

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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RPX CORPORATION  
Petitioner

v.

VIRNETX INC.  
Patent Owner

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Case IPR2014-00171 (Patent 6,502,135)  
Case IPR2014-00172 (Patent 6,502,135)  
Case IPR2014-00173 (Patent 7,490,151)  
Case IPR2014-00174 (Patent 7,921,211)  
Case IPR2014-00175 (Patent 7,921,211)  
Case IPR2014-00176 (Patent 7,418,504)  
Case IPR2014-00177 (Patent 7,418,504)

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

EASTHOM, *Administrative Patent Judge*

DECISION<sup>1</sup>  
Denial of *Inter Partes* Review  
*37 C.F.R. § 42.108*

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<sup>1</sup>The Board exercises discretion to issue one identical Decision in each case using this caption style. Unless otherwise authorized, the parties are not permitted to use this style.

IPR2014-00171 (Patent 6,502,135); IPR2014-00172 (Patent 6,502,135); IPR2014-00173 (Patent 7,490,151); IPR2014-00174 (Patent 7,921,211); IPR2014-00175 (Patent 7,921,211); IPR2014-00176 (Patent 7,418,504); IPR2014-00177 (Patent 7,418,504)

## I. INTRODUCTION<sup>2</sup>

Petitioner, RPX Corporation (“RPX”), filed Petitions in the above-listed cases. Patent Owner, Virnetx Inc. (“Virnetx”), submitted Preliminary Responses. Because the dispositive issues are similar, we treat IPR2014-00171 (“the ’171 proceeding”) as representative of the seven proceedings, which involve four Virnetx patents: U.S. Patent No. 6,502,135; U.S. Patent No. 7,490,151; U.S. Patent No. 7,921,211; and U.S. Patent No. 7,418,504 (“the Virnetx Patents”).

The seven proceedings involving the Virnetx Patents, challenged under 35 U.S.C. §§ 311–319, are summarized in the following table:

Proceeding	Claims	Virnetx Patents
IPR2014-00171	1–10, 12–15, and 18	6,502,135
IPR2014-00172	1–10, 12–15, and 18	6,502,135
IPR2014-00173	1–16	7,490,151
IPR2014-00174	1, 2, 5, 6, 8, 14, 17, 19, 20, 23, 27–30, 33, 34, 36, 47, 51, and 60	7,921,211
IPR2014-00175	1, 3, 15–18, 20–26, 31, 32, 35, 36, 37, 47, 51, and 60	7,921,211
IPR2014-00176	1, 2, 5, 6, 8, 14, 16, 17, 19, 20, 21, 23, 27–30, 33, 34, 36, 47, 51, and 60	7,418,504
IPR2014-00177	1, 2, 3, 5, 15–18, 20–27, 31, 32, 35, 36, 47, 51, and 60	7,418,504

As the table reflects, in the ’171 proceeding, RPX filed a Petition requesting *inter partes* review of claims 1–10, 12–15, and 18 of U.S. Patent

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<sup>2</sup> This Decision is sealed due to protected material asserted by the parties. After receiving the Decision, the parties jointly may request a redacted version of the Decision. After consideration of the joint request, or, if no request is filed, the Board will issue a subsequent public Decision.

IPR2014-00171 (Patent 6,502,135); IPR2014-00172 (Patent 6,502,135); IPR2014-00173 (Patent 7,490,151); IPR2014-00174 (Patent 7,921,211); IPR2014-00175 (Patent 7,921,211); IPR2014-00176 (Patent 7,418,504); IPR2014-00177 (Patent 7,418,504)

No. 6,502,135 (“the ’135 Patent”). *See* Paper 1 (“Pet.”).<sup>3</sup> Virnetx submitted a Preliminary Response under 37 C.F.R. § 42.107(b). Paper 35 (“Prelim. Resp.”).

We have jurisdiction under 35 U.S.C. § 314. We determine that Apple Inc. (“Apple”) is a real-party-in interest.<sup>4</sup> We deny the Petitions because the Petitions are time-barred. Contrary to the requirements of 35 U.S.C. § 315(b), the Petitions were “filed more than 1 year after the date on which the . . . real party in interest[, Apple,] . . . [wa]s served with a complaint alleging infringement of the patent.” Therefore, according to 35 U.S.C. § 315(b), “[a]n inter partes review may not be instituted.”

For an analysis of the time bar issue pursuant to 35 U.S.C. § 315(b), we refer to, and incorporate by reference, the Board’s previous decisions holding that earlier petitions filed by Apple, a real party-in-interest in those proceedings challenging the Virnetx Patents, were time-barred.<sup>5</sup> As Apple is a real party-in-interest in the instant proceedings, the Petitions are time-

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<sup>3</sup> Record citations refer to the representative ’171 proceeding.

<sup>4</sup> The Petitions do not list Apple, as 35 U.S.C. § 312(a)(2) requires: “A petition filed under section 311 may be considered only if . . . the petition identifies all real parties in interest.”

<sup>5</sup> *See Apple Inc. v. Virnetx, Inc.*, IPR2013-00348 (PTAB Dec. 13, 2014) (denying *Inter Partes* Review of U.S. Patent No. 6,502,135), *reh’g denied*, (PTAB Feb. 12, 2014); IPR2013-00349 (same, Patent 7,490,151); IPR2013-00354 (same, Patent 7,490,151); IPR2013-00393 (same, Patent 7,418,504); IPR2013-00394 (same, Patent 7,418,504); IPR2013-00397 (same, Patent 7,921,211); IPR2013-00398 (same, Patent 7,921,211). In the latter four cases, the decisions were entered on December 18, 2013, although the rehearing decisions were entered on the same date in all the cases, February 12, 2014.

IPR2014-00171 (Patent 6,502,135); IPR2014-00172 (Patent 6,502,135); IPR2014-00173 (Patent 7,490,151); IPR2014-00174 (Patent 7,921,211); IPR2014-00175 (Patent 7,921,211); IPR2014-00176 (Patent 7,418,504); IPR2014-00177 (Patent 7,418,504)

barred for the same reasons as previously held. *See* Prelim. Resp. 3–4 (discussing time-bar).

## II. BACKGROUND

At issue here is whether RPX, notwithstanding its relationship with its client Apple, may obtain *inter partes* review of the Virnetx Patents. Virnetx asserts, and RPX does not dispute, that RPX filed *inter partes* review (“IPR”) requests against the Virnetx Patents pursuant to a newly created program in which Apple, as RPX’s client, in October 2013, paid RPX a sum of \$500,000, among other things, to file IPR reviews. *See* Prelim. Resp. 3–4; Ex. 2049 (Premium Services Overview); Ex. 2055 (signed “Addendum” agreement between Apple and RPX, Oct. 22, 2013).

In addition to RPX and Apple, another petitioner also filed a series of *inter partes* review petitions against the Virnetx Patents, which Apple attempted to join. Those proceedings were styled as *New Bay Capital v. Virnetx* (“the New Bay proceedings”): IPR2013-00375; IPR2013-00376; IPR2013-00377; and IPR2013-00378. Pursuant to New Bay’s request, the Board terminated the New Bay proceedings, and according to Virnetx, “end[ed] Apple’s hopes of joining New Bay’s petitions.” *See* Prelim. Resp. 4; Ex. 2036 (discussing Apple’s motion for joinder in New Bay cases); Ex. 2037 (New Bay email to office requesting to file motion to terminate); Exs. 2039–42 (judgments terminating the New Bay proceedings).

Prior and subsequent to the New Bay proceedings, RPX and Apple had discussed a general proposal “to challenge patents of questionable quality through post-grant proceedings at the U.S. Patent and Trademark

IPR2014-00171 (Patent 6,502,135); IPR2014-00172 (Patent 6,502,135); IPR2014-00173 (Patent 7,490,151); IPR2014-00174 (Patent 7,921,211); IPR2014-00175 (Patent 7,921,211); IPR2014-00176 (Patent 7,418,504); IPR2014-00177 (Patent 7,418,504)

Office.” Ex. 2043, 15. According to RPX, the following “Topic” of discussion between Apple and RPX occurred on August 8, 2013:

Apple informed RPX that Apple had been approached by New Bay Capital (“NBC”) and that NBC had asked Apple to compensate NBC for NBC to continue pursuing its IPRs [now terminated] against VirnetX. Apple informed RPX that it was not interested in NBC’s offer. Apple inquired [of RPX] about the status of the previously-socialized RPX program to perform prior art searches and challenge patents of questionable quality.

Ex. 2043, 15 (“August 8<sup>th</sup> discussion”).

Subsequent to the August 8<sup>th</sup> discussion about the Virnetx Patents, Apple and RPX signed the “Addendum” agreement, pursuant to which Apple paid RPX \$500,000, among other things, to “fil[e] with the United States Patent and Trademark Office (‘USPTO’) requests for reexamination, or petitions for post grant, covered business method, or inter partes review with respect to patents of questionable quality.” Ex. 2055, 2 (Addendum agreement). The Addendum agreement lists other generic activities that RPX might perform. *See id.* (“analyzing data . . . [about] patent assertions by non-practicing entities,” “[e]ducating the general public,” “[c]onducting prior art searches to assist with challenges against potentially invalid patents,” and “[c]reating mechanisms to increase transparency in the patent market.”) The addendum states that RPX would have “complete control” over the listed activities. *Id.*

Apple and RPX executed the Addendum agreement on October 22, 2013. *Id.* at 3. On the same day, Apple expressed a concern that RPX “would not use all of the funds that Apple contributed to the program focused on patent quality.” Ex. 2043, 16. One day prior, RPX obtained

IPR2014-00171 (Patent 6,502,135); IPR2014-00172 (Patent 6,502,135); IPR2014-00173 (Patent 7,490,151); IPR2014-00174 (Patent 7,921,211); IPR2014-00175 (Patent 7,921,211); IPR2014-00176 (Patent 7,418,504); IPR2014-00177 (Patent 7,418,504)

Apple’s consent to hire Apple’s law firm, which had prepared the above-discussed time-barred petitions on behalf of Apple. *See* Paper 38, 4–5 (citing Ex. 2045 at 5, retainer agreement); Prelim. Resp. 6–7 (discussing the sharing of counsel); Ex. 2057, 27:6–28:18–21 (transcript of Board conference call).

Less than one month later, RPX served the instant Petitions on Virnetx challenging the Virnetx Patents. According to RPX, in the ’171 proceeding, “[t]he grounds of Petitioner’s challenge are substantially identical to the grounds advanced by [Apple or New Bay] in IPR2013-00348, IPR2013-00349, and IPR2013-00375”—the former two proceedings involve Apple’s time-barred petitions. *See* Pet. 6.<sup>6</sup>

### III. ANALYSIS

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. *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.* Under a category relevant here, “a party bound by a judgment may not avoid its preclusive force by relitigating through a proxy.” *Id.* at 895. *Taylor* refers to a proxy as a “representative or agent of a party who is bound by the prior adjudication.” *Id.* at 905. For further guidance, the TPG also cites *In re*

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<sup>6</sup> According to RPX, the ’171 Petition is “substantially identical” to the petition in IPR2013-00349, the petition filed by Apple with respect to one prior art reference. For example, the ’171 Petition (Paper 1, ii) and the petition in IPR2013-00349 (paper 1, ii) each assert that Aventail anticipates claims 1-10, 12-15, and 18 of the ’135 Patent.

IPR2014-00171 (Patent 6,502,135); IPR2014-00172 (Patent 6,502,135); IPR2014-00173 (Patent 7,490,151); IPR2014-00174 (Patent 7,921,211); IPR2014-00175 (Patent 7,921,211); IPR2014-00176 (Patent 7,418,504); IPR2014-00177 (Patent 7,418,504)

*Guan*, Reexamination Control No. 95/001,045 (Aug. 25, 2008)(Decision Vacating Filing Date). TPG at 48,761. Apple is bound by the prior time-barred district court adjudications. Thus, because RPX is Apple’s proxy, the RPX Petition is also time-barred.

In *Guan*, a “Troll Busters” website invited prospective patent challengers to “[p]ick any five Affymetrix or Symyx U.S. patents and Troll Busters will invalidate a sixth for free.” *Guan* at 2. The Office held that

[a]n entity named as the sole real party in interest *may not receive a suggestion from another party that a particular patent should be the subject* of a request for inter partes reexamination and be compensated by that party for the filing of the request for inter partes reexamination of that patent without naming the party [as a real party-in-interest] *who suggested and compensated the entity for the filing of a request for inter partes reexamination of the patent.*

*Id.* at 7–8 (emphasis added). Based on the failure to list such a real party-in-interest, the Office vacated the filing date of the reexamination request. *Id.* at 9.

Like the unnamed real party-in-interest in *Guan*, Apple at least *suggested* that RPX file challenges to the specific Virnetx Patents by compensating RPX to perform certain generic services that included filing IPR challenges to “patents of questionable quality.” Ex. 2043, 15; Ex. 2055, 2. The record shows that Apple and RPX considered the Virnetx Patents to be patents of questionable quality. *See* Ex. 2043, 15; Background section, above. Further, RPX does not dispute that Apple and RPX discussed “VirnetX and the filing of IPRs with RPX,” or that RPX and Apple shared counsel and Apple’s expert. Paper 46, 7.

IPR2014-00171 (Patent 6,502,135); IPR2014-00172 (Patent 6,502,135);  
IPR2014-00173 (Patent 7,490,151); IPR2014-00174 (Patent 7,921,211);  
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IPR2014-00177 (Patent 7,418,504)

Other important factors also support the conclusion that Apple is a real party-in-interest. For example, as Virnetx contends, *General Foods Corp. v. Massachusetts Department of Public Health*, 648 F.2d 784, 788 (1st Cir. 1981), instructs that “a member of a trade association who finances an action which it brings on behalf of its members impliedly authorizes the trade association to represent him in that action.” Paper 38, 5. Several factors support a finding that Apple implicitly authorized RPX to represent Apple in the instant proceedings: Apple’s \$500,000 payment to RPX; the discussions and signed agreement between Apple and RPX regarding the filing of IPRs on patents of questionable quality; Apple and RPX’s “August 8<sup>th</sup> discussion” about New Bay’s request for funding to continue its IPR challenges against the Virnetx Patents combined with Apple’s interest in funding a program to challenge patents of questionable quality; and Apple’s demonstrated interest in challenging the Virnetx Patents.

These factors are analogous to those that supported a finding of real-party-in-interest in *General Foods*, including payments by association members to instigate litigation, implicit authorization for the trade association to represent the paying member, and “challenged regulations [that] did not affect the trade association itself but only its members.” *See* 648 F.2d at 787–788; *see also Expert Electric, Inc. v. Levine*, 554 F.2d 1227, 1233 (2nd Cir. 1977) (trade association’s interests “were the collective interests of the individual participants”). By further analogy, Apple was the single, interested “member” of the Fund, unlike the numerous interested trade association members in *General Foods*. *See* Ex. 2056 (RPX seeking



IPR2014-00171 (Patent 6,502,135); IPR2014-00172 (Patent 6,502,135);  
IPR2014-00173 (Patent 7,490,151); IPR2014-00174 (Patent 7,921,211);  
IPR2014-00175 (Patent 7,921,211); IPR2014-00176 (Patent 7,418,504);  
IPR2014-00177 (Patent 7,418,504)

Apple's permission to report Apple's status as a "member" (Ex. 2043) for client recruitment purposes).

RPX argues a distinction over *General Foods*, wherein the trade association asserted standing based on its independent members. Here, RPX asserts independent standing through § 311(a), which confers standing on any entity that is not the patent owner. Paper 46, 4. In *General Foods*, however, standing was only one of several factors identified by the court that helped to show that the members implicitly authorized the suit by the association. *See* 648 F.2d at 787–788. We hold that, based on the record presented, the interactions between RPX and Apple show an implicit authorization to challenge the Virnetx Patents, even in the absence of the standing factor that contributed to the outcome in *General Foods*.

Apple's interests include potentially avoiding payment of the damages awarded for infringement of the Virnetx Patents in the district court judgment. *See* Prelim. Resp. 3–4; Ex. 2009. On this record, RPX is, at most, a "nominal plaintiff" with "no substantial interest" in these IPR challenges apart from those of its client, Apple, further supporting the finding that RPX is a proxy of Apple, according to the following case cited by *Taylor*.

[W]e held [in a previous case] that the United States was bound by an estoppel which might have been invoked against the real party in interest if the suit had been brought in his name, *because it appeared that the United States had no substantial interest in the controversy*, and was merely a *nominal plaintiff*. *United States v. Des Moines Valley R. Co.*, 84 F. 40, 44–45 (8th Cir. 1897) (emphasis added), *cited* in *Taylor*, 553 U.S. at 900 (in the context of a

IPR2014-00171 (Patent 6,502,135); IPR2014-00172 (Patent 6,502,135);  
IPR2014-00173 (Patent 7,490,151); IPR2014-00174 (Patent 7,921,211);  
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IPR2014-00177 (Patent 7,418,504)

proxy); *see also Chicago R.I. & P. Ry. Co. v. Schendel*, 270 U.S. 611, 620 (1926) (“Identity of parties is not a mere matter of form, but of substance. Parties nominally the same may be, in legal effect, different; and parties nominally different may be, in legal effect, the same.”)

Our determination that RPX is acting as a proxy, which bars the institution of the proceeding, is also consistent with the express legislative intent concerning the need for quiet title. *See* 157 Cong. Rec. S1034, S1041 (Mar. 1, 2011) (Sen. Kyl) (stating “the present bill does coordinate inter partes . . . review with litigation . . . setting a time limit for seeking . . . review if the petitioner . . . is sued for infringement of the patent”). Congress “recognizes the importance of quiet title to patent owners to ensure continued investment resources.” H.R. Rept. No 112-98, at 48 (2011) (Judiciary Committee Report on H.R. 1249, June 1, 2011). Changes to the statutory structure “are not to be used as tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks . . . Doing so would frustrate the purpose of the section as providing quick and cost effective alternatives to litigation.” *Id.* “It would divert resources from the research and development of inventions.” *Id.*

#### IV. CONCLUSION

Based on the foregoing discussion, Apple is an unlisted real party-in interest in the Petitions, which are time-barred under 35 U.S.C. § 315 (b). Accordingly, the following Petitions hereby are denied: IPR2014-00171 (Patent 6,502,135); IPR2014-00172 (Patent 6,502,135); IPR2014-00173 (Patent 7,490,151); IPR2014-00174 (Patent 7,921,211); IPR2014-00175

IPR2014-00171 (Patent 6,502,135); IPR2014-00172 (Patent 6,502,135);  
IPR2014-00173 (Patent 7,490,151); IPR2014-00174 (Patent 7,921,211);  
IPR2014-00175 (Patent 7,921,211); IPR2014-00176 (Patent 7,418,504);  
IPR2014-00177 (Patent 7,418,504)

(Patent 7,921,211); IPR2014-00176 (Patent 7,418,504); and IPR2014-00177  
(Patent 7,418,504).

#### V. ORDER

It is hereby ORDERED that the Petitions filed in IPR2014-00171,  
IPR2014-00172, IPR2014-00173, IPR2014-00174, IPR2014-00175,  
IPR2014-00176, and IPR2014-00177, are *denied*.

IPR2014-00171 (Patent 6,502,135); IPR2014-00172 (Patent 6,502,135);  
IPR2014-00173 (Patent 7,490,151); IPR2014-00174 (Patent 7,921,211);  
IPR2014-00175 (Patent 7,921,211); IPR2014-00176 (Patent 7,418,504);  
IPR2014-00177 (Patent 7,418,504)

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