

**No. 2016-119**

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IN THE  
**UNITED STATES COURT OF APPEALS**  
FOR THE FEDERAL CIRCUIT

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IN RE VIRNETX INC.,  
*Petitioner.*

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On Petition for a Writ of Mandamus  
to the United States Patent and Trademark Office,  
Patent Trial and Appeal Board in  
Nos. IPR2015-01046 & IPR2015-01047.

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**REPLY IN SUPPORT OF  
PETITION FOR A WRIT OF MANDAMUS**

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March 17, 2016

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## CERTIFICATE OF INTEREST

Pursuant to Federal Circuit Rule 47.4, counsel of record for Petitioner VirnetX Inc. certify as follows:

1. The full name of every party or amicus represented by us is:

VirnetX Inc.

2. The name of the real party in interest represented by us is:

VirnetX Inc.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by us are:

VirnetX Inc. is a wholly owned subsidiary of VirnetX Holding Corporation (“VHC”). VHC’s stock is publicly traded on the New York Stock Exchange.

4. The names of all law firms and the partners or associates that appeared for the parties represented by us in the trial court, or are expected to appear in this Court, are:

Paul Hastings LLP:  
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Dated: March 17, 2016

/s/Naveen Modi  
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## I. INTRODUCTION

VirnetX Inc. (“VirnetX”) demonstrated a clear and indisputable right to relief that cannot be obtained through other adequate means. The statutory scheme, 35 U.S.C. § 315(b)-(c), unambiguously prohibits the joinder of Apple Inc.’s (“Apple’s”) time-barred petitions to existing *inter partes* review proceedings. This Court’s precedents do not preclude mandamus review of the Patent Trial and Appeal Board’s (“the Board’s”) construction of its statutory joinder authority. VirnetX does not currently seek review of the Board’s decision to institute Apple’s petitions; VirnetX seeks review of the Board’s decision to join these time-barred petitions to the *already instituted* proceedings. Nor does VirnetX’s current request implicate the merits of the Board’s institution decision. And unlike *Achates Reference Publishing, Inc. v. Apple Inc.*, 803 F.3d 652 (Fed. Cir. 2015), VirnetX’s challenge is not to the Board’s case-specific assessment of whether Apple’s petitions are time-barred, as there is no dispute that they are. In fact, *Achates* does not foreclose a challenge to the Board’s erroneous construction of 35 U.S.C. § 315(b).

As to the merits, VirnetX’s construction is the only one that comports with the statutory text, history, and purpose. The plain language of section 315(b) commands that the time limitation “shall not apply” to a “request for joinder,” and there is no textual basis for extending this limitation to *a petition accompanied by a*

request for joinder. The legislative history, which Apple and the Director of the United States Patent and Trademark Office (“the PTO”) try hard to side-step, further confirms that only timely petitions may be joined to another proceeding.

Finally, the harm to VirnetX cannot be effectively remedied on a final appeal (assuming one is available) since the resulting prejudice “cannot be put back in the bottle.” *In re Volkswagen, Inc.*, 545 F.3d 304, 319 (5th Cir. 2008). This Court should grant mandamus to vindicate Congress’ intent to preclude time-barred parties from participating in *inter partes* review proceedings.

## II. ARGUMENT

### A. This Court’s Precedents Do Not Bar Mandamus Review of the Board’s Construction of Its Joinder Authority

Contrary to Apple and the PTO, this Court’s precedents do not foreclose mandamus consideration of a challenge to the Board’s joinder decision. Apple (at 10-12) and the PTO (at 9-10) contend that mandamus is foreclosed by this Court’s decision in *In re Procter & Gamble*, 749 F.3d 1376, 1379 (Fed. Cir. 2014). But *Procter & Gamble* held only that immediate review via mandamus of the Board’s “decision ... to institute an *inter partes* review ... is not available.” *Id.* at 1377. By contrast, VirnetX currently seeks this Court’s review not of the Board’s

decision to institute *inter partes* review proceedings, but of the decision to join the time-barred petitions filed by Apple to the *already instituted* proceedings.<sup>1</sup>

Apple and the PTO attempt to conflate the decision to institute *inter partes* review with the decision to grant a joinder motion. Thus, Apple asserts (at 12) that the institution and joinder decisions “cannot be decoupled.” This statement finds no support in the statutory design. As VirnetX explained, the statute (including section 315(b)) expressly distinguishes between the terms “petition” and “request for joinder.” Pet. 15-16. The joinder provision—section 315(c)—treats the filing of a petition that satisfies all the statutory requirements for institution of *inter partes* review (including timeliness) as *a predicate* to the consideration of a joinder request. 35 U.S.C. § 315(c) (requiring that the petition be “properly fil[ed],” which encompasses the timeliness requirement).

By the same token, the PTO contends that VirnetX’s challenge to the Board’s joinder decision is “a backdoor” to challenging the institution decision because (the PTO tacitly acknowledges) Apple’s time-barred petitions cannot

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<sup>1</sup> The other decisions on which Apple and the PTO rely, *see* Apple Opp. 10-11; PTO Opp. 7, similarly involved the Board’s institution decisions (or subsidiary determinations with respect to real party-in-interest) or discretionary discovery rulings. *See, e.g., Synopsys, Inc. v. Mentor Graphics Corp.*, Nos. 2014-1516 & -1530, 2016 WL 520236, at \*11 (Fed. Cir. Feb. 10, 2016); *MCM Portfolio LLC v. Hewlett-Packard Co.*, No. 2015-1091, 2015 WL 7755665, at \*3 (Fed. Cir. Dec. 2, 2015).

proceed independently. PTO Opp. 8. This objection mistakes the *consequences* of a reversal of a statutorily impermissible joinder for a challenge to the institution decision itself. Denial of a joinder request would not necessarily doom the underlying *inter partes* review petition (except where, as here, that petition is time-barred by statute). *See, e.g., HM Elecs., Inc. v. 3M Innovative Properties Co.*, IPR2015-00482, Paper No. 12 (July 14, 2015) (instituting review); *id.*, Paper No. 21 (Sept. 22, 2015) (denying the petitioner’s later-filed request to join its own prior petition and leaving the petitioner to proceed separately on the later-filed petition). Taken to its logical conclusion, the PTO’s argument would insulate from review even the Board’s final written decisions because the reversal of such decision would invariably get rid of the *inter partes* proceeding itself.

VirnetX’s current petition does not ask this Court to review the Board’s determinations that Apple’s petitions “warrant[] the institution of an *inter partes* review under section 314”—namely, that “there is a reasonable likelihood that [Apple] would prevail” on at least one challenged claim. 35 U.S.C. §§ 314(a), 315(c); *see* Pet. Ex. 1 at 3; Pet. Ex. 2 at 3. Nor, unlike the petitioner in *Procter & Gamble* or the appellant in *Achates*, does VirnetX currently challenge the Board’s decision to institute (including its determination regarding whether a petition is time-barred) based on the Board’s findings as to whether the facts of the case supported the statutory bar to institution. *See Procter & Gamble*, 749 F.3d at 1378

(the Board instituted review after concluding that the patent challenger's declaratory-judgment action did not qualify as a statutory bar under 35 U.S.C. § 315(a)(1)); *Achates*, 803 F.3d at 653-54 (the Board instituted review after concluding that codefendants of the patent challenger, Apple, were not "real parties in interest or privies of Apple," and therefore did not trigger section 315(b)'s timeliness bar). There is no dispute that Apple's *inter partes* review petitions are filed outside of section 315(b)'s one-year window and that, but for the Board's erroneous interpretation of the applicable statute, they must be dismissed just as the Board dismissed the prior petitions filed by Apple or its proxy. Pet. 5-6.

The fact that the Board decided to institute Apple's time-barred petition and to grant Apple's joinder requests in the same document is not dispositive. They are two separate decisions, on two separate issues.<sup>2</sup> Indeed, Apple knows well that a

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<sup>2</sup> Apple (at 12) chastises VirnetX for not citing any Board cases considering joinder and institution separately. But such examples are legion, and they demonstrate that institution petitions and joinder requests can be both filed and decided separately. See, e.g., *Cisco Sys., Inc. v. Straight Path IP Group, Inc.*, IPR2015-01398, Paper No. 9 (P.T.A.B. Nov. 10, 2015) (instituting review), and *id.*, Paper No. 10 (P.T.A.B. Nov. 10, 2015) (granting joinder request); *Nissan North America, Inc. v. Diamond Coating Techs., LLC*, IPR2014-01548, Paper No. 22 (P.T.A.B. April 21, 2015) (redacted) (instituting review), and *id.*, Paper No. 31 (P.T.A.B. May 28, 2015) (granting later-filed joinder request); *Target Corp. v. Destination Maternity Corp.*, IPR2014-00508, Paper No. 31 (P.T.A.B. Feb. 12, 2015) (instituting review), and *id.*, Paper No. 32 (P.T.A.B. Feb. 12, 2015) (granting joinder request); *Fujitsu Semiconductor Ltd. v. Zond, LLC*, IPR2014-00859, Paper No. 11 (P.T.A.B. Nov. 18, 2014) (instituting review), and *id.*, Paper No. 12 (P.T.A.B. Nov. 18, 2014) (granting a later-filed joinder request).

joinder request does not have to accompany an *inter partes* review petition, but can be made independently. Apple first sought review of the patents at issue by filing *inter partes* review petitions in June 2013. Pet. Ex. 3 at 2; Pet. Ex. 4 at 2. Concerned that its petitions might be dismissed as time-barred (as they eventually were, Pet. Exs. 3, 4, 5), Apple subsequently sought to join later-filed *inter partes* review proceedings initiated by a different party, and persuaded the Board that the petition and the motion for joinder are not required to be filed simultaneously. *Apple Inc. v. VirnetX, Inc.*, IPR2013-00348, Paper No. 6 at 3-4 (P.T.A.B. Aug. 14, 2013) (authorizing Apple to file a motion for joinder); *id.*, Paper No. 7 at 1 (P.T.A.B. Aug. 21, 2013) (requesting that IPR2013-00348 be joined with IPR2013-00375).

The PTO (but not Apple) also argues that this Court's decision in *Achates* precludes this Court from reviewing via mandamus the Board's decision to initiate *inter partes* review based on the Board's "assessment of the time-bar of § 315(b)." PTO Opp. 7 (quoting *Achates*, 803 F.3d at 658). But *Achates* only examined whether an appeal was available from the Board's decision that an *inter partes* review petition was not time-barred based on petitioner's (Apple's) relationship with its litigation co-defendants because such co-defendants were not "real parties in interest or privies of Apple." 803 F.3d at 653-654, 658-659. VirnetX's petition here does not seek review of the Board's assessment of section

315(b)'s time bar based on the facts of this case; there is no dispute that, absent the Board's reliance on the joinder provisions, Apple's petitions would be time-barred.<sup>3</sup>

The PTO then argues that the prohibition on appellate review of 35 U.S.C. § 314(d) bars "all 'procedur[al]' challenges to institution." PTO Opp. 6-7, 9. But here, the Board acted outside of its statutory authority by interpreting the governing statute to authorize joinder of parties who are explicitly time-barred by that statute. That is not the application of a procedural rule, but instead a threshold question of the nature of the Board's power to join parties who are barred under the statute. Neither *Achates* nor *Harmonic, Inc. v. Avid Technology, Inc.*, No. 2015-1072, 2016 WL 798192 (Fed. Cir. Mar. 1, 2016) (both of which concern review on appeal, not via mandamus) speaks to such a situation, much less precludes mandamus relief.

Nor does VirnetX seek mandamus review simply in order to "relieve [it] of the burden of going through the *inter partes* review." See *Procter & Gamble*, 749 F.3d at 1379. VirnetX does not currently challenge the institution of the Mangrove

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<sup>3</sup> In any event, *Achates* recognized that appellate review may still be available where the agency has "exceeded the scope of its delegated authority or violated a clear statutory mandate." *Achates*, 803 F.3d at 658 (internal quotation marks omitted). Because the Board has joined a party who does not have a properly filed petition, in contravention of § 315(c), its action is reviewable via mandamus.

proceedings, as opposed to the fact that the Board permitted participation in these proceedings by a statutorily time-barred party. Pet. 3. This is akin to numerous instances where this Court granted mandamus to relieve a party from going through trial in violation of its right to be tried in a different venue—the same harm VirnetX will suffer here. *See, e.g., In re EMC Corp.*, 677 F.3d 1351, 1355 (Fed. Cir. 2012); *In re TS Tech USA Corp.*, 551 F.3d 1315, 1322 (Fed. Cir. 2008). As this Court recognized, there is no adequate post-final judgment remedy in such circumstances. *See In re EMC Corp.*, 677 F.3d at 1355 (“a defendant would not have an adequate remedy for an improper failure to transfer or sever the case by way of an appeal from an adverse final judgment because the defendant would be unable to demonstrate that it would have won the case had it been tried in a convenient venue”) (internal quotation marks omitted).

## **B. VirnetX Has a Clear and Indisputable Right to Relief**

### **1. The Plain Statutory Text Prohibits Joinder of a Time-Barred Petitioner**

Apple and the PTO give short shrift to the plain text of the statutory provisions at issue, but the language of § 315(b) is clear and mandates VirnetX’s requested relief. Apple argues that section 315(b)’s timing exception for “a request for joinder” creates “an express exception” for the *petitions*, because section 315(b)’s first sentence sets forth the time bar only for petitions. Apple Opp. 15; *see also* PTO Opp. 11-12. The plain text of section 315(b) forecloses this

construction. Under Apple and the PTO's interpretation, the last sentence of section 315(b) would read as follows (additions in emphasis):

The time limitation set forth in the preceding sentence shall not apply to a petition accompanied by a request for joinder.

That is not, however, what Congress wrote. Congress provided only that a "request for joinder" (not the accompanying petition) be exempted from the one-year time bar in section 315(b). If Congress had wanted to exempt petitions themselves, it could have simply repeated its language from the first sentence of the section, which referenced a "petition requesting the proceeding." The fact that Congress did not do so indicates that the provision cannot be so read. *See Loughrin v. United States*, 134 S. Ct. 2384, 2390 (2014).

Having stumbled over the plain language of the statute, Apple urges a "broad construction" of the joinder exception. Apple Opp. 15. But as the Supreme Court instructed, addressing a similarly phrased statutory exception, such exemptions should be "narrowly construed, giving due regard to the plain meaning of statutory language and the intent of Congress." *A.H. Phillips, Inc. v. Walling*, 324 U.S. 490, 493 (1945). Otherwise, the purposes of the statute would be undermined by an overly broad reading: "To extend an exemption to other than those *plainly and unmistakably within its terms* and spirit is to abuse the interpretative process and to frustrate the announced will of the people." *Id.*

(emphasis added). That is precisely the effect that Apple’s construction would have. In enacting the America Invents Act, Congress sought to prevent the use of *inter partes* proceedings to harass patent owners and avoid “serial challenges” of patents. *See* Pet. 24. The exception for “requests for joinder” in § 315(b) should be strictly construed, and certainly not read to create a loophole enabling precisely the type of abuse Congress intentionally sought to forestall.

Apple (but not the PTO) next argues that section 315(c)’s requirement that a petition must be “properly file[d]” does not intend to invoke the time limitation of section 315(b). Apple Opp. 17-19. Section 315(c)—so Apple argues—refers to “any person who properly files a petition *under section 311*,” and therefore only refers to the requirement specifically listed in 35 U.S.C. § 311, and no other provision. Apple Opp. 18 (emphasis in original). This slender reed cannot support Apple’s argument. Apple ignores the way in which the entire statutory scheme governing *inter partes* review is structured. Throughout the entire chapter devoted to *inter partes* review, Congress repeatedly used the term “petition under section 311” to refer to *inter partes* review petitions, which are, after all, introduced and established in section 311. *See, e.g.*, 35 U.S.C. §§ 312(a), 312(b), 313, 314(a), 314(b), 315(c). The phrase “under section 311,” therefore, is simply the statutory shorthand that denotes an *inter partes* review petition. And, as VirnetX explained,

section 311 requires compliance with the other provisions of Title 35, Chapter 31, which include section 315(b)'s timeliness requirement. *See* Pet. 23.

## **2. Neither Apple Nor the PTO Rebut the Legislative History**

As VirnetX demonstrated, the legislative history of the America Invents Act confirms the meaning of the plain statutory text. *See* Pet. 20-22. Neither Apple nor the PTO rebut—or even attempt to seriously address—this legislative history's support for VirnetX's position.

Both Apple and the PTO attempt to side-step this legislative history by suggesting that it could have referred to some other “timing requirement,” rather than to section 315(b). Apple points to the filing deadline listed in section 311, Apple Opp. 19 n.11, but such a reading is implausible. Senator Kyl made clear that the “properly files” language means “that *time deadlines* for filing petitions must be complied with in all cases.” 154 Cong. Rec. S9988 (daily ed. Sept. 27, 2008) (statement of Sen. Kyl) (emphasis added). The timing requirement of section 311 is not a deadline at all; it only sets the temporal point at which the filing of a petition on a particular patent *becomes permissible*. *See* 35 U.S.C. § 311. And the Supreme Court case law from which Congress derived the “properly files” term concerned the determination of a filing deadline after which the habeas petition was out of time. *Artuz v. Bennett*, 531 U.S. 4, 8 (2000); *see also* Pet. 20-22. That case law is irrelevant to determining when something may

*first* be filed, which is section 311's concern. Apple's explanation simply strains credulity.

The PTO, for its part, advances an entirely different theory. The PTO argues that the timeliness issue addressed by Senator Kyl related to the one-month deadline of 37 C.F.R. § 42.122(b). *See* PTO Opp. 12 n.7. That cannot be the case either. Senator Kyl separately discussed the deadline the PTO would set for requesting joinder by addressing 35 U.S.C. § 316(a)(12)'s analogue (then known as § 329(b)(2)), which is the basis for the one-month deadline in 37 C.F.R. § 42.122(b). 154 Cong. Rec. S9988. Senator Kyl explained that this deadline “applies only to the motion for joinder, not to the filing of the additional petition itself,” while, on the other hand, a petition would be “properly filed” only if “time deadlines for filing petitions [are] complied with.” *Id.* The legislative history was thus clear that the properly filed limitation related to the statutory deadline for petitions, and not the joinder deadline to be set by the PTO.

Finally, the PTO argues that the Board's interpretation of section 315(b) is consistent with how the provision was understood during debates over the America Invents Act. PTO Opp. 13. But the legislative history the PTO quotes actually supports VirnetX's reading. The PTO notes Senator Kyl's statement that following a joinder request, the PTO “will either join that party and its new arguments to the existing proceeding, or *institute a second proceeding for the*

*patent.*” *Id.* (quoting 157 Cong. Rec. S1376 (daily ed. Mar. 8, 2011)) (emphasis added). What was understood about joinder requests, then, was that they would accompany petitions that could be not just joined to an existing *inter partes* review, but also *independently instituted*—and that would have required them to comply with the one-year bar in section 315(b). *See id.*

### **3. Deference to the PTO Is Inappropriate in This Case**

Both the PTO and Apple claim deference to the PTO’s regulations, which interpret section 315(b) as exempting any “petition accompanied by a request for joinder” from the one-year time bar. Apple Opp. 20-21; PTO Opp. 10. But, as VirnetX demonstrated, the Board’s interpretation of section 315(b)’s timing exemption is contrary to the statutory text, purpose, and congressional intent. *See* Pet. 17, 20-24; *Heino v. Shinseki*, 683 F.3d 1372, 1378 (Fed. Cir. 2012) (in construing the statute at *Chevron*’s step-one, a court “examine[s] the statute’s text, structure, and legislative history, and appl[ies] the relevant canons of interpretation”). In such circumstances, deference to the agency’s interpretation is not warranted, *see Oshkosh Truck Corp. v. United States*, 123 F.3d 1477, 1481 (Fed. Cir. 1997), and the PTO’s interpretation is, in any event, unreasonable.

### **4. This Court’s *Achates* Decision Does Not Preclude VirnetX’s Interpretation**

Contrary to Apple, this Court’s decision in *Achates* does not control here. *Achates* dealt with the reviewability of the Board’s decision to institute *inter partes*

proceedings where it concludes that a given petition is timely. 803 F.3d at 658. Joinder was not even at issue in *Achates*. Moreover, *Achates* did not concern the Board’s power to ignore the statutory limit on its authority in the time bar, but simply its determinations on the merits of whether an individual petitioner (Apple) was time-barred due to association with codefendants. *Id.* at 653; *supra* at 4-6.

The language from *Achates* that Apple touts as the purported “governing precedent,” Apple Opp. 11, is far from being that. As noted above, *Achates* did not involve a joinder request, much less the question of a statutory construction of sections 315(b) and 315(c)—the time bar and the joinder provision. That statutory issue was neither briefed by the parties, nor considered by the Court. A court is “not bound to follow [its] dicta in a prior case in which the point now at issue was not fully debated.” *Cent. Virginia Cmty. Coll. v. Katz*, 546 U.S. 356, 363 (2006).<sup>4</sup>

### **C. VirnetX Has No Other Way of Obtaining Relief**

The PTO argues that section 314(d)’s prohibition on appellate review would preclude any review of the Board’s joinder decision by this Court, including

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<sup>4</sup> In any event, this Court’s decision in *Achates* need not conflict with VirnetX’s reading of section 315(b). The Court stated only that the joinder provision of section 315(c) “means that an otherwise time-barred party may nonetheless participate in an *inter partes* review proceeding if another party files a proper petition.” *Achates*, 803 F.3d at 657. The Court’s reference to “an otherwise time-barred party” could be an explanation of the joinder exception, recognizing that a joinder request filed outside the one-year time bar will not be barred, under the terms of the statute.

review on final appeal from the Board's final written decision (whether via regular appellate route or by way of mandamus). PTO Opp. 6, 9-10. By definition, that means that VirnetX has no other way of obtaining review, except by way of mandamus from this Court.

Apple, in turn, tries to have it both ways. It does not concede that the Board's joinder decision is reviewable at all, but then argues that any review should await the final written decision. Apple Opp. 21. Deferring review until *after* the proceedings below are concluded would effectively leave VirnetX without a meaningful remedy. Apple, Mangrove, and Black Swamp will gain numerous tactical advantages that will be impossible to unravel after a final decision. For instance, Apple may advance arguments and positions based on non-public information gained through district court litigation or otherwise. Stay Reply at 6-7. Similarly, absent the Court's intervention, arguments as to the public availability of references at issue in these proceedings will improperly develop based on Apple's new evidence—evidence that was in part *crafted by Apple* at a time when it was already a time-barred party. *See* Stay Reply at 7-8.

### **III. CONCLUSION**

VirnetX respectfully submits that mandamus is both appropriate and necessary. This Court direct the PTO to revoke its erroneous joinder decisions and reassign the proceedings to a different Board panel.

March 17, 2016

Respectfully submitted,

/s/Naveen Modi  
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### **CERTIFICATE OF SERVICE**

I hereby certify that I filed the foregoing document with the Clerk of the United States Court of Appeals for the Federal Circuit via the CM/ECF system this 17th day of March, 2016, and also served a copy on counsel of record via the CM/ECF system.

I hereby further certify that on this 17th day of March, 2016, I caused a copy of the foregoing document to be delivered by overnight courier to the Patent Trial and Appeal Board at the following address:

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