Paper No. _____
Filed: May 21, 2020

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

THE MANGROVE PARTNERS MASTER FUND, LTD. and APPLE INC.,
Petitioner

v.

VIRNETX INC.,
Patent Owner

Case IPR2015-01046[1]
Patent 6,502,135

Patent Owner's Responsive Brief Addressing Whether the Board Should Maintain Application of the General Order to This Proceeding

[1] Apple Inc., who filed a petition in IPR2016-00062, has been joined as a Petitioner in the instant proceeding.

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The Chief Judge properly exercised his discretion in staying this case, among others, pending potential Supreme Court review in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019). Paper 106 ("General Order") at 1-2. VirnetX has raised an Appointments Clause challenge to a Board discovery order issued before the Federal Circuit decided *Arthrex*, when the panel members were unconstitutionally appointed principal officers. *See* Paper 92. Under *Arthrex*, that order was invalid; it must be vacated and reconsidered by a new, properly appointed panel. The Supreme Court, however, may provide guidance that further clarifies the law or counsels a different approach. Awaiting review in *Arthrex* thus may avoid the risk of a costly do-over (either now or following a later appeal).

Petitioners err in urging that *Arthrex* applies only to final written decisions. Because "APJs are unconstitutionally appointed principal officers …, vacatur [is] appropriate for ***all agency actions*** rendered by those APJs," including the discovery order here. *VirnetX Inc. v. Cisco Sys., Inc.*, --- F.3d ----, No. 2019-1671, 2020 WL 2462797, at *1 (Fed. Cir. May 13, 2020) (emphasis added). Petitioners' arguments that VirnetX's Appointments Clause challenge is waived and foreclosed by the mandate rule are themselves waived and meritless. Petitioners did not argue waiver or the mandate rule when VirnetX challenged the discovery order. That order also issued ***after*** remand from the prior appeal in this case—VirnetX could not have challenged it in that appeal. And whether Appointments Clause claims are waivable

is before the Supreme Court on certiorari. That alone justifies a stay.

One Petitioner—Apple—claims that the stay will cause it prejudice in infringement litigation. But Apple unsuccessfully pressed the same invalidity arguments in both district court and the Federal Circuit, and was (improperly) joined to this proceeding. Apple cannot credibly claim any prejudice.

I. Background

In 2010, VirnetX sued Apple for infringement of the '135 and '151 patents. Apple challenged the patents as invalid in light of Kiuchi, the reference at issue here. The district court upheld the patents, and the Federal Circuit affirmed. *VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308, 1313, 1315, 1323-1324 (Fed. Cir. 2014).

In June 2013, Apple filed multiple IPR petitions challenging the patents: IPR2013-00348, -00349, and -00354. The Board denied them as time-barred. In November 2013, RPX Corporation ("RPX") filed three more petitions against the same patents: IPR2014-00171, -00172, and -00173. After VirnetX showed Apple was using RPX as a proxy, the Board denied those petitions as time-barred too.

In April 2015, The Mangrove Partners Master Fund, Ltd. ("Mangrove") initiated these proceedings. VirnetX uncovered a connection between Mangrove and RPX, but the Board refused discovery. It then found the claims unpatentable. On appeal, the Federal Circuit vacated the Board's unpatentability findings. It also held the Board erred in refusing discovery. *VirnetX Inc. v. Mangrove Partners*

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