in its briefing, *see* D.I. 390 at 2-6).

[2] I recognize that the question of timeliness is one of degree – a disclosure that is made one week past the deadline is less problematic than a disclosure made years past the deadline. That means I am, in effect, considering two questions. First, whether Parallel Networks complied with the Court's scheduling order, and second, if Parallel Networks did not comply with the scheduling order, what sanction, if any, is appropriate. As a result, I do not limit my analysis to the portions of the record that came before the May 15, 2015 deadline.

6

Appx49

ARR that, when combined and configured, infringe the machine readable claims" of U.S.

Patent No. 5,894,554 (the '554 patent).[3] Parallel argues that the two pieces of software

are, in fact, two components of a single product, and that Microsoft infringes the asserted

claims by storing the two components, uncombined and unconfigured, on its servers.

Parallel further argues that Microsoft makes and sells the product by instructing its

customers to obtain, install, and configure both components in an infringing manner.

A review of the record shows that Parallel Networks' direct infringement theory is

new. Prior to the pre-trial conference, there was no indication in the record that Parallel

Networks intended to argue that Microsoft infringed the asserted claims simply by having

two pieces of software stored on its servers. Likewise, there was no indication that

Parallel Networks intended to argue that Microsoft directly infringed the asserted claims

by selling a unified Windows Server product, in modular form, to its customers.

In arguing otherwise, Parallel Networks claims that it articulated its infringement

theory "through its disclosures, discovery requests, briefing, and attorney statements."

(D.I. 397 at 9.) A review of the cited documents shows that claim is not well founded.

The examples cited by Parallel Networks fall into two categories – documents showing

---

[3] Parallel Networks' infringement theory implicates claims 20, 41, 46, and 48-49 of the '554 patent. IIS stands for "Internet Information Services." Parallel alleges that IIS was included with some versions of the Windows Server product. (D.I. 289 at 144.) ARR stands for Application Request Routing. (D.I. 289 Ex. 10 at 2.) ARR uses load balancing algorithms to route network server requests. (*Id.* at 17.) ARR is not included with the Windows Server software. (D.I. 289 Ex. 9 at 30.) Instead, it is an optional plug-in that can be downloaded and installed by end-users. (*Id.*) In order to use ARR, an end-user must download the ARR program (*id.*), download a helper program (URL Rewrite) (*id.*), and manually configure the software so that it knows when and where to route requests. (*Id.* at 30-32.)

that Parallel Networks viewed Windows Server with IIS and ARR as a single accused

product (as opposed to two products, or one product with an optional plug-in), and

documents showing that Parallel Networks accused Microsoft of directly infringing by

"generat[ing]," "stor[ing]," "mak[ing]," "manufactur[ing]," and "distribut[ing]" the

accused products. (*See* D.I. 397 at 9-12.)

A significant problem with the present attempt to identify the new infringement

theory in the record is that Parallel Networks does not – evidently because it cannot –

point to any place in the record where it explains how Microsoft "stored," "generat[ed],"

or "made" the accused products.[4] A general allegation that Microsoft made or stored the

accused product is much less informative than a specific allegation would have been that

Microsoft made or stored the accused product by storing the product's two component

parts, in isolation, on its servers. (Again, *see supra* n.4, I am accepting for purposes of

this argument that the separate functionality of Widows Server with IIS and of ARR

constitutes two components of a single product.) And none of the cited documents

distinguish the infringement theory at issue now from Parallel Networks' other direct

infringement theory, i.e., that Microsoft infringed the asserted claims by using the

Windows Server product (with IIS and ARR), in its fully assembled form, to host several

---

[4] While the document Parallel Networks cites supports the proposition that Parallel Networks viewed Windows Server with IIS and ARR as a single product (*see* D.I. 398 Ex. 11 at 2 n.2 ("Windows Server [is] understood to include [IIS] ... and [ARR]"), other places in the record indicate that view was inconsistent (*see* D.I. 398 Ex. 2 at 146-48 (explaining how the Windows Server product is distributed, while explicitly noting that ARR is not distributed in that way).). Because my conclusion on this issue does not hinge on the validity of Parallel Networks' statement, I will ignore that inconsistency and will assume Parallel Networks' assertion is correct.

of its websites. That Microsoft could reasonably have understood Parallel Networks'

infringement theory to refer solely to the operation of Micosoft's own website strongly

indicates that Parallel Networks' disclosure was inadequate.[5] Similarly, there is nothing

in the cited documents supporting the theory that Microsoft "distributed" the accused

product by making its separate components available to customers and instructing its

customers to configure the components in an infringing manner.

Because I cannot locate the newly described infringement theory anywhere in the

record prior to the pre-trial conference, I conclude that it is untimely and should be

excluded. As explained above, Parallel Networks was required to submit its final

infringement contentions no later than May 15, 2015. The attempt to introduce and

describe an infringement theory now, over 23 months after the deadline and with less

than a month to go before trial, is a dramatic departure from the scheduling order.

---

[5] Parallel Networks' expert, Dr. Mark Jones, elides the difference between Parallel Networks' various infringement theories by grouping all of the theories and products together in one mass statement: "Microsoft directly infringes based on its operation *and/or* sales of Windows Server (including IIS/ARR component), Microsoft Azure Web Apps, Bing, MSN, and Microsoft websites ... and SharePoint Server 2013; making of the accused products; and Microsoft's testing of the above products. (D.I. 398 Ex. 1 at 1 (emphasis added).) That statement, and statements like it throughout the report, does not explain which infringing action (operation or sale) applies to which accused product (Windows Server, SharePoint Server 2013, etc.). In its final infringement contentions, Parallel Networks is slightly more specific, alleging that Microsoft "codes, stores, and distributes [Windows Server and Client ([ARR]). (D.I. 398 Ex. 17 at 21.) But as explained above, that allegation is insufficient because it does not explain *how* Microsoft distributes the product. In fact, if one accepts Parallel Networks' claim that the "Windows Server" product contains Windows Server with ARR, then the natural reading of Parallel Networks' allegation would be that Microsoft distributes the Windows Server Product as a whole, with ARR included. That reading of the infringement contention, however, is at odds with the infringement theory at issue here.

Allowing Parallel Networks to assert this new theory would place a heavy and unfair

burden on Microsoft, which did not address the theory during discovery and would have

to prepare to meet it at the imminent trial. As a result, I will exercise my authority under

Rule 16 to strike Parallel Networks' new theory of direct infringement.[6]

B.   Microsoft Is Entitled to Summary Judgment of Non-Infringement

My conclusion that Parallel Networks did not adequately disclose its infringement

theory is dispositive on the point. But, even if I were not persuaded of the inadequacy of

the claimed disclosure, I would still exclude the theory by granting Microsoft's motion

for summary judgment.

In order to prove infringement, a plaintiff must show that "an accused product or

method meets every claim limitation[.]" *Pfizer, Inc. v. Teva Pharms., USA, Inc.*, 429

F.3d 1364, 1376 (Fed. Cir. 2005); *Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363

F.3d 1263, 1273 (Fed. Cir. 2004). "[I]t is not enough to simply show that a product is

capable of infringement; the patent owner must show evidence of specific instances of

direct infringement." *Fujitsu Ltd. v. Netgear Inc.*, 620 F.3d 1321 (Fed. Cir. 2010); *see*

also ACCO Brands, Inc. v. ABA Locks Mfrs. Co., Ltd., 501 F.3d 1307, 1313 (Fed. Cir.

2007) ("Because the accused device can be used at any given time in a noninfringing

manner, the accused device does not necessarily infringe the ... patent."). Based on that

law, Parallel Networks cannot succeed on its new direct infringement theory unless it can

---

[6] I also exercise my authority under Rule 26 to exclude Mr. Bone's supplemental
damages report, as it is inextricably linked to Parallel Networks' untimely infringement
theory.

prove that the Windows Server product[7] has "data representing sequences of instructions, which when executed by a computer system, cause said computer system to perform" each of the limitations contained in the asserted claims. (D.I. 398 Ex.2 at 133.)

Microsoft is entitled to summary judgment of no direct infringement because there is no dispute that the Windows Server software, as sold, does not have "data representing sequences of instructions" that, when executed, would perform each of the steps in the asserted claims. Instead, the Windows Server product, as stored on Microsoft's servers and as sold to Microsoft's customers, must be configured before it can be used. (D.I. 289 Ex. 9 at 30-31 ("[Y]ou have to prov[ide] a configuration for ARR.").) In order to configure the product, a user must indicate that he wants to use the load-balancing functionality, must select a load-balancing algorithm, and must provide a mapping between different servers/server groups and the various Web pages one is hosting. (D.I. 289 Ex. 8 at 10-11, 13; D.I 398 Ex. 5 at 8-9.) In effect, that means that the "sequences of instructions" included in the Windows Server product do not have the potential to perform each of the limitations in the asserted claims until they are supplemented with additional information or instructions from the user.[8] That means that the Windows

---

[7] For the purposes of this discussion, I adopt Parallel Networks' conception of the accused product. As a result, my discussion of the "Windows Server product" relates to the Windows Server software, with IIS and the ARR plug-in.

[8] Not all configurations of the Windows Server product would infringe the asserted claims. (*E.g.* D.I. 289 Ex. 8 at 32; Ex. 9 at 26-31; *see also* D.I. 398 Ex. 2 at 14-15 (acknowledging modular nature of IIS and AAR.).) As a result, even if I were to view "configuration" as an irrelevant step, akin to simply activating a pre-configured software module, *Finjan Inc. v. Secure Computing Corp.*, 626 F.3d 1197, 1205 (Fed. Cir. 2010), it appears that, based on the undisputed facts, Parallel Networks cannot prove that the

11

Server product, as stored on Microsoft's servers and sold to Microsoft's customers does

not infringe. *See Fantasy Sports Props. v. Sportsline.com*, 287 F.3d 1108, 1118 (Fed.

Cir. 2002) (concluding that a software product infringed a software claim because the

accused product contained all of the accused functionality off-the-shelf, as purchased).

While that is enough to defeat Parallel Networks' infringement theory, there is

another independent reason why the infringement theory fails: in order for the Windows

Server software to contain an infringing "sequence[] of instructions," a user must take the

additional steps of creating a dynamic Web page and at least two "page servers." ('554

Patent, Cl. 20. (requiring a "plurality of page servers") .)

Because Parallel Networks' new infringement claim fails as a matter of fact, I do

not need to address the flaws in its underlying legal theory. Nevertheless, I note that the

claim is questionable, even if my factual analysis were incorrect. Parallel Networks

asserts that a party directly infringes a patent simply by storing two component parts of

an infringing product. Parallel Networks further contends that a party can directly

infringe a patent if the party (1) sells a self-standing product that is also a component of

an infringing product and (2) makes available the second component of the infringing

product as an optional extension to the first component. Applied to the facts of this case,

Parallel Networks contends that Microsoft infringed the asserted claims by storing

(separately and in different locations) the Windows Server software and ARR plug-in on

its severs and by selling its Windows Server software to customers while also making its

optional ARR plug-in available for download.

Windows Server product necessarily infringes the asserted claims.

12

That infringement theory is problematic in light of the Supreme Court's decision

in *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 526-29 (1972). In that case,

the Supreme Court recognized that "if anything is settled in patent law, it is that …

patent[s] cover[] only the totality of the elements in the claim and that no element,

separately viewed, is within the grant." *Id.* at 528 (quoting *Aro Mfg. Co. v. Convertible

Top Replacement Co.*, 365 U.S. 336, 344 (1961)). The Court further explained that a

patent "does not cover the manufacture or sale of separate elements capable of being, but

never actually, associated to form the invention." *Id.* at 529 (quoting *Radio Corp. of

America v. Andrea*, 79 F.2d 626, 628 (2d Cir. 1935). *Deepsouth* is still good law. *Rotec

Indus., Inc. v. Mitsubishi Corp.*, 215 F.3d 1246, 1252 n.2 (Fed. Cir. 2000) ("*Deepsouth*

remains good law: one may not be held liable under § 271(a) for 'making' or 'selling'

less than a complete invention."). But contrary to the decision in *Deepsouth*, Parallel

Networks argues that Microsoft directly infringed the asserted claims even though, under

this theory, Microsoft did not assemble the software components into the accused

product.

In attempting to defend its infringement theory, Parallel Networks hangs its hat on

Paper Converting Machine Company v. Magna-Graphics Corp., 745 F.2d 11 (Fed. Cir.

1984). That case does not provide the support that Parallel Networks wishes it did. Most

importantly, the facts of *Paper Converting* are readily distinguishable from those at issue

here. The components under discussion in that case had no practical use on their own,

independent of the infringing product. In this case, however, there is no dispute that one

component of Microsoft's product (Windows Server with IIS) can be used in a non-

13

infringing manner, without using the other component (ARR). (*See* D.I. 398 Ex. 2 at 15 (explaining that ARR and IIS "work together" to engage in load balancing); *id.* at 6 (showing AAR deployed only on severs at Tier 1 and not Tiers 2 and 3 suggesting that ARR is an optional extension.); D.I. 398 Ex. 26 at 30-31 (discussing multiple possible server configurations, including non-infringing ones).)[9]

IV.   Conclusion

For the foregoing reasons I will grant Microsoft's motion to exclude the supplemental expert report of John R. Bone and its motion for summary judgment of no direct infringement by Windows Server (D.I. 389).

---

[9] In addition to being distinguishable on the facts, a basic assumption in *Paper Converting* may no longer hold. The Court relied in that case on the proposition that the holding in *Deepsouth* was "applicable only to the issue of extraterritorial effect of American patent law." 745 F.2d at 17. But the Federal Circuit has since seemed to indicate a broader interpretation of *Deepsouth*. *See Rotec Indus.*, 215 F.3d at 1252 ("In *Deepsouth,* the Supreme Court considered the related question of whether 'making' or 'selling' less than the complete invention in the United States constitutes an act of infringement under § 271(a). ... We discern no reason to hold that an 'offer to sell' under § 271(a) should be any different ... .").

14

Appx57

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

PARALLEL NETWORKS LICENSING,)
LLC,)
)
           Plaintiff,)
)   Civil Action No. 13-2073 (KAJ)
    v.)
)
MICROSOFT CORPORATION,)
)
          Defendant.)

ORDER

IT IS HEREBY ORDERED this 10th day of April, 2017 that,

1. Microsoft Corporation's Motion for Summary Judgment of No Direct Infringement by Windows Server (Docket Item 389), is hereby GRANTED, and,

2. Microsoft's Motion to Preclude (Exclude the Expert Report) of John R. Bone (D.I. 387), is hereby GRANTED.

Kent A. Jordan, Circuit Judge
sitting by designation

Wilmington, Delaware