

UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE PATENT TRIAL AND APPEAL BOARD

RPX CORPORATION Petitioner, v. VIRNETX INC. Patent Owner.	Case IPR2014-00171 Patent 6,502,135
RPX CORPORATION Petitioner, v. VIRNETX INC. Patent Owner.	Case IPR2014-00172 Patent 6,502,135
RPX CORPORATION Petitioner, v. VIRNETX INC. Patent Owner.	Case IPR2014-00173 Patent 7,490,151
RPX CORPORATION Petitioner, v. VIRNETX INC. Patent Owner.	Case IPR2014-00174 Patent 7,921,211
RPX CORPORATION Petitioner, v. VIRNETX INC. Patent Owner.	Case IPR2014-00175 Patent 7,921,211

(Caption continues on next page)

Wednesday, January 8, 2014

2:15 p.m. EST

Teleconference before the Patent Trial and Appeal Board

RPX Corporation Exhibit 1085
RPX Corporation v. VirnetX, Inc. et al.
Case IPR2014-00177

1 (Continued caption:)

2	RPX CORPORATION		
3	Petitioner,		
4	v.		Case IPR2014-00176
5	VIRNETX INC.		Patent 7,418,504
6	Patent Owner.		

6	RPX CORPORATION		
7	Petitioner,		
8	v.		Case IPR2014-00177
9	VIRNETX INC.		Patent 7,418,504
10	Patent Owner.		

9	APPLE INC.		
10	Petitioner,		
11	v.		Inter Partes Review
12	VIRNETX INC. AND SCIENCE		No. IPR2014-00237
13	APPLICATION INTERNATIONAL		
14	CORPORATION		Patent 8,504,697
15	Patent Owner.		

13	APPLE INC.		
14	Petitioner,		
15	v.		Inter Partes Review
16	VIRNETX INC. AND SCIENCE		No. IPR2014-00238
17	APPLICATION INTERNATIONAL		
18	CORPORATION		Patent 8,504,697
19	Patent Owner.		

20 Wednesday, January 8, 2014
21 2:15 p.m. EST

22 Teleconference before the Patent Trial and Appeal Board, the proceedings being recorded stenographically by Jonathan Wonnell, a Registered Professional Court Reporter (NCRA #835577) and Notary Public of the State of Minnesota, and transcribed under his direction.

1 A P P E A R A N C E S O F C O U N S E L

2 (All participants appearing by phone)

3

4 On behalf of the Patent Trial and Appeal

5 Board:

6 MICHAEL P. TIERNEY, ESQ., Administrative

7 Patent Judge

8 STEVEN C. SIU, ESQ., Administrative Law

9 Judge

10 KARL D. EASTHOM, ESQ., Administrative Law

11 Judge

12

13 On behalf of RPX Corporation:

14 OLIVER R. ASHE, JR., ESQ.

15 Ashe P.C.

16 11440 Isaac Newton Square North, Suite

17 210

18 Reston, Virginia 20190

19 (703) 467-9001

20 oashe@ashepc.com

21

22

1 A P P E A R A N C E S (Cont'd)

2

3 On behalf of Virnetx Inc.:

4 JOSEPH E. PALYS, ESQ.

5 ELLIOT C. COOK, ESQ.

6 Finnegan, Henderson, Farabow, Garrett &

7 Dunner, LLP

8 Two Freedom Square

9 11955 Freedom Drive

10 Reston, Virginia 20190-5675

11 (571) 203-2700

12 joseph.palys@finnegan.com

13 elliott.cook@finnegan.com

14 -- and --

15 NAVEEN MODI, ESQ.

16 Finnegan, Henderson, Farabow, Garrett &

17 Dunner, LLP

18 901 New York Avenue, N.W.

19 Washington, D.C. 20005

20 (202) 408-4000

21 naveen.modi@finnegan.com

22 -- and --

1 A P P E A R A N C E S (Cont'd)

2

3 On behalf of Virnetx Inc. (Cont'd):

4 JAMES D. STEIN, ESQ.

5 Finnegan, Henderson, Farabow, Garrett &

6 Dunner, LLP

7 3500 SunTrust Plaza

8 303 Peachtree Street, NW

9 Atlanta, Georgia 30308-3263

10 (404) 653-6400

11 james.stein@finnegan.com

12

13 On behalf of Apple Computers:

14 JEFFREY P. KUSHAN, ESQ.

15 JOSEPH A. MICALLEF, ESQ.

16 Sidley, Austin, Brown & Wood

17 1501 K Street, N.W, Suite 600

18 Washington, D.C. 20005

19 (202) 736-8000

20 jkushan@sidley.com

21 jmicallef@sidley.com

22 -- and --

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A P P E A R A N C E S (Cont'd)

On behalf of Apple Computers (Cont'd):

DAVID E. MELAUGH, ESQ.

Apple Inc.

1 Infinite Loop

Cupertino, California 95014

(408) 974-0761

ALSO PRESENT:

PHOEBE NGUYEN, Legal Administrator,

Ashe, P.C.

JONATHAN WONNELL, Court Reporter

1 P R O C E E D I N G S

2 (2:15 p.m. EST)

3 JUDGE TIERNEY: Judge Tierney on the
4 line. Is Judge Siu on the line?

5 JUDGE SIU: Yes. I'm on the line.

6 JUDGE TIERNEY: Welcome to the call. I
7 have Judge Easthom in my office so the panel is all
8 set. I'm going to start off with a brief roll call
9 and make sure that we have the parties on the line,
10 keeping in mind that we have -- in my understanding
11 we have RPX representatives, we're going to have
12 Apple representatives and Virnetx representatives.

13 I'm going to start with RPX. Is there a
14 representative from RPX on the phone today?

15 MR. ASHE: Yes. This the Oliver Ashe.

16 JUDGE TIERNEY: Welcome to the call.

17 MR. ASHE: Thank you.

18 JUDGE TIERNEY: Is there anyone else
19 with you today?

20 MR. ASHE: My assistant, Phoebe Nguyen.
21 Other than that, no.

22 JUDGE TIERNEY: Thank you. And then

1 we'll go -- the next one, the next petitioner, was
2 Apple. Do we have a representative from Apple
3 today?

4 MR. KUSHAN: Yes, Your Honor. This is
5 Jeff Kushan from Sidley Austin. I have with me Joe
6 Micallef, my partner, and I also believe David
7 Melaugh from Apple is on the phone.

8 JUDGE TIERNEY: What was the last name?

9 MR. KUSHAN: Melaugh, M-e-l-a-u-g-h.

10 JUDGE TIERNEY: And then lastly but not
11 least, Virnetx. Do we have a representative from
12 Virnetx here today?

13 MR. PALYS: Yes, Your Honor. It's
14 Joseph Palys with Finnegan Henderson for Virnetx.
15 And with me is Naveen Modi, Elliott Cook and James
16 Stein calling in from Atlanta.

17 JUDGE TIERNEY: Welcome to the phone
18 conference call today. For purposes of order going
19 on following the call, I'm just going to put on the
20 first named person that we had today rather than
21 have a complete list. But if you need a complete
22 list let me know right now.

1 Not hearing any objection we'll just go
2 ahead and we'll have Mr. Ashe, Kushan and Palys
3 listed as representatives for today along with
4 others and we'll just have others.

5 Starting off I did ask for this call
6 with the panel. We wanted to talk about the
7 scheduling. We did receive a couple e-mails
8 recently from the parties suggesting we broaden out
9 the purpose of the call.

10 The first point, though, I would like
11 to --

12 MR. PALYS: Your Honor, I really
13 apologize to interrupt you. I just want to let you
14 know that we have a court reporter on. I don't
15 know if he's identified himself.

16 JUDGE TIERNEY: Who is speaking, please?

17 MR. PALYS: Your Honor, this is Joseph
18 Palys. And I apologize for interrupting you. I
19 just wanted to make sure you're aware of that.

20 JUDGE TIERNEY: I was not aware. And in
21 the future could you please alert the panel before
22 we have the call?

1 MR. PALYS: Yes, sir. I apologize.

2 JUDGE TIERNEY: Not a problem. It makes
3 note taking a little bit easier, as you probably
4 understand.

5 MR. PALYS: I understand, sir. Sorry.

6 JUDGE TIERNEY: So since we do have a
7 court reporter you're aware we would want to have a
8 copy of the transcript filed as an exhibit?

9 MR. PALYS: Mm-hmm. Yes.

10 JUDGE TIERNEY: Okay. As long as we are
11 aware of that.

12 MR. ASHE: Your Honor, this is Oliver
13 Ashe. To the extent that we cover any material
14 that might be under the protective order or
15 relating to sealed materials, I think it would be
16 appropriate for that exhibit to also be subject to
17 that protective order.

18 JUDGE TIERNEY: Do we have any
19 objection?

20 MR. PALYS: No, Your Honor.

21 JUDGE TIERNEY: Okay. Not hearing any
22 objection, Mr. Palys, did you alert the other

1 parties that you were going to have a court
2 reporter today?

3 MR. PALYS: Yes.

4 JUDGE TIERNEY: Okay. I assume I'm
5 going to RPX and a representative from Apple. Any
6 objections?

7 MR. ASHE: Not from RPX, Your Honor.

8 MR. KUSHAN: Not from Apple.

9 JUDGE TIERNEY: Okay. I just want to
10 make sure since we do have -- I do recall the
11 motion to seal being brought in.

12 Okay. So we will proceed with the
13 understanding that the transcript to the extent of
14 if it's needed to be filed that it will be filed as
15 an exhibit. Provisionally have it under seal just
16 in case we cover anything. At the end of the call
17 I would recommend that the representatives from RPX
18 and Apple chime in, if they hear anything that they
19 believe should be under seal alert us so that we
20 don't accidentally have something going into a
21 transcript that is marked as public when it should
22 actually be marked as private.

1 Any comments on that before I begin?

2 Going to RPX?

3 MR. ASHE: No. We're fine with that,
4 Your Honor.

5 JUDGE TIERNEY: Any from Apple?

6 MR. KUSHAN: No. We're fine with that
7 procedure.

8 JUDGE TIERNEY: Virnetx?

9 MR. PALYS: No, Your Honor.

10 JUDGE TIERNEY: Okay. So the first
11 question we had today, I'm going to start off with
12 the question that was posed originally for the
13 conference call, which was scheduling. My
14 understanding -- I'm looking at the record -- was
15 RPX had filed their petitions November 20th and
16 then Apple had filed petitions to patents which
17 claimed benefit of certain patents that were
18 challenged in the RPX petitions.

19 Apple filings were filed on December 6th
20 of 2013. And the question we were wanting to pose
21 is should we put them on a -- the same or a similar
22 schedule going forward. And I wanted to pose that

1 question to the parties.

2 I will start with Virnetx. If you could
3 please give us your thoughts on this.

4 MR. PALYS: Yes, Your Honor. Thank you.
5 This is Joseph Palys for Virnetx. The issue
6 regarding the schedule actually dovetails into some
7 of the issues that we raised in our e-mail
8 regarding the real party in interest and privity.
9 We think that these issues actually affect the
10 schedule in some form.

11 And I was wondering if, some leeway with
12 the board, if we can get from a high level to
13 explain why that would affect that schedule I can
14 get into that.

15 JUDGE TIERNEY: Actually, the question
16 I've posed today is simply should they be on the
17 same schedule. And I understand you're going to
18 want to go and tell us what the schedule should be,
19 but from a high level point view, do you want to be
20 on the same schedule or not?

21 MR. PALYS: Okay. Sure, Your Honor.
22 With respect to the IPRs filed by Apple and the

1 IPRs filed by RPX, we don't think that they should
2 be on the same schedule. They have different
3 notice of filing dates. And, as you know, we have
4 nine IPR matters that we're dealing with.

5 So between those two sets of matters,
6 it's Virnetx's position that they should not be on
7 the same schedule.

8 JUDGE TIERNEY: And the rationale just
9 being because they were filed different dates?

10 MR. PALYS: They are different patents,
11 Your Honor. They address different issues.
12 They -- yes, one of the other reasons, they were
13 filed on different dates. They were filed by a
14 different party. And we think that these issues
15 coupled with -- a lot of it is some of the
16 variances between what these patents, which have
17 not been subject to any previous IPRs, were going
18 to require different issues.

19 Some of them there may be some overlap
20 there, Your Honor, but we don't think that warrants
21 that they be on the same schedule.

22 JUDGE TIERNEY: Go into overlap.

1 * * * * *

2 (At this point the court reporter's
3 phone dropped off the conference call. With the
4 Judge's permission the resulting 40 seconds of
5 missing proceedings are omitted from the
6 transcript.)

7 * * * * *

8 JUDGE TIERNEY: -- amount of overlap
9 between the two proceedings. For example, claim
10 constructions, specifications, understanding what
11 they mean, one of ordinary skill in the art, et
12 cetera, et cetera.

13 MR. PALYS: Yes. Well, there certainly
14 is overlap. We're not suggesting that there isn't
15 any overlap as far as they rely on the same
16 specifications from the same family. But there are
17 different claims, claim terms. We think that may
18 require -- introduce different claim constructions
19 that are not common to the other matter.

20 That's just to begin with. I apologize.
21 I'm looking through my notes right now, Your Honor.
22 So --

1 JUDGE TIERNEY: I'm just curious. For
2 consistency purposes, wouldn't you say that for
3 where there are common terms being used in the
4 claims, since they are going back through common
5 specifications for benefit, that we would want to
6 be consistent in our decisions to institute or to
7 not institute?

8 MR. PALYS: Yeah, go ahead. My partner,
9 Naveen Modi, wants to chime in, Your Honor.

10 MR. MODI: Your Honor, this is Naveen
11 Modi. Maybe I can address some of your questions.
12 I generally agree with you that obviously to the
13 extent claim terms are the same across these
14 patents they should be construed consistently. I
15 guess what we're trying to get at is that we don't
16 disagree with you that there's overlap.

17 We just think, you know, there are
18 obviously nine pending IPRs right now and we have
19 seven with RPX and two naming Apple. Just there's
20 a lot of volume, you know, a lot of material here.
21 And I think what we're trying to get is, the
22 issues, yes, they do overlap, but they are

1 different.

2 For example, the Apple IPRs raise a new
3 primary reference, Wesinger, Your Honor, that's not
4 part of the Apple IPRs. So from that perspective,
5 the issues are different. And that's what we were
6 getting at.

7 I don't know if -- you know, I guess
8 what does the board have in mind when you're saying
9 you wanted to align the schedules? And if you
10 could shed some light to that, that would be
11 helpful.

12 JUDGE TIERNEY: Understood. I can
13 clarify. We're looking at having potentially --
14 and this is why we wanted to talk to the parties
15 today -- basically the time for filing the patent
16 owner preliminary response should be filed on the
17 same date for all the proceedings as one option.
18 And we were contemplating to try and keep these
19 cases consistent in their analysis by the board,
20 and that's why we're having the discussion on this
21 point.

22 Maybe at this point maybe it's better if

1 we talked to RPX and Apple and see what their views
2 are also, because I think we have your views
3 understood unless there's something else you'd like
4 to say before we move on.

5 MR. PALYS: I think that's good, Your
6 Honor.

7 THE REPORTER: Judge Tierney, sorry to
8 interrupt. This is the court reporter. And my
9 phone cut out a little bit. I didn't want to
10 interrupt.

11 JUDGE TIERNEY: Okay. What would you
12 like to do?

13 THE REPORTER: I guess I'd leave that up
14 to you. There was about a two minute portion when
15 I was off the phone.

16 JUDGE TIERNEY: I think it's best we
17 just continue going forward instead of trying to
18 recapture everything, unless -- Mr. Palys, would
19 you like for the record to make any statement about
20 the last two minutes that may not have been
21 captured?

22 MR. PALYS: No. I think we can move on,

1 Your Honor.

2 THE REPORTER: Sorry about that.

3 JUDGE TIERNEY: Not a problem.

4 Apple, I'll begin with you. For
5 scheduling purposes, yours was filed I believe a
6 little bit later in time, December 6th. What are
7 your views on trying to have the same schedule for
8 patent owner preliminary response between the
9 two -- the two series of cases between Apple and
10 RPX's?

11 MR. KUSHAN: Thank you, Your Honor. Let
12 me -- so we generally are supportive of aligning
13 these proceedings and for some of the reasons
14 you've already foreshadowed. First, you know, the
15 disclosure that's being relied on for all these
16 patents is essentially the same part of the same
17 patent. They use similar or very similar concepts
18 and terms.

19 While there are individual references
20 that may be different among some of the petitions,
21 there is -- and each of the patents have been
22 challenged by three common references. Those are

1 the Aventail, Beser and Kiuchi references.

2 So there's a lot of overlap in the
3 patentability issues that are going to be presented
4 and considered in the proceeding based on those
5 three references. And it make a lot of sense in
6 our view to treat them as what they are, which is a
7 very closely related set of patents that are going
8 to present very similar patent issues.

9 I also think you should be aware that
10 there is a common expert used by both Apple and RPX
11 to support their various petitions. That's Mike
12 Fratto. And in fact in our view it would probably
13 be even appropriate in the context of these cases
14 to consider a joinder type of procedure for the
15 various proceedings given the similarity of the
16 different patents and the issues they present.

17 You might also want to think about
18 joinder in the sense that it would obviate some of
19 the questions that have been raised by the issue
20 that Virnetx is attempting to manufacture about
21 privity between Apple and RPX.

22 And finally, when it's appropriate to do

1 so, I want to bring your attention to the fact that
2 there are pending reexaminations involving the same
3 patents that are the subject of the RPX petitions
4 which you should have in mind, as well as the fact
5 that we have filed reconsideration motions or
6 hearing requests on petitions we filed on the same
7 four patents that are the subject of the RPX
8 petitions.

9 And so in our view those petitions we
10 filed last summer are essentially still on the
11 table for evaluation.

12 JUDGE TIERNEY: And correct me if I'm
13 wrong, but all those petitions were denied, that
14 they were not instituted, and the request for
15 hearing is to change those decisions from a
16 non-institute to an institute?

17 MR. KUSHAN: That is correct, Your
18 Honor.

19 JUDGE TIERNEY: So at this point in
20 time, we understand that the cases may not be
21 completely over, but for purposes of today the
22 status of the case is that there is not an

1 institution?

2 MR. KUSHAN: That's correct. They're
3 not instituted. You know, obviously we think that
4 there is a very strong basis for changing that
5 determination based on the circumstances of those
6 petitions which are presenting somewhat novel
7 questions under 315(b), the transition date for
8 implementing the AIA.

9 JUDGE TIERNEY: And I believe you're
10 familiar with at least some of the members on the
11 phone today are members of the panel on those
12 cases. The board is aware of the other IP reexams
13 and the other IPRs that were filed and the status
14 of them. Could you please give us some background
15 as to what you want us to do with this particular
16 information, though?

17 MR. KUSHAN: Sure. What we'd actually
18 like to see the board to consider is a motion to
19 transfer the reexamination proceedings over to the
20 board. And the reason for doing that is pretty
21 simple. Those reexams were filed back in August of
22 2011. Each of the four patents has been subjected

1 to rejections of all their claims for
2 unpatentability on a number of the grounds that are
3 the same as those raised in the RPX and our prior
4 petitions filed in the summer.

5 A big problem we faced is the
6 unpredictable delays in progressing those
7 proceedings to completion. And we think one big
8 reason why there have been delays is the conduct of
9 Virnetx in those cases. It may shock you to learn
10 that Virnetx to our count has filed more than 45
11 petitions in four proceedings, those four
12 reexamination proceedings. I have to tell you I've
13 never seen anything like this.

14 We have one of those proceedings sitting
15 waiting -- and this is the '151 patent -- which has
16 been sitting for over a year with no action. The
17 '135 patent has been sitting there since the summer
18 with no action, waiting for PTO action.

19 On the appeals that have actually
20 progressed or started on the other two patents,
21 Virnetx filed three consecutive extension of time
22 requests just to file their appeal brief.

1 JUDGE TIERNEY: I understand you're
2 saying that they may not be as diligent as you
3 would like. Please explain, though, why the board
4 would exercise its discretion to transfer the cases
5 and take jurisdiction. What would we then do?
6 Would we then proceed to administer the IP reexam
7 from the board but having board personnel do it?

8 MR. KUSHAN: Well, two thoughts. First,
9 you have the authority under 315(d) to transfer the
10 proceedings to the board. And the reason you might
11 do that is that they are addressing common
12 patentability issues to those raised in the
13 petitions filed by RPX. The same patents are the
14 subject of both the IP reexams and the concurrent
15 IP petitions.

16 The other variable that is relevant is
17 that the same -- many of the same patentability
18 issues are presented. There's certain issues in
19 the IP reexams that are not subject of the RPX or
20 earlier Apple petitions, but there are a
21 significant number of issues that overlap on the
22 same prior art or patentability grounds.

1 As far as how you might do that, it
2 seems appropriate to essentially put them onto the
3 footing of an IPR proceeding. That would make in
4 our view the most sense because that would allow
5 you to conduct those proceedings in line with the
6 schedule and the procedures you've already
7 established for IPR petitions.

8 I think the commonality of the
9 patentability issues that are presented in both the
10 IP reexams and in the IP petitions is the hook that
11 gives you the authority to move the cases over to
12 the board under 315(d).

13 And we obviously would be open to your
14 guidance for whether we would be asked to present
15 or narrow some of the issues to align to the issues
16 that would be presented in the IPR. You know, I
17 think you have, as you probably recognize, a fair
18 amount of discretion to proceed in multiple actions
19 or multiple activities involving the same patent
20 that are pending before the Office.

21 JUDGE TIERNEY: Well, the panel has
22 heard the concerns. At this point in time because

1 we have not instituted the cases we decline to
2 exercise jurisdiction and transfer the cases at
3 this point in time. Should we decide to institute
4 the cases, in particular the challenges that have
5 been brought forth in the petitions, we can revisit
6 the issue again during an initial conference call.

7 MR. KUSHAN: Your Honor, just very
8 briefly, this is kind of uncharted waters I think.
9 I don't think I've seen any activity by the panel
10 on a transfer issue. I've seen some activity
11 relating to consolidation issues. Would it be
12 appropriate for us to at least brief and present a
13 motion for transfer of these proceedings for your
14 consideration?

15 JUDGE TIERNEY: Well, I do have a court
16 reporter. I'll elucidate a little bit on the
17 reasoning so we can have it on the record as to why
18 we will not at this time exercise jurisdiction. We
19 have jurisdiction. Exercise it in such a manner to
20 transfer the cases to the board.

21 In particular at this point in time
22 we're early in the proceeding. We have not had the

1 opportunity -- again, this is before the
2 preliminary response has even come in from a patent
3 owner. While we have taken a brief review of the
4 petitions and the art filed, we have not given it
5 such an understanding at this point in time that it
6 would behoove us to go ahead and decide whether or
7 not to transfer because we do not want to transfer
8 a case to then go ahead, determine that there was
9 nothing to institute at all, and then have to
10 transfer it back and cause even further delay into
11 a record in which you at least allege that there
12 has been considerable delay in.

13 Now, if we go ahead and we were to
14 institute at that point in time we know that there
15 are grounds to challenge which we have found to be
16 at least a reasonable likelihood of prevailing on
17 by the petitioner.

18 Under that circumstance we may wish to
19 discuss with you or you may wish to discuss with us
20 whether it would be expedient and the efficient for
21 the office to go ahead and take the IP reexams
22 which you're telling us are similar in nature to

1 these up here -- at least there's some common
2 grounds -- and then go ahead and have a form of
3 proceeding where we go forward with both.

4 But again, if we were to transfer it up
5 here under a time where we did not institute and
6 then we have been to -- I would recommend at that
7 point to the panel that we would just be
8 transferring it right back, all of which would be
9 considered a delay in a proceeding which is already
10 delayed.

11 Any questions about that, starting with
12 of course Apple?

13 MR. KUSHAN: Sure, Your Honor. I think
14 the authority under 315(d) is not necessarily
15 contingent on there being -- well, let me start to
16 with the very first --

17 JUDGE TIERNEY: Let's back up. This is
18 Judge Tierney. I don't believe I said anything
19 about lacking authority to transfer or what would
20 happen should we deny institution. I have the
21 authority today under the rules of the statute
22 along with my panel members to transfer the case up

1 here.

2 What we're doing is exercising our
3 discretion and we decline to exercise our
4 discretion based on the facts presented.

5 MR. KUSHAN: Sure, Your Honor.

6 JUDGE TIERNEY: We are not contesting
7 your allegation that we have authority to do so
8 should we choose to do so of transferring it.

9 MR. KUSHAN: Sure. Then the only other
10 clarification I'd like to make is the commonality
11 of the issues. There are patentability grounds.
12 For example, lack of -- there are claims that are
13 anticipated over, for example, Aventail, Beser, you
14 know, those type of patentability grounds that are
15 presently the subject of rejections of the IP
16 reexams which I think correlate precisely to the
17 grounds that are set forth in the RPX petitions.

18 And so I just wanted to make sure you
19 appreciate that there's not a lot of daylight
20 between the patentability defects that have been
21 articulated and rejections in the reexamination
22 proceedings relative to the patentability issues

1 that have been framed for your review in these
2 petitions by RPX.

3 JUDGE TIERNEY: Understood. But, again,
4 we have not had -- as an office we have not had the
5 opportunity yet to review the patent owner
6 preliminary response should one be filed by
7 Virnetx.

8 Virnetx, do you have any questions or
9 concerns regarding our decision to not transfer at
10 this time?

11 MR. PALYS: No. We don't have any
12 concerns about your decision. Just that we
13 disagree with the representations about being
14 diligent. Other than that, no, Your Honor.

15 JUDGE TIERNEY: Understood. All right.
16 I'll go lastly, RPX, do you have any questions or
17 concerns about our decision at this time not to
18 exercise discretion and transfer the IP reexams to
19 the board?

20 MR. ASHE: No, Your Honor.

21 JUDGE TIERNEY: Apple, going back to
22 you, we had questions about the schedule and that's

1 where we started the conversation. I'd like to
2 continue on that discussion.

3 I believe you said in line with a
4 suggestion -- and I'm not suggesting that we do
5 align them. I'm just throwing it out as an idea.
6 But I believe what you're telling us is because of
7 the commonality of the cases and the issues, a
8 common expert, that it would be beneficial for the
9 cases to align the schedules between RPX's
10 challenges and those of Apple's in the petitions.
11 Have I summarized that properly?

12 MR. KUSHAN: Well, yes. And with one
13 other point, and that is we've seen situations
14 where the patents and issues are aligned closely as
15 they are here warranting actually something that
16 may be a step further which would be a joinder.
17 And that might be appropriate in this setting given
18 the commonality of issues, evidence, et cetera, to
19 make the proceedings really run coherently.

20 JUDGE TIERNEY: Understood. We do have
21 different patents under challenge here. To date
22 the board has not exercised discretion to try and

1 have a joinder between two distinct patents,
2 challenges to two different patents. Furthermore,
3 but I will point out it's a little bit premature to
4 discuss joinder at this time. I recognize that
5 it's something you may be requesting.

6 But it does say in the joinder -- I'm
7 pulling up 315(c). "If director institutes an
8 inter partes review, the director, in his or her
9 discretion, may join as a party to that inter
10 partes review." But the first part says "if the
11 director institutes an inter partes review." To
12 date we have not instituted an inter partes review.
13 Accordingly it would seem as though the time to
14 join would be once it's actually instituted.

15 MR. KUSHAN: Your Honor, I wanted to
16 alert you to the fact that last summer -- I think
17 it was Judge Medley -- had engaged that issue of
18 timing. I think the issue that's of interest here
19 is briefing relative to decision. And what she did
20 was in connection with a joinder issue at that
21 point before institution she had authorized
22 briefing on the joinder issue prior to institution

1 with the recognition, as you've just outlined, that
2 a decision would not occur until, you know, if
3 there were a first decision to institute the
4 trials.

5 And so given kind of the experience we
6 had with related cases earlier this summer, last
7 summer, I was putting that on the table as an issue
8 that would be efficient to brief and address prior
9 to your decision.

10 JUDGE TIERNEY: No. I'm aware of how
11 the case was handled and in particular the prior
12 briefing. At this time I don't know if we have
13 quite the need for a joinder given that they are --
14 the challenges here by Apple are addressing a
15 different set of patents than the RPX set.

16 I realize the commonality and that --
17 the challenges to the Virnetx patents raised by
18 Apple. Those Virnetx patents do seek benefit
19 through 35 U.S.C. 120 of those challenges and
20 petitions being brought by RPX. But at this time I
21 don't believe joinder is necessary to discuss.

22 But we can revisit this once we go ahead

1 and should we -- after a decision to institute.
2 Should we decide not to institute the issue would
3 be moot. So I think it's best to wait and to see
4 how we proceed with the case on institution, a
5 decision to whether or not we institute.

6 Any question, comment? I'll go to
7 Virnetx. Do you believe briefing would be best,
8 though, now to have on joinder or do you believe
9 that, consistent with what I've just stated, it
10 would be better to have -- once we actually have a
11 decision, to institute, because there's always a
12 possibility we don't institute and it would be
13 moot?

14 MR. PALYS: We agree with the board,
15 Your Honor.

16 JUDGE TIERNEY: RPX, any questions,
17 concerns?

18 MR. ASHE: I don't have any questions on
19 that point.

20 JUDGE TIERNEY: Okay. At this time we
21 will hold up on briefing joinder until a point in
22 time where if we institute we can revisit the

1 issue.

2 Again, the question was on scheduling.
3 I think we've addressed that with Apple and that
4 Apple would like to have this consistent schedule
5 for the time for filing a patent owner preliminary
6 response between the RPX cases and Apple.

7 Are there any questions? Again, we are
8 focusing on schedule. Mr. Kushan, are there any
9 questions before we move on to getting RPX's
10 viewpoints?

11 MR. KUSHAN: The only other question on
12 schedule would just -- we really want to make sure
13 that all of these proceedings move as expeditiously
14 as possible. I would note that Virnetx has already
15 filed preliminary patent owner statements in the
16 proceedings, petitions, that we filed last summer.
17 And it would seem hopefully that you could take
18 advantage of that fact to at least encourage them
19 to file their preliminary responses as promptly as
20 possible to --

21 JUDGE TIERNEY: Have you discussed with
22 your -- have you discussed with Virnetx and RPX

1 voluntarily going ahead and expediting things?

2 MR. KUSHAN: We have not. I mean, we
3 are open to that discussion and whether we can have
4 it -- I mean, we're obviously interested in getting
5 to as expeditious an outcome as possible.

6 JUDGE TIERNEY: Okay. At this time I
7 understand there's a desire to expedite. However,
8 given that the cases were filed -- basically one
9 case was only filed a month and two days ago -- I
10 think we need to have a little bit more information
11 before we go ahead and expedite.

12 So if you could talk amongst the
13 parties, if there's a belief that we still need to
14 expedite it and you're unable to come to an
15 arrangement, you can arrange for a conference call
16 at that time. But I think that's something we'll
17 pick up not necessarily today but in a future call,
18 because I think Virnetx will have a certain
19 viewpoint on whether or not they're expediting
20 further than the three months.

21 But let's go ahead and, Virnetx, to turn
22 back to you again for scheduling, I understand your

1 points. Do you have any comments you'd like to
2 make before we move on for the record on the
3 position that these cases should be expedited and
4 therefore having less than three months for the
5 patent owner's preliminary response?

6 MR. PALYS: No, Your Honor.

7 JUDGE TIERNEY: Okay. I'm going back.
8 So Apple, I've heard from you concerning the
9 question about aligning schedules. Now, we're
10 going to RPX.

11 Mr. Ashe, if you could give us a
12 viewpoint of RPX, whether the schedules should be
13 aligned between the two sets of cases.

14 MR. ASHE: Sure. Thank you, Your Honor.
15 I mean, from our perspective I think it makes sense
16 to synchronize the schedules. At some point it
17 would seem that the patent owner preliminary
18 response is a logical point for that, with the
19 assumption that what you have in mind is that once
20 the cases are instituted that there would also be a
21 synchronized schedule.

22 And I think that touches on some of the

1 issues regarding cross-examination of witnesses,
2 witness convenience, consistency in pleadings, et
3 cetera. I think it makes good sense.

4 JUDGE TIERNEY: Okay. Thank you. Now
5 the next question -- and we'll take it into
6 consideration -- would be the timing. For
7 simplicity, we would basically have -- from a
8 forward point of view I would be considering along
9 with my colleagues moving Apple's time, the time to
10 file a preliminary patent owner response, to the
11 three month date going from the earlier of the
12 filings which is on the -- November 20th.

13 So then the filing would be
14 due -- correct me if I'm wrong-- but February 20th
15 2013 for all patent owner preliminary responses for
16 all cases.

17 Virnetx, do you have any concerns if we
18 were to move them all to that date?

19 MR. PALYS: Yes, we do, Your Honor. And
20 briefly, first, from our understanding the notice
21 of filing dates were actually provided on the 6th
22 of December for the RPX filings and the 23rd of

1 December for the Apple ones. So it's our
2 understanding that three month date given in those
3 notices was actually March 6th and March 23rd
4 respectively.

5 At the bare minimum we are requesting at
6 least we get that time frame. But in terms of
7 consolidation we were hoping that it would actually
8 be the other way where you would move the seven RPX
9 matters to the same date as the Apple RPX.

10 I don't think it's -- there's no secret
11 here. We've got nine IPR matters to deal with and
12 notwithstanding the representations that we have
13 overlap and preliminary responses have already been
14 filed, it doesn't negate the fact that there are
15 some issues that warrant additional considerations.

16 And I won't go into those details unless
17 you want me to, Your Honor, about some of those
18 differences. But we feel that we would be severely
19 prejudiced if we're forced to move up our dates or
20 shorten the schedule for the preliminary response.

21 JUDGE TIERNEY: Correct my understanding
22 and walk me through this. Maybe I'm just -- the

1 RPX petitions and exhibits files along with them,
2 are they -- how different are they than the prior
3 challenges that were brought by New Bay Capital and
4 Apple?

5 MR. PALYS: Oh. The difference between
6 New Bay and the ones between RPX? Is that the
7 question, Your Honor?

8 JUDGE TIERNEY: Yes.

9 MR. PALYS: Yeah. I'll let Naveen
10 answer that.

11 MR. MODI: Your Honor, there are
12 obviously similarities, but they different. So the
13 RPX petitions -- I'll just give you some examples,
14 Your Honor. For instance, the RPX 171 and 173
15 petitions raised at least one new obviousness
16 combination. The 171 and 173 also -- actually,
17 there are at least two that I have notes.

18 JUDGE TIERNEY: Stepping back here, I
19 understand that there's some differences. How
20 extensive are the differences? Because I've looked
21 at them and I guess I gather that you've looked at
22 them in great detail. It appears that there's a

1 lot of similarity.

2 MR. MODI: Sure, Your Honor. Again, we
3 don't disagree there are similarities. But, for
4 example, the other differences that we are thinking
5 of are if you look at claim constructions. So what
6 happened was, as you're aware, when Virnetx filed
7 its preliminary responses we had responded and
8 provided claim constructions and arguments for
9 claim constructions to both the New Bay and Apple
10 petitions.

11 And what RPX has done is essentially in
12 its petitions it's responded to Virnetx's arguments
13 on those claim constructions. So there are -- a
14 lot of those arguments are new, Your Honor, and
15 they would require further consideration from us to
16 respond to those issues.

17 In addition, as you know there is a real
18 party in issue and privity issue that has taken a
19 lot of our time. And there has been intervening
20 holidays. As you know, Your Honor, we had
21 Thanksgiving and Christmas since these petitions
22 were filed.

1 So I feel all of those factors would --
2 it would really severely prejudice us if the board
3 was to order us to file all preliminary responses
4 by February 20th.

5 JUDGE TIERNEY: Understood. But going
6 back, I'm seeing quite a bit of similarities
7 between the petitions that RPX previously filed by
8 Apple and New Bay Capital. And so at least there's
9 going to be some -- it would seem a large amount of
10 efficiency gains -- since you've already been
11 familiar with the art, familiar with many of the
12 arguments, you are aware that the claim terms,
13 which you're now saying you need to do
14 reconstructions on.

15 But this is not new to Virnetx. This is
16 all things that you're very familiar with. So in
17 that sense I'm not seeing why we have to extend
18 time by a great deal to take up these cases.

19 MR. MODI: Your Honor, I understand and
20 appreciate your comments. I think what we're just
21 asking, Your Honor, as you can imagine, we do have
22 nine IPRs and the declarations also, Your Honor, I

1 know they're -- again, the declarations are
2 similar. But they are different in the sense --
3 for example, Mr. Fratto took the Kiuchi discussions
4 from the Housley declarations that were put in by
5 New Bay. And it's actually quite different.

6 So it does take time, as Your Honor can
7 appreciate, to go through these petitions and these
8 references. And given all the reexams we also
9 have -- we have over 20 co-pending proceedings,
10 Your Honor, that we're dealing with. And I
11 appreciate the board is trying to align these and
12 expedite them as much as possible. And we
13 certainly appreciate that and we'll do whatever we
14 can, Your Honor.

15 We just ask that -- you know, I feel
16 February 20th would really seriously prejudice us,
17 especially given, like I said, the real party in
18 interest and privity issues which hopefully the
19 board will let us address shortly.

20 So, you know, we're not opposed to, like
21 I said, alignment of some sort. It sounds like the
22 board is leaning towards that way. We would just

1 ask that we be given at least the three months.
2 And given the issues here, the real party in
3 interest and privity issue, we were hoping to
4 discuss those with you and then perhaps we can come
5 back to the schedules.

6 But at the end of the day we do
7 appreciate where you're coming from from a
8 similarity of the issues.

9 JUDGE TIERNEY: Okay. What I gather
10 from Virnetx very clearly -- I think they made out
11 a case as to February 20th may be extremely
12 difficult for them to meet. March 6th may be
13 somewhat difficult but at least it gives them the
14 extra couple weeks and will still give them
15 approximately two months from today's date.

16 We are cognizant that Apple has
17 requested we expedite. We have already denied the
18 request to transfer because we are concerned about
19 making sure these dates go on time. The board is
20 open to a March 6th date for synchronizing.

21 I'm going to go to Apple and then RPX
22 and then lastly we'll have Virnetx have the last

1 word on this. But starting with Apple, do you have
2 any concerns or questions about a March 6th date
3 for filing the patent owner preliminary responses?

4 MR. KUSHAN: Well, we start from your
5 perspective where you began, which is there's
6 really zero reason in our mind why they need more
7 time. They've had the issues on claim
8 construction, on prior art, on patentability
9 grounds not just since last summer but probably for
10 the last two and a half to three years.

11 And the number of issues that you
12 rightly identify, I would say the overlap between
13 the grounds that we've seen and our prior petitions
14 and those of New Bay is almost a hundred percent.
15 I mean, it seems -- I think at bottom all we're
16 hearing them say is they want to delay things as
17 long as possible.

18 If you look at their e-mail asking for
19 their issue to be addressed on the privity issue,
20 they basically want you to have an open-ended let
21 them file their preliminary opposition whenever you
22 resolve the privity issue.

1 This is -- it's just silly in our
2 view --

3 JUDGE TIERNEY: Let's watch the word
4 "silly," please.

5 MR. KUSHAN: I apologize for that. But
6 it's just -- we're at a point now where we can't
7 see a really legitimate reason why they should not
8 follow the schedule you started with, which was
9 February 20th. Obviously it's only a couple of
10 weeks and we would urge you to go with the most
11 aggressive schedule you can.

12 JUDGE TIERNEY: I did hear them point
13 out that because there are nine cases, that keeping
14 them consistent would be taking a little bit of
15 extra time and therefore March 6th was already a
16 difficult time for them to meet. And February
17 20th -- I got a sense of a large amount of concern
18 on their part that February 20th date may be very,
19 very difficult for them to meet.

20 So it wasn't just the fact that they
21 would find it convenient to try to delay the case.
22 I want to just point that out on the record. I

1 understand your concern that you would rather pick
2 the February 20th day over the March 6th.

3 Going to RPX, can I hear from you,
4 please?

5 MR. ASHE: Sure, Your Honor. In
6 principle we don't have a problem with the March
7 6th date. You know, I think that my answer,
8 though, is qualified for what might lie ahead in
9 this conference call in terms of what they want to
10 do in terms of further extending that date.

11 But in principle for where we're at
12 right now in the discussion, I think that RPX is
13 fine with a March 6th date for a synchronized
14 patent owner preliminary response date.

15 JUDGE TIERNEY: Okay. The panel has
16 conferred and the panel has selected the March 6th
17 date based upon the facts presented here. We
18 understand Apple's position that they would like it
19 even further expedited. But we are cognizant that
20 Virnetx has large concerns about meeting a February
21 20th date and that March 6th, while it would put
22 some pressure upon them to meet such a date, it

1 would be at least something they could meet without
2 having prejudice to their being able to submit the
3 preliminary responses.

4 So at this time we adopt the March 6th
5 date for the preliminary responses for all the
6 cases. That's both the RPX and the Apple cases.
7 They will be synchronized to a March 6th patent
8 owner preliminary response date.

9 I believe that takes care of the
10 scheduling issue. We've heard from Apple about
11 their transfer issue and the additional cases
12 within the office. I am aware, though, Virnetx did
13 request for the conference call today we discuss
14 the real party in interest issue. Unless there's
15 another issue I need to be aware of, we'll start
16 with that.

17 I'll turn to Apple and RPX. Is there
18 something I need to know before we turn to the real
19 party in interest issues? Apple?

20 MR. KUSHAN: No, Your Honor. We
21 obviously still want you to pay attention to the
22 motions for rehearing of the petitions which are on

1 the same patents as the RPX patents.

2 JUDGE TIERNEY: We understand the
3 concerns there before the office. They will be
4 decided in due course.

5 RPX, anything I need to know before we
6 turn it over to the real party in interest issue?

7 MR. ASHE: No, Your Honor.

8 JUDGE TIERNEY: Okay. Virnetx if you
9 could please -- you have requested that we discuss
10 the real party in interest issues and how it
11 effects the case. In particular it's directed
12 toward the RPX challenge, the RPX petitions and
13 their challenges. You have the floor. Please give
14 us the information you'd like us to know.

15 MR. PALYS: Thank you, Your Honor. This
16 is Joseph Pallys again. I think a brief history as
17 to the issues relating to these IPRs may be
18 instructive as we get into these issues.

19 I think it's public record that Virnetx
20 asserted these patents that are at issue in the RPX
21 IPRs against Apple in district court. And during
22 that litigation Apple sought, as the board knows,

1 multiple inter partes reexamination of the patents.
2 Others did as well. But it's also public record
3 that Apple was found to infringe these patents.

4 Following that determination Apple then
5 filed -- a brief history -- filed three IPRs. This
6 was in June of last year. Soon after, New Bay,
7 which was an unknown company that was recently
8 formed right before they filed their IPRs, they
9 filed four more IPRs on similar patents. Apple
10 followed suit with four more. So at that time, as
11 the board knows, we had 11 IPRs pending.

12 Those IPRs, again, as the board knows,
13 have been terminated. While that decision to
14 terminate was being considered, then pops up these
15 seven IPRs from RPX that were just filed.

16 With that backdrop, what we have here is
17 RPX in our view is the like the requester in In re
18 Guan, which is essentially a company that's
19 contracting with other companies to provide
20 defensive patent services on their behalf.

21 And we think -- well, before I go
22 further, Your Honor, I just want to make sure of

1 the protective order issue. I know we have -- we
2 discussed that in the beginning. But I'm going to
3 be getting into some of the issues that were filed
4 as RPX confidential.

5 We have Apple's counsel on the line. I
6 know that Virnetx -- our team has agreed to abide
7 by the protective order and obviously RPX has, but
8 I don't know if we have that assurance from Apple.
9 And I just want to be sensitive to RPX's
10 confidential information before we move forward.

11 JUDGE TIERNEY: We'll stop here. Apple,
12 do you agree to the default protective order for
13 purposes of this call? And certainly if you need
14 to change it you can go ahead and have a discussion
15 at a later date. But for purposes of this call we
16 would be adopting at least a default protective
17 order. Do you agree at this time or do we need to
18 take you off the call?

19 MR. KUSHAN: No. We agree to abide by
20 the terms of the default protective order.

21 JUDGE TIERNEY: Understood.

22 MR. MELAUGH: Do I need to drop off,

1 though? This is David Melaugh, in-house counsel of
2 Apple.

3 JUDGE TIERNEY: I would appreciate it if
4 you did.

5 MR. MELAUGH: I will then. Thank you
6 very much.

7 JUDGE TIERNEY: Is anyone else in-house
8 counsel that would not be subject to a protective
9 order or potentially subject to a protective order
10 that I need to be aware of? I'm going once, twice.
11 I need to know if there is anyone on the phone who
12 is not subject to a protective order. Speak up
13 now.

14 Hearing none, everyone on this phone is
15 subject to the protective order, the default
16 protective order. You may proceed, Mr. Palys.

17 MR. PALYS: Thank you, sir.

18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]

1 [REDACTED]

2 In a nutshell, RPX's business model --
3 and this is public information from their website
4 and represented in their petition -- their business
5 model is to provide defensive patent services on
6 behalf of its clients.

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 Now, I think it's clear just from our
21 discussion today and from the petitioners, there's
22 no mistaking -- even the board has recognized the

[REDACTED]

[REDACTED]

1 similarities between these petitions. You know,
2 while we think that there are differences in terms
3 of the scheduling and for purposes of --

4 JUDGE TIERNEY: Okay. Mr. Palys. Let's
5 clarify for the record, though.

6 MR. PALYS: Yeah.

7 JUDGE TIERNEY: The fact that there are
8 similarities between the petitions, quite often
9 when a party is seeking joinder they basically
10 photocopy a petition and file it. And in fact I've
11 seen your law firm do the same. So the fact that
12 there's similarities between petitions later filed
13 in time, I'm not sure where you're going with that.

14 MR. PALYS: Yeah, well -- I'm sorry,
15 Your Honor. Were you finished? I didn't mean to
16 interrupt.

17 JUDGE TIERNEY: Yeah, I am finished.
18 I'm just trying to figure out where we are going.

19 MR. PALYS: Yeah. I was getting there,
20 Your Honor. I wasn't suggesting just the fact that
21 there's similarities and that was the end deal. I
22 was working my way to the point.

1 So, yes, we have similarities between
 2 the patents and they closely parallel the
 3 petitions. But like -- there are some facts
 4 supporting the IPR privity issue that Virnetx is
 5 seeking. [REDACTED]

6 [REDACTED]
 7 [REDACTED]
 8 [REDACTED]
 9 [REDACTED]

10 And in In re Guan one of the interesting
 11 factors that was considered in that case was -- in
 12 Guan on page 7 it says "An entity named as a sole
 13 real party in interest may not receive a suggestion
 14 from another party that a particular patent should
 15 be the subject of a request for inter partes
 16 reexamination and be compensated for that."

17 The trial practice guides also provides
 18 guidance, as I'm sure the board knows, the relevant
 19 factors when considering real party in interest and
 20 privity issues, [REDACTED]
 21 [REDACTED]
 22 [REDACTED], or others, who may be in privity

1 with the petitioner and the petition, including the
2 nature and degree in involvement in the filing, and
3 the nature of the entity filing the petition, in
4 this case the relationship with RPX.

5 And the factors or the facts associated
6 with supporting these requests for getting into
7 investigations for real party in interest and
8 privity rely on these business models. RPX in its
9 website even says -- and this is public
10 information, Your Honor. They call themselves an
11 extension of in-house legal -- of the legal team,
12 of an in-house legal team.

13 They provide -- they say that they're a
14 trusted intermediary. These are all things that we
15 would obviously provide citations to if we are
16 given the opportunity to do so, Your Honor. [REDACTED]

17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]

6 And, again, as the board knows, there's
7 a 315(b) problem with Apple. So a long story short
8 is we believe that there's enough suggestion in the
9 record to support investigations and an inquiry
10 into this issue of real party in interest because
11 if, as we believe, there's a privity relationship
12 and/or a real party interest issue relating to
13 Apple, that that is a case-dispositive issue
14 which -- the last point here -- which brings me to
15 the scheduling issue, Your Honor, which I tried to
16 address in the beginning.

17 If these issues can be addressed before
18 we get to the preliminary response date it doesn't
19 put any burden on the board through the statute to
20 determining institution from the three month date
21 of that preliminary response date.

22 So I'll stop there. I mean, there's

1 many other details I want to get into, but I don't
2 want to hold the floor too long. And I invite
3 questions from the board on this.

4 JUDGE TIERNEY: Basically I'm still
5 trying to figure out the allegation. Is there an
6 allegation that Apple is controlling the
7 proceedings that RPX has filed, the petitions that
8 RPX filed?

9 MR. PALYS: Well, our request, Your
10 Honor, is -- it's not so much an allegation, I
11 guess. But our request is that the board issue an
12 order to show cause to RPX to show why they should
13 have these filing dates for these -- for their IPR
14 petitions from a privity and real party in interest
15 standpoint.

16 And in the alternative, if the board is
17 not inclined to do that, we seek leave for
18 additional discovery relating to these real party
19 and privity issues so we can, again, ask leave to
20 move for a motion to dismiss should the discovery
21 go that route.

22 The point here, Your Honor, in a

1 nutshell is we believe there is a privity issue, we
2 think the record shows this relationship. And
3 however we get there from in terms of getting
4 investigation and inquiry to these issues, whether
5 it's through an order to show cause or through its
6 additional discovery, we just want to make sure
7 that not only the board but also the parties fully
8 vet this issue because in our view it is case
9 dispositive.

10 When we get to this term of direction
11 and control, that's one factor to consider when
12 you're looking at real party in interest and
13 privity issues, as the board knows. But I think an
14 interesting point here is that while RPX has said
15 in their petition, look, we do things in our sole
16 discretion or maybe there's no direction or
17 control, there's some things which are missing from
18 the record which is what we're asking to get
19 further investigation into.

20 Having direction and control or sole
21 discretion is not the same as not receiving
22 suggestions from -- let's say suggestions or

1 assistance from Apple or Apple's counsel in terms
2 of drafts or arguments our even, in re: Guan, a
3 suggestion of the patents to pursue.

4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]

11 JUDGE TIERNEY: I --

12 MR. PALYS: Go ahead.

13 JUDGE TIERNEY: I appreciate you having
14 the floor. If you could take only one more minute,
15 though, and summarize before I move on.

16 MR. PALYS: Sure. I think -- well, I'll
17 just wrap it up and say that Virnetx respectfully
18 requests the opportunity -- either the board to
19 issue an order to show cause to get into these
20 related issues and/or in the alternative that we
21 get an opportunity to file a motion for additional
22 discovery.

1 We think the record -- the public
2 record, the record in these IPRs, support that.
3 And we would appreciate that consideration.

4 JUDGE TIERNEY: Okay. I'm going to turn
5 it over to RPX. But I would like to have RPX in
6 particular discuss the issues raised by Virnetx. I
7 would like to point out I would like to have an
8 explanation of page 3 of the petition. I'm looking
9 at the IPRs of 2014-00171 page 3.

10 A second full paragraph states "RPX has
11 exercised its sole discretion in deciding to file
12 the present petition." If you could elaborate upon
13 that. And it also says in the second sentence in
14 that paragraph, "RPX alone shall control" -- "RPX
15 alone shall control the participation of RPX at any
16 proceeding," et cetera.

17 And then the third sentence goes "RPX
18 alone is responsible for paying the cost of
19 preparing," et cetera, et cetera. So in each of
20 those instances it's using the term "RPX's sole
21 discretion" or "RPX alone."

22 Maybe you could elaborate upon those,

1 Mr. Ashe.

2 MR. ASHE: Okay. If I could start with
3 the issues that have been raised by Mr. Palys, I'll
4 address them briefly.

5 First of all, with regard to an order to
6 show cause, I'm not aware of any provision in the
7 rules that allow for that. Mr. Palys has outlined
8 basically what I would envision his patent owner's
9 preliminary response to be. And it sounds to me
10 that he believes he has all the evidence that he
11 needs to make the argument that he wants to make
12 and he's certainly entitled to do that.

13 RPX in its petition has stated its
14 explanation for why it's the sole real party in
15 interest and, you know, that would be the response
16 to an order to show cause. So I don't think that
17 there's procedurally any ground for that. I don't
18 think that it's going to substantively advance the
19 case.

20 With regard to discovery, again, I
21 understand the outline of his patent owner
22 preliminary response, but I haven't heard anything

1 outside of speculation as to why he thinks there's
2 any additional information that would be useful in
3 addressing this information.

4 It sounds like essentially a fishing
5 expedition and that's not sufficient to satisfy the
6 interest of justice standard for additional
7 discovery in these proceedings.

8 So with that, unless you have particular
9 questions with regard to those comments, I can move
10 on to the points that you'd like to address on
11 page 3 of the 171 petition.

12 JUDGE TIERNEY: Please move forward and
13 discuss the statements on page 3 and whether or not
14 they're correct.

15 MR. ASHE: Sure. Well, I believe that
16 they are correct. With regard to the sole
17 discretion in deciding to file the petitions,
18 control of the proceeding and the responsibility
19 for paying the costs of preparing it, it's my
20 understanding that all of those statements are
21 correct.

22 RPX is in the business of trying to

1 bring rational pricing to the patent marketplace
 2 and that involves a number of different activities.
 3 It involves licensing, defensive streamlining, et
 4 cetera. RPX also has a number of initiatives that
 5 I believe are natural, logical and legitimate
 6 outgrowths of its primary business purpose and that
 7 is, again, to bring rational pricing to the patent
 8 marketplace.

9 One of these initiatives is to identify
 10 patents that are basically -- pose a risk to that
 11 marketplace. And I think anybody following the
 12 public record, number one, would understand that
 13 these patents have been asserted against a number
 14 of different companies.

15 The arguments that are included in the
 16 RPX petition are a matter of public record. [REDACTED]

17 [REDACTED]
 18 [REDACTED]
 19 [REDACTED]
 20 [REDACTED]
 21 [REDACTED]
 22 [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 So RPX is responsible for any bills that
4 they incur, any expenses that they incur. That's
5 my explanation. But I'm certainly willing to
6 answer any questions that you have.

7 JUDGE TIERNEY: At this time the only --
8 it's not really a question. It just pointing out.
9 The rules do provide that the board may enter an
10 order as appropriate and should the board believe
11 an order of show cause be appropriate we could
12 exercise our authority and issue such an order.

13 The fact that we have such discretion,
14 though, notwithstanding, at this time the panel
15 does not believe an order to show cause would be
16 appropriate. We agree with the suggestion that the
17 issues raised by Virnetx could be raised in a
18 patent owner preliminary response.

19 I'm going to turn -- before I go on to
20 the additional discovery question that was raised
21 by Virnetx --

22 MR. ASHE: If --

1 JUDGE TIERNEY: -- I will -- yes?

2 MR. ASHE: If I could just -- on the
3 issue of them addressing this in the patent owner
4 preliminary response, to the extent that they do, I
5 would ask that RPX has an opportunity to file a
6 reply brief or a supplemental briefing --

7 JUDGE TIERNEY: To the extent it gets --
8 at this time I will not guess as to what they wish
9 to put in their patent owner preliminary response.
10 As soon as they put in something in the patent
11 owner preliminary response that you believe needs
12 to be addressed by RPX, you may raise it after
13 reading their patent owner preliminary response.

14 MR. ASHE: Okay. Thank you.

15 JUDGE TIERNEY: But I'm going to turn
16 over -- I will give Apple one moment to discuss if
17 they would like to do so the issue of additional
18 discovery on this issue, understanding that it may
19 or may not impact them.

20 MR. KUSHAN: Thank you, Your Honor. Our
21 stance on additional discovery is that they have --
22 that Virnetx has not articulated and set forth for

1 the board grounds that are sufficient to justify
2 the additional discovery.

3 You asked them point blank is there an
4 allegation that Apple is controlling the proceeding
5 and rather than suggesting there was they just
6 avoided that question which I take to be no. And
7 that I think disposes this entire issue.

8 But as to the discovery question, under
9 the standards we understand the board follows for
10 additional discovery, there has to be a
11 definiteness in the existence of the evidence
12 you're pursuing. It has to be shown to have -- not
13 be an issue that's duplicative or redundant to the
14 issues or evidence they already have and a number
15 of other criteria that are important to the
16 interests of justice standard. And under those
17 criteria I can't see how it would be justified
18 given what they have represented so far.

19 At the end of the day it's up to the
20 discretion of the board to authorize that discovery
21 and we'll comply with whatever your order is.

22 JUDGE TIERNEY: Virnetx, I will give you

1 the last word on this before the panel comes to a
2 decision.

3 MR. PALYS: Thank you, Your Honor. I'll
4 try to be brief. One thing I haven't heard from
5 the parties -- I know the question and I heard
6 Apple's counsel talk about direction and control.
7 I think as the board knows, that that is one
8 factor, but it's not just direction and control.
9 It's any assistance, any suggestions, any
10 assistance in that manner.

11 And one thing I haven't heard from the
12 parties as you asked, Your Honor, is whether RPX
13 has received any suggestions, assistance, drafts of
14 any kind from Apple or Apple's counsel. And I'm
15 wondering if we can get a representation from that.

16 JUDGE TIERNEY: Well, at this time they
17 were already a public record. Do you mean directly
18 from Apple or -- they could have achieved them
19 through the public record, because Apple had
20 already filed petitions.

21 MR. PALYS: Yeah. Outside the public
22 record, Your Honor. Through Apple or Apple's

1 counsel.

2 JUDGE TIERNEY: So are you saying did
3 they receive them directly from Apple and not going
4 onto our website or through some third source
5 publicly available material?

6 MR. PALYS: That's right, Your Honor.
7 Whether they received any assistance or suggestions
8 in the form of drafts of anything from Apple or
9 Apple's counsel directly, not from the PTO's
10 website.

11 JUDGE TIERNEY: I'm going direct
12 assistance. I want -- I need to make sure I'm
13 being very clear because they're asking a very
14 specific question.

15 I will go ahead and I'll open the floor.
16 RPX, to the extent you wish to answer the question
17 at this time, please do so. To the extent the
18 question is either a compound question or unclear,
19 please ask for clarification.

20 MR. ASHE: Thank you, Your Honor. I
21 think the question puts the cart before the horse.
22 It's a discovery question and our position is --

1 and I think it's confirmed by Virnetx's arguments
2 at the outset of this portion of the conference
3 call that they have all the information they need.
4 They have not identified any information that is
5 contradictory within the petition or within the
6 agreement.

7 So our position is that they're not
8 entitled to discovery and the purpose of this
9 conference call was to give them an avenue to
10 seeking discovery on the call. I think it's
11 inappropriate.

12 JUDGE TIERNEY: Okay. Apple, do you
13 have any question before we go ahead and make a
14 decision? Mr. Kushan, any comment before we go
15 ahead and make a decision on this?

16 MR. KUSHAN: Yes, Your Honor. Just very
17 briefly, first of all, I think equating Apple with
18 Apple's counsel is improper. You've already had
19 decisions, I believe, in the board which have
20 confirmed that sharing counsel among different
21 parties is not establishing a connection between
22 the parties.

1 And the second issue is I more or less
2 echo the comments from Mr. Ashe regarding the
3 timeliness of the question that's being presented
4 in this case.

5 JUDGE TIERNEY: At this point in time --

6 MR. PALYS: I think - I'm sorry, Your
7 Honor. It's Joe Palys. I apologize again. I just
8 wanted 30 seconds of your time just to respond to
9 that last comment, if that's okay.

10 JUDGE TIERNEY: Please do so.

11 MR. PALYS: One of the things -- I know
12 we're talking about the first factor in Garman with
13 additional discovery. One of the things that we
14 have come across which is one of the reasons why we
15 had some delay raising this issue was there's
16 metadata that's been involved with the Apple or the
17 RPX petitions.

18 If you go to the petitions that were
19 provided by or filed with the patent office in the
20 public record you will see metadata that provides a
21 link between RPX and Apple's counsel for these
22 documents.

1 And so we think -- I can get into
2 specifics about that. But we think that provides
3 us more than pure speculation whether -- this is
4 one factor again coupled with all the other factors
5 that we raised on this issue that there is --
6 worthy of additional -- at least additional
7 discovery in this matter.

8 JUDGE TIERNEY: At this point in time
9 the panel will take it under advisement. We'll be
10 back on the phone in approximately three minutes.
11 It's 4:21. Let's shoot for 4:25. I would like to
12 talk to my co-panelists to see how we would like to
13 proceed. We will be on the phone at 4:25. Thank
14 you, everyone. I am muting my phone now.

15 (Pause.)

16 JUDGE TIERNEY: This is Judges Tierney
17 and Easthom back on the line. Is Judge Siu back on
18 the line now?

19 JUDGE SIU: Yes, sir. I'm back on the
20 line.

21 JUDGE TIERNEY: Welcome back. The panel
22 has -- I'll just confirm. An RPX representative on

1 the line?

2 MR. ASHE: Yes. Here.

3 JUDGE TIERNEY: Apple representative on
4 the line?

5 MR. KUSHAN: Yes, Your Honor.

6 JUDGE TIERNEY: And Virnetx, you're
7 represented? Mr. Palys still on the line?

8 MR. PALYS: Yes, sir.

9 JUDGE TIERNEY: I ask that because once
10 I went off line and came back and I think I came
11 back a minute early and one counsel was aghast that
12 we had started talking and hadn't confirmed that he
13 was on the line.

14 So now that we are confirmed that
15 everyone is available, the panel has conferred and
16 come to the following conclusions. Based upon the
17 discussion today RPX has confirmed that the
18 statements made in its petitions are correct.

19 Specifically RPX has confirmed to the
20 board's satisfaction at this point in time that
21 they exercise sole discussion in deciding whether
22 to file the petitions. RPX again has confirmed

1 that they alone shall control the participation in
2 the proceeding, and RPX again has confirmed that
3 they alone are responsible for paying the cost of
4 preparing and filing the petitions and subsequent
5 costs in connection with the proceedings.

6 Based on their confirmation of the
7 statements in the petition, we decline at this
8 point to go ahead and authorize additional
9 discovery on the issue of the real party in
10 interest.

11 We, however, do note for the record that
12 should Virnetx wish to pursue the issue they are
13 free to pursue the issue in a patent owner
14 preliminary response based upon the evidence and
15 the facts that they have before them and we look
16 forward to seeing their arguments should they wish
17 to bring it to our attention in the form of a
18 patented owner preliminary response.

19 Having so ruled we do go to the parties
20 to see if they have any questions or concerns. We
21 will start right now with Virnetx. Do you have any
22 questions regarding our decision?

1 MR. PALYS: No, Your Honor.

2 JUDGE TIERNEY: Apple?

3 MR. KUSHAN: No, Your Honor.

4 JUDGE TIERNEY: RPX?

5 MR. ASHE: No, Your Honor.

6 JUDGE TIERNEY: Having ruled on that, I
7 believe that covered the issues that were brought
8 to our attention for the purposes of this call.
9 However it may have come to the parties' attention
10 that there may be additional issues. So before we
11 adjourn today I will go back to the parties to make
12 sure that there are no additional issues for
13 discussion.

14 I'll start with Virnetx. Are there any
15 additional issues today?

16 MR. PALYS: Your Honor.

17 JUDGE TIERNEY: Apple?

18 MR. KUSHAN: No, Your Honor.

19 JUDGE TIERNEY: And last but not least,
20 RPX, are there any additional issues we need to
21 discuss before we adjourn today?

22 MR. ASHE: Thank you. No, Your Honor.

1 JUDGE TIERNEY: It's been a little
2 longer conference call than I expected but at least
3 we covered quite a bit of ground today. Should any
4 issues arise please bring them to our attention.

5 We do look forward to receiving a copy
6 of the transcript. I just ask as a matter of form
7 approximately how long do you expect before a
8 transcript would be filed here? And I'm not asking
9 for it to be rushed. I'm just generally asking
10 what time frame do you expect to file one. And
11 please do file it under seal, given the information
12 we've been discussing today.

13 MR. PALYS: This is Joseph Palys. Hey,
14 Jon, can you let us know how fast you think you can
15 get it?

16 THE REPORTER: I could have it to you
17 Monday.

18 JUDGE TIERNEY: That is fine with us. I
19 was just inquiring for more informational purpose.
20 If you needed more time than that that's also
21 acceptable. We just wanted to know approximately
22 when to expect it.

1 MR. PALYS: Understood.

2 JUDGE TIERNEY: So do not in any way
3 feel rushed on getting the transcript in, but once
4 you do get it, you know, obviously sooner is better
5 than later, but I'm not asking you to expedite.
6 All right?

7 So are there any questions about filing
8 of the transcript that we need to discuss or are we
9 ready to adjourn? Mr. Palys? It's up to you.
10 Anything you need to --

11 MR. PALYS: No. Nothing further, Your
12 Honor.

13 JUDGE TIERNEY: All right. Well, thank
14 you. That adjourns our call for today. We'll have
15 an order commemorating it. But again, we do have a
16 transcript covering what we discussed today so the
17 order going out will be more a shorter form because
18 the information which we discussed is already
19 recorded via the transcript.

20 Thank you, everyone. We look forward to
21 going forward with this case. Should anything
22 arise, we look forward to talking to you again.

1 But until then we're adjourned. Thank you.

2 MR. KUSHAN: Thank you, Your Honor.

3 MR. PALYS: Thank you, Your Honor.

4 MR. ASHE: Thank you.

5 (Whereupon, the conference call ended at
6 4:30 p.m. EST.)

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CERTIFICATE OF REPORTER

I, Jonathan Wonnell, a Registered Professional Court Reporter (NCRA #835577) and Notary Public of the State of Minnesota, County of Hennepin, do hereby certify that the foregoing transcript is a true and accurate record of these proceedings; that said proceedings were taken in Stenotype note by me on the 8th day of January, 2014, commencing at 2:15 p.m. EST and ending at 4:30 p.m. EST.

I further certify that present on behalf of Party Virnetx were Joseph Palys, Esq., Naveen Modi, Esq., James Stein, Esq., and Elliott Cook, Esq., of Finnegan, Henderson, Farabow, Garrett & Dunner, LLP; on behalf of Party RPX Corporation was Oliver R. Ashe, Jr., Esq., of Ashe P.C.; and on behalf of Party Apple Inc. were Jeffrey Kushan, Esq., and Joseph A. Micallef, Esq., of Sidley Austin LLP, and Apple Inc. in-house counsel and David Melaugh, Esq.

I further certify that I am not related to, nor associated with any of the parties or their attorneys, nor do I have any disqualifying interest, personal or financial, in the actions within.

Dated this 9th day of January, 2014, in Hennepin County, Minnesota.

Jonathan Wonnell
Notary Public, Hennepin County, Minnesota
My Commission expires January 31, 2017

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