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                    THE UNITED STATES DISTRICT COURT
                   FOR THE EASTERN DISTRICT OF TEXAS
                             TYLER DIVISION
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     VIRNETX, INC.
                                      DOCKET NO. 6:10cv417
5
          -vs-
 6
                                      Tyler, Texas
                                      9:00 a.m.
     CISCO SYSTEMS, INC., ET AL
7
                                  ) January 5, 2012
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                     TRANSCRIPT OF MARKMAN HEARING
                  BEFORE THE HONORABLE LEONARD DAVIS,
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                      UNITED STATES DISTRICT JUDGE
                         A P P E A R A N C E S
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              (SEE SIGN-IN SHEETS DOCKETED IN THIS CASE.)
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21
     COURT REPORTER:
                             MS. SHEA SLOAN
22
                             211 West Ferguson
                             Tyler, Texas 75702
23
     Proceedings taken by Machine Stenotype; transcript was
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- 1 the addressing scheme that is used to achieve a virtual
- 2 private network.
- 3 Because, Your Honor, there was no disclaimer of an
- 4 indirect communication here, because this was in the context
- 5 of an explanation to the Patent Office why Aventail is not a
- 6 virtual private network, there was no change of the claim
- 7 terms. There was no change in the specification. This is not
- 8 a portion of the prosecution history that amounts to any kind
- 9 of unequivocal disclaimer. But it certainly is not any kind
- 10 of suggestion that a break in the directness of a
- 11 electromechanical connection from one wire to computer to
- 12 computer to the actual reality of modern networks is utterly
- 13 unwarranted.
- 14 THE COURT: Okay. Thank you.
- Response, Mr. Desmarais?
- 16 MR. DESMARAIS: Yes, Your Honor. Thank you. Let me
- 17 just start right out and say that is not what we are arguing.
- 18 We are not arguing it has to be one wire, and we are not
- 19 arguing it has to be an electromechanical connection. Not at
- 20 all. These products go over the network, and we are not
- 21 disputing that.
- 22 What we are arguing is exactly what they said to the
- 23 Patent Office, so let me show you that.
- 24 Slide 23, please.
- 25 After Your Honor's patent order, the Patent Office



- 1 rejected all the claims on the '135 and '180 patents. Those
- 2 patents were dead on arrival. They were rejected over this
- 3 Aventail reference, which I have shown a picture of here on
- 4 Slide 23.
- 5 VirnetX, if they wanted to get these patents out of
- 6 the Patent Office, had to distinguish their VPN from what you
- 7 see in that picture. That is what they did, and they did it
- 8 unequivocally.
- 9 If you look on Slide 24, this is what VirnetX said
- 10 to the Patent Office to get these patents issued. Third,
- 11 Aventail has not been shown to disclose a VPN because
- 12 computers connected according to Aventail do not communicate
- 13 directly with each other.
- 14 And if you look at the picture down below, Your
- 15 Honor, before we go on, it is not the Internet cloud in
- 16 between the target and the client that we are talking about.
- 17 It is that server that I made yellow. Okay. So we are not
- 18 saying that these products don't go over the Internet. Of
- 19 course, they do.
- 20 Let's look at what VirnetX said they meant by
- 21 directly. They said -- and we can jump down to the yellowed,
- 22 red-underlined part. "All communications between the client
- 23 and target stop and start at the intermediate SOCKS server."
- 24 That is the one I colored yellow in the photo $\operatorname{--}$ in the
- 25 picture.



- 1 The client cannot open a connection with the target
- 2 itself. Therefore, one skilled in the art would not have
- 3 considered the client and target to be virtually on the same
- 4 private network. Instead, the client computer and target
- 5 computer are deliberately separated by an intermediate SOCKS
- 6 server. There is a huge difference between what happens in
- 7 the Internet and a terminating server.
- 8 In the Internet -- the Internet is connected -- and
- 9 I am going to show you some photos of that -- some diagrams of
- 10 that -- by a bunch of routers that just take in a packet and
- 11 send a packet out. A server actually receives a communication
- 12 and processes it. It is two very different functions.
- 13 THE COURT: But are you saying that the firewall or
- 14 routers or switches would be included?
- 15 MR. DESMARAIS: I can show you exactly if we look at
- 16 Slide 28, please.
- 17 THE COURT: Would that prevent a direct
- 18 communication?
- 19 MR. DESMARAIS: Not the Internet, not routers, not
- 20 things that are -- if you look at Slide 28 we can sort of talk
- 21 about it more concretely.
- 22 If you look at Slide 28, what VirnetX told the
- 23 Patent Office is, in fact, entirely consistent with what they
- 24 show in their patent. So the top two figures here on Slide
- 25 28, Your Honor, are from the patent; and the bottom figure is



- 1 from Aventail, the prior art. So you see in that figure on
- 2 the top left where I colored it in yellow, those are all
- 3 Internet routers.
- 4 And you see the VirnetX box 100 at the top left is
- 5 the client set and the box 110 at the bottom right is the
- 6 target set. So you see the client and the target are the only
- 7 two computer-type apparatuses in between the Internet. So the
- 8 client calls up the target. They certainly use the Internet
- 9 and they get routed across the Internet. But coming out of
- 10 the Internet on the other side is the target. There is not an
- 11 intermediate server that the client had targeted. Instead,
- 12 they target the target computer. That is the difference --
- 13 THE COURT: Are you talking about an intermediate
- 14 server that does something?
- 15 MR. DESMARAIS: Exactly. Yes. So, for instance,
- 16 let me give you an example. I am a client, and I want to call
- 17 Mr. Williams. If I send a message to Your Honor and I say --
- 18 I call you up, I transfer the message to you, and then you get
- 19 the message, you open it, you process it, and you decide I'm
- 20 going to send it to Mr. Williams, then I have opened up a
- 21 communication with you. It goes to Mr. Williams, but I opened
- 22 up the communication to you.
- 23 If I am sending a communication to Mr. Williams, it
- 24 is addressed to Mr. Williams and I send it and all you do is
- 25 grab it and give it to him and don't do anything to it, then



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