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Paper 88
Entered: October 23, 2019

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
Patent 6,502,135 B1

THE MANGROVE PARTNERS MASTER FUND, LTD., APPLE INC., and BLACK SWAMP IP, LLC,
Petitioner,
v.
VIRNETX INC.,
Patent Owner.
Case IPR2015-01047
Patent 7,490,151 B2

Before MICHAEL P. TIERNEY, *Vice Chief Administrative Patent Judge*, KARL D. EASTHOM and STEPHEN C. SIU, *Administrative Patent Judges*.

EASTHOM, *Administrative Patent Judge*.

DECISION
Granting In Part Patent Owner's Motion for Additional Discovery
37 C.F.R. §§ 42.20 and 42.51(b)(2)

I. INTRODUCTION

Pursuant to the Remand Schedule and Discovery Motion Order (Paper 80, "Order"), VirnetX Inc. ("VirnetX" or "Patent Owner") filed a Motion for Additional Discovery (Paper 81, "Motion" or "Mot."). [1] In IPR2015-01046, the Mangrove Partners Master Fund, Ltd. ("Mangrove") and Apple Inc. ("Apple") (collectively "Petitioner"), filed a "Partial Opposition to Patent Owner's Motion for Additional Discovery." [2] Paper 82 (unredacted "Opposition" or "Opp."). Patent Owner filed a Reply to Petitioner's Opposition to Patent Owner's Discovery Motion. Paper 85 ("Disc. Reply"). As noted, regarding discovery, Mangrove, Apple, and Black Swamp, LLC (also collectively "Petitioner") filed materially similar papers and exhibits in IPR2015-01047. *Supra* notes 1, 2; IPR2015-0147, Papers 90–92 & 94.

In IPR2015-01046, in a Petition filed on April 14, 2015, Petitioner Mangrove requested *inter partes* review of claims 1, 3, 4, 7, 8, 10, and 12 of U.S. Patent No. 6,502,135 B1 ("the '135 patent"). After instituting review on October 7, 2015 (Paper 11 ("Institution Decision")), the Board joined Apple on January 25, 2016 (*supra* note 2) and thereafter conducted a trial and issued a Final Written Decision, holding claims 1, 2, 6–8, and 12–14 of the '135 patent unpatentable. *See* IPR2015-01046, Paper 71.

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[1] Unless otherwise noted, citations refer to IPR2015-01046. The parties raised identical discovery issues and filed materially similar papers in both cases. This Order applies to both cases.

[2] Apple filed a petition on October 26, 2015 in IPR2016-00062, and the Board joined it as a party in IPR2015-01046 on January 25, 2016. Apple Inc. and Black Swamp, LLC, respectively filed a petition in IPR2016-00063 on October 26, 2015 and in IPR2016-00167 on November 6, 2015, and the Board joined them as parties in IPR2015-01047, respectively on January 25, 2016 and February 4, 2016.

Similarly, in IPR2015-01047, in a Petition filed on April 14, 2015, Petitioner Mangrove requested *inter partes* review of claims 1, 2, 6–8, and 12–14 of U.S. Patent No. 7,490,151 B2 ("the '151 patent"). After instituting review on October 7, 2015 ("Institution Decision"), the Board joined Apple on January 25, 2016 and Black Swamp, LLC on February 4, 2016 (*supra* note 2), and thereafter conducted a trial and issued a Final Written Decision, holding claims 1, 2, 6–8, and 12–14 of the '151 patent unpatentable. *See* IPR2015-01047, Paper 80.

Patent Owner appealed the Final Written Decisions. Pursuant to the appeals, the United States Court of Appeals for the Federal Circuit issued a decision vacating the Final Written Decisions and remanding to consider an issue on the merits of unpatentability and to allow Patent Owner to file a motion for additional discovery to support its real party in interest contentions. *See VirnetX Inc. v. The Mangrove Partners Master Fund, Ltd., Apple Inc.*, No 2017-1368, *VirnetX Inc. v. The Mangrove Partners Master Fund, Ltd., Apple Inc., Black Swamp*, No. 2017-1383, 2019 WL 2912776 (Fed. Cir. July 8, 2019) (the "*Remand Decision*").

The Federal Circuit's mandate after the *Remand Decision* issued on August 14, 2019. *See* Paper 78, 1. Accordingly, after reviewing the parties' proposed schedules for the remand trial (*see* Papers 78–80), the Order set a deadline of November 8, 2019 for the close of discovery, so that the decision on remand may be completed by February 14, 2020 pursuant to SOP 9.[3] *See*

[3] "The Board has established a goal to issue decisions on remanded cases within six months of the Board's receipt of the Federal Circuit's mandate. The mandate makes the judgment of the Federal Circuit final and releases jurisdiction of the remanded case to the Board." PTAB Standard Operating Procedure 9, Procedure for Decisions Remanded from the Federal Circuit for

Order, 3–4. As noted in the Order, Patent Owner bears the burden on the Motion.

II. THE FEDERAL CIRCUIT'S REMAND DECISION

The Order specifies that the parties "shall follow the court's guidance as set forth in the" *Remand Decision*. Paper 80, 2 & n.2. The *Remand Decision* explains that Patent Owner's theory involves its contention that Apple, who joined the Petitions (*supra* note 2), "was in some way involved in the [P]etitions" through RPX:

> While the proceedings were pending, VirnetX learned that Mangrove gained equity in RPX, an entity that purports to help "companies mitigate and manage patent risk and expense by serving as an intermediary through which they can participate more efficiently in the patent market." J.A. 7070. After institution, Mangrove disclosed that it owned about five percent of RPX, which made it RPX's fifth largest shareholder. J.A. 7213, 7220. In a March 2016 letter, Mangrove stated that it recently met with management from RPX. J.A. 7221. VirnetX requested authorization to move for additional discovery to explore the relationship between Mangrove and RPX, which had previously filed time-barred petitions because Apple was found to be a real party in interest. During a conference call, VirnetX conveyed this evidence to the Board and asserted that Mangrove's attorney had only previously represented RPX. J.A. 6246, 6251–52. *VirnetX believed that, through RPX, Apple was in some way involved in the petitions*. The Board did not let VirnetX move for additional discovery because the alleged facts "d[id] not show more than a mere possibility that something useful [would] be discovered and [was] therefore insufficient to show beyond mere speculation that discovery would be in the interests of justice." J.A. 448; J.A. 2243. The

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Further Proceedings (Nov. 9, 2017) ("SOP 9"), *available at* https://usptogov.sharepoint.com/sites/bf319f98/Shared%20Documents/Forms/AllItems.aspx?FolderCTID=0x012000F14F79D244FFB74496C315D37020EB04.

> Board then rejected VirnetX's contention that RPX was a real party in interest for lack of evidence. J.A. 45; J.A. 84.

Remand Decision at *3 (emphasis added).

Of course, as the *Remand Decision* recognizes, Apple sought joinder after the filing of the Petitions and prior to the Institution Decisions ("pre-institution" (*see supra* note 2)), so Apple necessarily became involved in the proceedings at some point as a joined party, albeit primarily after the Institution Decisions. *See* note 2; *Remand Decision* at *3 ("At this stage in the proceedings, we see no prejudice in Apple's continued involvement, but we leave open the question of whether prejudice could arise later.").

Patent Owner contends "[t]he evidence suggests . . . that Mangrove did not initiate the IPRs on its own volition, but rather to support RPX's efforts." Paper 81, 9. Referring to the *RPX Corp.* Board decisions, Patent Owner also contends "RPX was improperly acting as Apple's proxy."[4] *See id.* at 8. Patent Owner also seeks useful information as to its "position that RPX is an unnamed RPI and/or privy." *Id.* at 6.

During the teleconference discussing the contours and authorization of the contemplated Motion, Vice Chief Judge Tierney specifically "cautioned VirnetX" at least twice that "*an overly broad discovery request is more likely to get denied than a narrowly tailored one*." Ex. 1047, 32:12–14 (emphasis added), 17–19 ("But I do want to make sure—again, there is a

[4] *RPX Corp. v. VirnetX Inc.*, IPR2014-00171, Paper 57 at 2–7 (July 14, 2014) ("*RPX Corp.*") (denying institution because un-named RPI Apple was served with a complaint more than 1 year before its proxy, RPX, filed its petition). *RPX Corp.* actually involved denial of seven petitions in Cases IPR2014-00171–77 challenging four VirnetX patents, including both patents at issue here. *See RPX Corp.*, Paper 57 at 1–2 (listing Cases IPR2014-00171–77 and denying institution for all seven based on the same rationale and facts).

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