

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

THE MANGROVE PARTNERS MASTER FUND, LTD.,
Petitioner,

v.

VIRNETX INC.,
Patent Owner.

Case IPR2015-01047
Patent 7,490,151 B2

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

SIU, *Administrative Patent Judge*.

DECISION
Request for Rehearing
37 C.F.R. § 42.71(d)

I. BACKGROUND

VirnetX Inc. (“Patent Owner”), in its Request for Rehearing (“Req. Reh’g.” or “Request”), seeks reversal of the Board’s Decision (“Decision”) to institute an *inter partes* review of U.S. Patent 7,490,151 B2 (“the ’151 Patent,” Ex. 1001). *See* Req. Reh’g. 1. For the reasons that follow, the Board denies the requested relief.

“When rehearing a decision on petition, a panel will review the decision for an abuse of discretion.” 37 C.F.R. § 42.71(c). The applicable standard for a request for rehearing is set forth in 37 C.F.R. § 42.71(d), which provides in relevant part:

A party dissatisfied with a decision may file a request for rehearing, without prior authorization from the Board. The burden of showing a decision should be modified lies with the party challenging the decision. 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, opposition, or a reply.

II. DISCUSSION

Patent Owner argued previously that Petitioner fails to name all of the real parties-in-interest. Prelim. Resp. 2. We previously addressed this argument. For example, we stated that, based on the record, it has not been established “whether the additional entities are real-parties-in-interest.” Decision to Institute 8–9. Patent Owner now argues that “Patent Owner demonstrated in its Preliminary Response that the ‘Petition fails to name a number of RPIs’.” Req. Reh’g. 4 (citing Prelim. Resp. 2–13). As we stated in the Decision, we disagree with Patent Owner’s statement that “Patent

Owner demonstrated in its Preliminary Response that the Petition fails to name a number of RPIs.” We provide additional details as to why each of Patent Owner’s arguments in support of the contention that additional entities are supposedly “real-parties-in-interest” is insufficient to demonstrate persuasively that “the ‘Petition fails to name a number of RPIs’.”

Whether a party who is not named as a participant in a given proceeding constitutes an RPI is a highly fact dependent question that takes into account how courts generally have used the terms to “describe relationships and considerations sufficient to justify applying conventional principles of estoppel and preclusion.” Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,759 (Aug. 14, 2012) (“Trial Practice Guide”). Although “rarely will one fact, standing alone, be determinative of the inquiry” (*id.* at 48,760), “[a] common consideration is whether the non-party exercised or could have exercised control over a party’s participation in a proceeding.” *Id.* at 48,759. The Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,759–60 (Aug. 14, 2012) (“TPG”) cites *Taylor v. Sturgell*, 553 U.S. 880 (2008), as informing real party-in-interest determinations and states, for example, that a “real party-in-interest” may be “the petitioner itself, and/or it may be the party or parties at whose behest the petition has been filed” or “whether the non-party exercised or could have exercised control over a party’s participation in a proceeding.” TPG 48,759. *Taylor*, 553 U.S. at 893–895 lists six categories that create an exception to the common law rule that normally forbids nonparty preclusion in litigation. *Id.* In the present case, Patent Owner has failed to demonstrate sufficiently that any of the additional parties are “parties at whose behest the petition has

been filed” or “exercised control over a party’s participation in a proceeding.”

Rather, Patent Owner argues that the Preliminary Response supposedly contained “extensive evidence” that “the US Feeder, the Cayman Feeder, and Mangrove Capital have repeatedly acted as a single entity with the Mangrove Partners Hedge fund and Petitioner.” Req. Reh’g 4. Presumably, Patent Owner argues that “the US Feeder, the Cayman Feeder, and Mangrove Capital” “exercised control” over “the preparation or filing of the Petition.” Patent Owner previously based this contention on the allegation that “the US Feeder, the Cayman Feeder, and Mangrove Capital” “[a]ll . . . have a ‘shared investment objective . . . [to] compound their net worth while minimizing the chances of a permanent loss of capital” and that “the Mangrove Partners Hedge Fund has ‘*complete discretion* regarding the investment of . . . assets in accordance with the investment objectives, policies and parameters set forth in the applicable offering documents of each Fund.” Prelim. Resp. 4 (citing Ex. 2001, 3, 4, 17).

We are not persuaded by Patent Owner’s arguments because Patent Owner does not explain sufficiently how any of these statements, even if assumed to be true, demonstrate or even suggest that any of the cited additional entities “exercised control over a party’s participation in” the preparation or filing of the Petition. Indeed, the fact that other funds have a common objective to “minimiz[e] the chances of a permanent loss of capital” does not appear to relate to whether or not the other funds exercised control over any aspect of the filing of the present Petition or not. Nor does Patent Owner explain sufficiently any possible relationship. Also, even assuming that the Mangrove Partners Hedge Fund has “complete discretion”

regarding investment objectives of the Funds, as Patent Owner contends, Patent Owner does not demonstrate that the Mangrove Partners Hedge Fund also has “complete discretion” over the preparation or filing of the Petition to the extent of exercising control over the preparation or filing of the Petition.

Patent Owner also argued that “[t]he Mangrove Partners Hedge Fund views itself as having a ‘fiduciary duty’ to invest in a manner that increases profits for its investors.” Prelim. Resp. 4 (citing Ex. 2001, 13). Even assuming that the Mangrove Partners Hedge Fund seeks to increase profits for its investors under a “fiduciary duty,” as Patent Owner alleges, Patent Owner does not demonstrate persuasively that the Mangrove Partners Hedge Fund also exercised control over any aspect of the preparation or filing of the present Petition. Indeed, it is assumed that many funds in existence would also seek to increase profits for its investors but are not real-parties-in-interest in the present matter (i.e., “exercised control” over the preparation or filing of the Petition) merely by virtue of the fact that these funds seek to increase profits.

Patent Owner argues that “the Mangrove Partners Hedge Fund held a short position of 270,000 shares of [VirnetX Holding Corporation] stock.” Prelim. Resp. 5 (citing Ex. 2004, 2, Ex. 2005, 3). Hence, Patent Owner argues that The Mangrove Partners Hedge Fund is a real-party-in-interest in the present matter because “The Mangrove Partners Hedge Fund” supposedly held stock in VirnetX Holding Corporation. We are not persuaded by Patent Owner’s argument, even assuming to be true, Patent Owner’s contention that “The Mangrove Partners Hedge Fund,” in fact, held stock in VirnetX Holding Corporation. Patent Owner does not demonstrate

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