

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.  
Case IPR2015-01046  
Patent 6,502,135 B1

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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

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

MELVIN, *Administrative Patent Judge*.

DECISION

Denying Patent Owner's Request on Rehearing of  
Order Regarding Additional Discovery  
*37 C.F.R. §§ 42.71(d)*

Patent Owner, VirnetX Inc., filed a Request for Rehearing (Paper 92, “Req. Reh’g”) asking the Board to reconsider the Decision Granting In Part Patent Owner’s Motion for Additional Discovery (Paper 88, “Disc. Dec.”).<sup>1</sup> In the Request, Patent Owner argues that the Discovery Decision should have granted depositions of Petitioner The Mangrove Partners Master Fund, Ltd. (“Mangrove”), and Nathaniel August (Mangrove’s Founder and President), or a combined, single deposition. Req. Reh’g 1, 2–5. Patent Owner also argues that the entire Discovery Decision must be reconsidered by a new panel because the original panel was constitutionally defective according to *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. Oct. 31, 2019), *petition for cert. filed*, No. 19-1204 (U.S. April. 6, 2020). Req. Reh’g 1, 5–9. We decline to address Patent Owner’s *Arthrex* argument where Patent Owner did not raise the issue in the initial appeals and the Federal Circuit did not direct repaneling for the remands here.

Regarding the deposition Patent Owner seeks, the Discovery Decision noted that Mangrove had already responded to Patent Owner’s deposition requests with written interrogatories related to pre-institution discovery. Disc. Dec. 7, 12–14. The Discovery Decision nonetheless permitted an additional ten interrogatories covering the material identified by Patent Owner’s deposition topics. *Id.* at 8, 14, 16. It did not grant Patent Owner a deposition because “Mangrove’s written answers suffice as to the depositions.” *Id.* at 7. The Discovery Decision further noted both that Patent Owner previously agreed that written responses could substitute for a

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<sup>1</sup> Unless otherwise noted, citations refer to IPR2015-01046. The parties raised identical issues and filed materially similar papers in both cases. This Decision applies to both cases.

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deposition in another proceeding (*id.* at 9) and also that the schedule on remand weighed against a deposition (*id.* at 24–25). The Discovery Decision determined that, beyond interrogatory responses, “other information from a deposition would be based on speculation.” *Id.* at 16. In that determination, the Discovery Decision found persuasive Petitioner’s argument that the additional cost imposed by depositions outweighed any speculative benefit associated with them. *Id.* (quoting Paper 82, 13); *accord id.* at 20 (“[A]ny deposition . . . would involve mere speculation.”).

Patent Owner argues that “deposition-based discovery and written discovery serve fundamentally different roles” and therefore interrogatories cannot take the place of a deposition. Req. Reh’g 2–3. Patent Owner argues that Mangrove’s asserted valid business reason for filing the Petition—a short-selling strategy—counsels for deposition-based discovery because it was initiated at the same time as Mangrove’s alleged connection with nonparty RPX Corp. *Id.* at 3–4. According to Patent Owner, the Discovery Decision overlooked Patent Owner’s argument regarding the timing of Mangrove’s two possible justifications for filing its Petitions. *Id.* at 4. Patent Owner argues that “a deposition is a critical element” of the discovery it seeks. *Id.* at 4–5.

In this Request for Rehearing, Patent Owner bears the burden to show that the Discovery Decision should be modified. 37 C.F.R. § 42.71(d) (2015). To that end, Patent Owner must identify those matters it “believes the Board misapprehended or overlooked.” *Id.* As noted above, Patent Owner points to its arguments that written discovery could not substitute for deposition-based discovery, and that the timing of Mangrove’s possible

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explanations for filing the petitions suggests both were actual motivations, implicating an additional real party in interest.

The Discovery Decision made the determination that written interrogatories would satisfy Patent Owner's need for additional discovery. Disc. Dec. 8, 14, 16. Thus, the Discovery Decision allows Patent Owner to explore the timing of Mangrove's two possible justifications. Because the Discovery Decision permitted interrogatories as broad as the requested deposition topics (*see id.* at 14), it did not overlook Patent Owner's argument regarding Mangrove's justification for filing the petitions in these proceedings. Rather, it addressed that argument by permitting a different discovery mechanism.

The Discovery Decision permitted written interrogatories rather than deposition-based discovery after determining that approach better fit with this proceeding's schedule (*id.* at 24–25) and better balanced the cost of discovery against Patent Owner's demonstrated need (*id.* at 16). Other than general statements regarding the value of depositions (*see* Req. Reh'g 3), Patent Owner does not demonstrate that the Discovery Decision misapprehended or overlooked anything material in making that determination. Indeed, determinations regarding additional discovery are discretionary decisions that weigh a number of factors, as identified in the Discovery Decision. *See Wi-Fi One, LLC v. Broadcom Corp.*, 887 F.3d 1329, 1339 (Fed. Cir. 2018) (noting PTAB discovery decisions are reviewed for an abuse of discretion); Disc. Dec. 9–26 (citing *Garmin Int'l, Inc. v. Cuozzo Speed Techs. LLC*, IPR2012-00001, Paper 26 at 6 (PTAB Mar. 5, 2013) (precedential)).

Here, one discretionary factor involved Patent Owner's overly broad discovery request, in terms of the unlimited time frame for the discovery sought, and in terms of seeking duplicative discovery with respect to nonparty RPX Corp. *See* Disc. Dec. 8. Despite finding that Patent Owner's overly broad request failed to meet the interests of justice standard, the panel exercised its discretion and modified the request in order to accommodate Patent Owner, even though the panel previously had cautioned Patent Owner that an overly broad request carried a risk of outright denial (i.e., without a discretionary modification by the panel accruing to Patent Owner's benefit). *Id.* at 5–8.

Based on the foregoing, the Discovery Decision reached a correct determination under the interests of justice standard regarding the suitability of interrogatories in this proceeding when considering the cost of depositions, the impact depositions would have on the schedule, Patent Owner's demonstrated need for depositions, and the panel's discretionary modification of Patent Owner's overly broad discovery request that failed to meet the interests of justice standard.

Accordingly, it is hereby ORDERED that Patent Owner's Request for Rehearing is *denied*.

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