

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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

v.

VIRNETX INC.,  
Patent Owner

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Case IPR2015-01046<sup>1</sup>  
Patent No. 6,502,135

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**Patent Owner's Request for Rehearing**

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<sup>1</sup> Apple Inc., who filed a petition in IPR2016-00062, has been joined as a Petitioner in the instant proceeding.

## I. INTRODUCTION

Patent Owner VirnetX Inc. (“VirnetX”) respectfully requests rehearing of the Patent Trial and Appeal Board’s decision on VirnetX’s motion for additional discovery, issued on October 23, 2019 (Paper No. 88, “Decision”). The Decision granted VirnetX ten interrogatories, but otherwise denied VirnetX’s motion. (Decision at 28.) Specifically, the Decision denied certain aspects of VirnetX’s requests for production, denied VirnetX’s requested deposition of Petitioner The Mangrove Partners Master Fund, Ltd. (“Mangrove”), denied VirnetX’s requested deposition of Nathaniel August (Mangrove’s Founder and President), and denied all of VirnetX’s requested discovery on third-party RPX Corp. (“RPX”). (*Id.*; *see also* Paper No. 81, Patent Owner’s Motion for Additional Discovery at 5-6.) VirnetX requests rehearing for two reasons. First, the Board should reconsider its decision to deny VirnetX’s requested deposition of Nathaniel August and Mangrove (which could be a single deposition). Second, rehearing is necessary in light of the Federal Circuit’s recent decision in *Arthrex, Inc. v. Smith & Nephew, Inc.*, No. 18-2140, 2019 WL 5616010 (Fed. Cir. Oct. 31, 2019), so that a new panel could consider VirnetX’s original motion to remove constitutional concerns.

## II. LEGAL STANDARD

“A party dissatisfied with a decision may file a request for rehearing.” 37 C.F.R. § 42.71(d). “The request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in a motion, an opposition, or a reply.” *Id.*

## III. STATEMENT OF REASONS FOR RELIEF REQUESTED

### A. VirnetX’s Requested Deposition-Based Discovery Should Have Been Granted

The Decision did not disagree that VirnetX’s Motion established that some additional discovery was justified. Instead, the Decision found that Mangrove had essentially mooted much of VirnetX’s Motion since “Mangrove voluntarily complied with [VirnetX’s] discovery requests to the extent they involve discovery of communications, documents, and things arising before the Institution Decisions.” (Decision at 7.) Critically, however, the Decision denied VirnetX’s motion with respect to deposition-based discovery (which Mangrove did not volunteer) and, in place of such discovery, granted interrogatories. (Decision at 8.) The Decision appears to have done so for two principal reasons.

*First*, while the Decision acknowledged VirnetX’s concern that Mangrove’s written answers could include self-serving representations (Decision at 16), the Decision concluded that the answer to address this concern was to grant VirnetX interrogatories (*id.*). This solution, however, did not address VirnetX’s argument

that deposition-based discovery and written discovery serve fundamentally different roles, and that interrogatories cannot take the place of a deposition. (Motion at 14-15; Paper No. 87, Reply in Support of Motion (“Reply”) at 3-4.) Indeed, courts have repeatedly observed that deposition discovery is a “critical component of the tools of justice” and “rank[s] high in the hierarchy of pre-trial, truth-finding mechanisms.” *Founding Church of Scientology of Washington, D.C. v. Webster*, 802 F.2d 1448, 1451 (D.C. Cir. 1986); *see also Alexander v. FBI*, 186 F.R.D. 113 (D.D.C. 1998) (at deposition, “there is no opportunity to reflect and carefully shape the information given”) (citation omitted).<sup>2</sup>

*Second*, the Decision appears to have credited Mangrove for “provid[ing] evidence that it had a valid business reason for filing the Petition,” namely, “a short-selling strategy.” (Decision at 18-19.) This finding, if anything, highlights the problem with relying solely on written answers from Mangrove rather than a deposition. While a short-selling strategy may have been *part of* Mangrove’s

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<sup>2</sup> The Decision also noted that “[VirnetX] previously agreed to the appropriateness of interrogatories” instead of depositions. (Decision at 9 (citing Paper No. 82, Petitioner’s Partial Opposition (“Opposition”) at 11).) However, that was in a different case, at a different stage, involving discovery directed to a different party, and different issues.

approach (thus allowing Mangrove to wordsmith its answer to focus on that strategy), the evidence that Mangrove voluntarily produced suggests an underlying connection between Mangrove's VirnetX-related short-selling strategy and Mangrove's RPX-related strategy that Mangrove elided in its answers. As VirnetX explained in its Reply (which presented VirnetX its first opportunity to address Mangrove's voluntarily-produced information), the information provided by Mangrove suggested a possible connection between the two strategies given that both were initiated in the exact same month. (Reply at 1-3.) Mangrove, however, did not even acknowledge—much less explain—this timing relationship. This lack of transparency is difficult to overcome when discovery is limited to written discovery, which is indeed precisely why deposition-based discovery “rank[s] high in the hierarchy of pre-trial, truth-finding mechanisms.” *Founding Church of Scientology of Washington, D.C.*, 802 F.2d at 1451. The Decision entirely overlooked VirnetX's argument about the relationship in timing between Mangrove's VirnetX and RPX-related strategies. (Reply at 1-3.)

Particularly in a case like this, where VirnetX has agreed to limit its request to a single 4-hour deposition (which should not unfairly burden Mangrove), VirnetX's request for deposition-based discovery should have been granted. There is no dispute that VirnetX established justification for pre-institution-related

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