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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

THE MANGROVE PARTNERS MASTER FUND, LTD., APPLE INC., and
BLACK SWAMP IP, LLC,
Petitioner

v.

VIRNETX INC.,
Patent Owner

Case IPR2015-01047¹
Patent 7,490,151

Patent Owner's Sur-Reply

¹ Apple Inc. and Black Swamp IP, LLC, who filed petitions in IPR2016-00063 and IPR2016-00167, respectively, have been joined as a Petitioner in the instant proceeding.

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37 C.F.R. § 42.23(b) 1

Office Patent Trial Practice Guide,
77 Fed. Reg. 48,756 (Aug. 14, 2012) 1

I. Introduction

In an Order dated July 7, 2016, the Board authorized Patent Owner to file a sur-reply “limited to issues enumerated by Patent Owner in Patent Owner’s Identification of Improper Arguments in Petitioners’ Consolidated Reply Brief and Petitioner Apple Inc.’s Separate Reply Filing.” Paper No. 75 at 2. As discussed below, Petitioners’ new positions (*see* Paper No. 61 at 1–3) are flawed and fail to remedy the deficiencies of Petitioners’ original positions. As such, to the extent the Board considers the substance of Petitioners’ improper new arguments,² the Board should enter judgment against Petitioners, confirm the patentability of the claims, and terminate this proceeding.

² Patent Owner continues to maintain that Petitioners’ new arguments should not be considered at this late stage. *See Intelligent Bio-Sys., Inc. v. Illumina Cambridge Ltd.*, 821 F.3d 1359, 1369 (Fed. Cir. 2016) (“Unlike district court litigation—where parties have greater freedom to revise and develop their arguments over time and in response to newly discovered material—the expedited nature of IPRs bring with it an *obligation for petitioners to make their case in their petition to institute.*”) (emphasis added); *see also* 35 U.S.C. § 312(a)(3); 37 C.F.R. § 42.23(b); Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,767 (Aug. 14, 2012).

II. Petitioners' Improper New Arguments Fail to Remedy the Petitioners' Original Analysis

In its Patent Owner's Response (Paper No. 48, "Patent Owner Resp."), VirnetX set forth a multitude of reasons why Petitioners' asserted grounds of unpatentability must fail. In response, Petitioners' Consolidated Reply Brief (Paper No. 56, "Consol. Rep.") shifts Petitioners' positions in at least four ways. Paper No. 61 at 1–3 (identifying Petitioners' New Positions 1–4). But these new positions are unsupported attorney arguments and do not actually remedy the problems with Petitioners' anticipation and obviousness allegations. Each of Petitioners' new arguments should be rejected.

A. Petitioners' New Position 1

Each of independent claims 1, 7, and 13 recites, among other things, a "client," "secure server," and a "secure channel" or "encrypted channel" "between the client and the secure server." Petitioners' Consolidated Reply Brief asserts that "[m]ultiple different aspects of the Kiuchi system meet the 'client' and 'secure server' elements of the claims," including "(1) the user agent and origin server [and] (2) the client-side and server-side proxies," which as discussed in Patent Owner's Response (at 17–25) do not read on the claims, along with a new mapping: "(3) the user agent and server-side proxies." Consol. Rep. at 3; *see also*

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