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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

NEW BAY CAPITAL, LLC
Petitioner

v.

VIRNETX INC.
Patent Owner

Case IPR2013-00378
Patent 7,921,211

**Patent Owner's Preliminary Response
to Petition for *Inter Partes* Review
of U.S. Patent No. 7,921,211**

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I. Introduction

Patent Owner VirnetX Inc. (“VirnetX” or “Patent Owner”) respectfully submits this Preliminary Response in accordance with 35 U.S.C. § 313 and 37 C.F.R. § 42.107, responding to the Petition for *Inter Partes* Review (Paper No. 4, the “Petition”) filed by New Bay Capital, LLC (“New Bay”).

This Petition is one of eleven *inter partes* reviews requested recently by Apple Inc. (“Apple”) and New Bay against VirnetX’s patents. Three of the *inter partes* review petitions challenge VirnetX’s U.S. Patent No. 7,921,211 (“the ’211 patent”).

New Bay’s Petition marks the seventh challenge to the validity of the ’211 patent. Apple and Cisco Systems, Inc. (“Cisco”) raised the first and second challenges to the ’211 patent in district court. Neither succeeded. The cases were tried before separate juries, and both juries upheld the validity of the asserted ’211 patent claims. (Ex. 2001, Jury Verdict Form Against Apple in *VirnetX Inc. v. Apple Inc.*, Case No. 6:10-CV-417 (E.D. Tex. Nov. 6, 2012) (“the ’417 Litigation”); Ex. 2002, Jury Verdict Form as to Cisco in the ’417 Litigation (E.D. Tex. Mar. 14, 2012). The court later entered judgments upholding the validity of the ’211 patent. (Ex. 2003, Final Judgment Against Apple in the ’417 Litigation (E.D. Tex. Feb. 28, 2013); Ex. 2004, Final Judgment as to Cisco in the ’417 Litigation (E.D. Tex. Mar. 19, 2013).)

In the third and fourth challenges, Apple and Cisco each requested *inter partes* reexamination of the '211 patent (Control Nos. 95/001,856 and 95/001,789). Those reexaminations are ongoing.

New Bay's Petition represents the fifth challenge to the '211 patent. Apple recently sought the sixth and seventh challenges to the '211 patent by filing two *inter partes* review petitions.¹ (See Case Nos. IPR2013-00397, "the '397 petition," and IPR2013-00398, "the '398 petition"). Apple's petitions are pending but not instituted. Accordingly, New Bay's Petition is now one of the five pending post-grant challenges before the Office concerning the '211 patent (two reexaminations and three *inter partes* review petitions).

These proceedings are largely duplicative of one another, and instituting New Bay's *inter partes* review will only serve to duplicate efforts already undertaken in litigation and in pending reexamination of the '211 patent. Indeed, each of New Bay's proposed rejections is based solely on *Kiuchi*. *Kiuchi* is also asserted in the Cisco reexamination (Control No. 95/001,856). Further, in the '417 Litigation, Apple's primary invalidity theory—and the only theory it elected to

¹ New Bay's Petition should also not be joined with Apple's petitions for the '211 patent, if instituted, for the reasons discussed in VirnetX's Opposition to Apple's Motion for Joinder, filed August 28, 2013, in matters IPR2013-00397 and -00398.

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