

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

THE MANGROVE PARTNERS MASTER FUND, LTD, APPPLE, INC.,
and BLACK SWAMP IP, LLC,
Petitioners,

v.

VIRNETX, INC.,
Patent Owner.

IPR2015-01046 (Patent 6,502,135 B1)
IPR2015-01047 (Patent 7,490,151 B2)

Record of Oral Hearing
Held: January 24, 2020

Before MICHAEL P. TIERNEY, *Vice Chief Administrative Patent Judge*,
and KARL D. EASTHOM and JASON W. MELVIN, *Administrative Patent Judges*.

IPR2015-01046 (Patent 6,502,135 B1)

IPR2015-01047 (Patent 7,490,151 B2)

APPEARANCES:

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The above-entitled matter came on for hearing Friday, January 24, 2020, at 10:00 a.m., at the U.S. Patent and Trademark Office, 600 Dulany Street, Alexandria, Virginia.

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1 PROCEEDINGS

2 THE USHER: All rise.

3 JUDGE TIERNEY: You may be seated.

4 All right. Welcome everyone. This is a hearing for IPR 2015-01046
5 and -01047.

6 If we could have Petitioner introduce themselves today?

7 MR. KUSHAN: Good morning, Yours Honors. Jeff Kushan from
8 Sidley on behalf of Apple and with me is Sam Dillon from our firm.

9 MR. BAILEY: Jim Bailey. Law Office of James T. Bailey on behalf
10 of the Petitioner, Mangrove.

11 JUDGE TIERNEY: Welcome to the hearing.

12 Patent Owner, could you introduce yourself and your colleagues?

13 MR. PALYS: Good morning, Your Honors. Joseph Palys for
14 VirnetX. I'm joined with my colleagues Dan Zeilberger and Naveen Modi.

15 JUDGE TIERNEY: Welcome to the hearing.

16 MR. PALYS: Thank you.

17 JUDGE TIERNEY: So it's my understanding that each side will have
18 60 minutes today for total presentation time. Any objections from either
19 side?

20 MR. PALYS: None from Patent Owner.

21 MR. KUSHAN: No, Your Honor.

22 JUDGE TIERNEY: All right. Thank you. We'll begin today with
23 Petitioner presenting their case and then we'll go to Patent Owner followed
24 by rebuttal and surrebuttal. Each party may reserve an amount of time. No
25 more than half their time may be reserved for rebuttal.

26 Are there any issues we need to take up before we begin today? I'll

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1 start with Patent Owner. Do you have any issues you wish to address?

2 MR. PALYS: No, Your Honor.

3 JUDGE TIERNEY: All right. Petitioner, any issues?

4 MR. KUSHAN: No, Your Honor.

5 JUDGE TIERNEY: Then I say we begin.

6 And Petitioner, if you'll let me know about how much time would you
7 like to --

8 MR. KUSHAN: If we could reserve 40 minutes for the opening and
9 the balance for rebuttal. Also, my colleague would like to handout some
10 copies of demonstratives.

11 JUDGE TIERNEY: Thank you. We'd appreciate it.

12 MR. KUSHAN: Good morning, Your Honors. Jeff Kushan again. I
13 have been designated by the Petitioner to present the views of the Petitioners
14 on the patentability issues. I'm also going to make a brief observation on the
15 IPR privity issue in my opening, but Mr. Bailey will be addressing any
16 issues or questions that you have regarding that topic and I'll also address in
17 rebuttal any issues that VirnetX has raised on the RPI issue.

18 One other housekeeping point in our mandatory notices we updated.
19 We just wanted to bring to your attention there was a decision this week
20 from the federal circuit affirming a PTO decision. The only thing I want to
21 note about that, that was *VirnetX v. Cisco Systems*, Decision 2019-1043.
22 And just to point out that in that proceeding it was a Rule 36. There was no
23 decision, but if you look in the briefing you can see that the question of
24 whether Kiuchi anticipates or renders obvious the claims of that patent
25 which involved a VPN element was addressed in that briefing and I don't
26 know what you can draw from it, but I would like to just bring that to your

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1 attention. As it should, the federal circuit has affirmed, at least in one
2 instance, a patentability/unpatentability finding on the PTO over Kiuchi.

3 Now, in our petitions, Petitioners presented challenges based on two
4 mappings of the claims to the Kiuchi reference and the reason we did that
5 was that the claims were open-ended and they defined the terms of the
6 elements of the claims in a general way, so that causes those claims to cover
7 various aspects of the Kiuchi system and that's why we have a presentation
8 that talks about the two mappings that we've employed.

9 What I'd like to do is start with the user agent mapping. This is where
10 the user agent in Kiuchi is the client. The other mapping I'll take up second
11 and that's where the client proxy of the Kiuchi system is the client. There's
12 no dispute that the Kiuchi user agent is a client, so the disputes in that case
13 focus on other issues. I'm going to take up the '151 Patent first. The main
14 issue in dispute in the '151 Patent under this mapping is whether Kiuchi
15 discloses the DNS proxy element of the claims.

16 Now, it does. If you would put up Slide 45? This is the '151 claims
17 that are at issue. There's additional claims, but one of the things we pointed
18 out in the petition is that the client side proxy works in concert with the C-
19 HTTP, the name server, of the Kiuchi system to perform this determining
20 step that's required by the claims. It receives a DNS request containing a
21 URL, it asks the C-HTTP name server if it can communicate with the host in
22 the URL. Based on the information it receives, the client side proxy takes
23 different actions and we think that definitely shows it's performing the
24 determining step as it's laid out in the claims.

25 Slide 48, please? And that's entirely consistent, that distributed way
26 of making that determination is entirely consistent with their patent. Their

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