

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

APPLE INC.
Petitioner,

v.

VIRNETX, INC.,
Patent Owner

Patent No. 6,502,135

Inter Partes Review No. IPR2016-00062

PETITIONER'S REPLY IN SUPPORT OF ITS MOTION FOR JOINDER

I. INTRODUCTION

In its opposition, VirnetX identifies *no actual effect* of granting Apple's motion, and instead contends the Board has no authority to join Apple. But that assertion conflicts not only with the statutory language, but with the Board's rules and prior decisions. VirnetX also complains that Apple had its chance to challenge the '135 patent via an ongoing *inter partes* reexamination. But VirnetX conceals its unprecedented campaign to prevent conclusion of that same proceeding. Granting Apple's motion will actually mitigate the harm caused by VirnetX's actions in the reexamination, which were made possible by the systemic flaws in that system which Congress sought to fix with the IPR system. Joinder here is proper.

II. ARGUMENT

A. The Merits Warrant Joinder

In its motion, Apple presented a petition with identical grounds and a nearly identical record of evidence, and agreed to conditions including: (i) agreeing to follow the existing schedule, (ii) not advancing independent expert testimony, and (iii) coordinating its participation with Mangrove. Paper 2 at 2. In numerous cases presenting similar circumstances, the Board has found joinder appropriate. *Dell Inc. v. Network-1 Sec. Soln. Inc.*, IPR2013-00385, Paper 17 (July 29, 2013); *Oracle v. Crossroads*, IPR2015-00825, Paper 20 (Sept. 17, 2015); *Perfect World Ent., Inc. v. Uniloc USA, Inc.*, IPR2015-01026, Paper 10 (Aug. 3, 2015); *LG Elec. Inc. v. Innovative Display Tech.*, IPR2015-00493, Paper 10 (July 10, 2015).

VirnetX ignores these considerations, and instead states in a conclusory fashion that “joining Apple will have an impact on the ‘046 proceeding.” Opp. at 8. But it nowhere reveals what that “impact” might be. It then, without any justification, asks the Board to impose additional, draconian restrictions on Apple’s participation, including, perversely, *supplemental* briefing by both parties. *Id.* at 9-10. VirnetX’s restrictions are a transparent attempt to simply prevent Apple from participating in the proceedings, while its call for supplemental briefing is both inefficient and ignores the independent interests of the Board. There is simply no basis for imposing such constraints in this case.

B. VirnetX’s “Permanent Ban” Theory Conflicts with the Statute

VirnetX’s principal challenge to joinder is its theory that a party is “permanently” barred from participating in any *inter partes* review under any and all circumstances if its petition is filed more than a year after service of a complaint for infringement. The Board has already rejected that theory, and for good reason – it is contrary to the statute. IPR2015-00825, Paper 20 at 10-12; *see Target v. Destination Maternity*, IPR2014-00508, Paper 28 (Feb 12, 2015) (expanded panel).

Under § 315(b), the Director is prohibited from *instituting* an *inter partes* review on the basis of petition filed by a party more than a year after that party was served with a complaint for infringement. But, if the Director *has already instituted* an *inter partes* review, she is authorized to join any party to that instituted

proceeding as long as: (i) that party files a petition that complies with § 311 and (ii) institution on the basis of that petition is warranted under § 314. *See* 35 U.S.C. § 315(c). And that is precisely how both the Office and the Board have read the statute. For example, Rule 122(b) waives the one year deadline in Rule 101(b) where the party filing the petition seeks to join an instituted proceeding. *See* 37 C.F.R. § 42.122(b). The Board’s joinder decisions hold likewise. *See, e.g.*, IPR2014-00385, Paper 17; IPR2015-00825, Paper 20 at 10-12. The “authority” VirnetX cites in its opposition is actually *a dissent* in a Board decision holding precisely the opposite of what VirnetX contends. Opp. at 5. Thus, under the statute, joinder is proper because: (i) the Board found Apple’s petition to comply with § 311, *see* Paper 4, and (ii) the grounds in Apple’s petition warrant institution as they are the same as those upon which trial has already been instituted.

VirnetX nonetheless argues that “[o]nce a petitioner like Apple ‘is time-barred under § 315(b) with respect to a particular patent, *it is always time-barred.*” Opp. at 5. But that argument conflicts with the plain language of § 315(b), which states “*the time limitation* set forth in the preceding sentence *shall not apply* to a request for joinder under subsection (c).” (emphases added). VirnetX’s reading of § 315(b) would render its second sentence a legal nullity – it would *never* apply, as no petition filed more than a year after service could ever be the basis of participation in any proceeding. *U.S. v. Atl. Research*, 551 U.S. 128, 137 (2007).

C. VirnetX's Equities Argument Is Baseless

VirnetX also complains about the number of petitions filed against the '135 patent, seeking to portray itself as an aggrieved party unfairly subjected to serial challenges to its '135 patent. Nothing could be further from the truth.

VirnetX started this dispute by suing Apple in 2010. Apple promptly requested *inter partes* reexamination of the '135 patent, and the Office started that reexamination in 2011, finding all of the challenged claims unpatentable. In 2012, a jury found certain claims of the '135 patent infringed; at that point, VirnetX switched gears, and began its unprecedented campaign to paralyze the reexamination. To do so, VirnetX exploited the Office's practice of suspending party deadlines and not issuing further Office actions while a petition filed by a party remains undecided. To date, VirnetX has filed *at least 21 such petitions* in the '1682 proceeding alone. Many are plainly frivolous – one sought to stop the reexamination simply because a jury had found infringement. 95/001,682, Petition (Feb. 15, 2013). Others sought reconsideration of denials of earlier petitions, waivers of page and time limits, or opposed merger, etc.¹ It is simply remarkable that VirnetX suggests now, after doing everything in its power for the past four

¹ The '1682 proceeding has entered the PTAB appeal phase, and, consistent with its past practice, VirnetX filed *a 109 page appeal brief*, nearly three times the limit allowed by the rules, along with yet another petition to waive those rules.

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