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Filed on behalf of:

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UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND APPEAL BOARD

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**APPLE INC.**

Petitioner,

v.

**VOIP-PAL.COM, INC.,**

Patent Owner

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Case No. IPR2016-01201

U.S. Patent 8,542,815

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**PATENT OWNER'S OPPOSITION TO APPLE'S MOTION FOR  
SANCTIONS PURSUANT TO BOARD ORDER OF DECEMBER 20, 2017**

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Patent Owner Voip-Pal.com, Inc. (“Voip-Pal”) hereby opposes Petitioner Apple’s Motion for Sanctions (Paper No. 55) and respectfully submits that denial of the Motion for Sanctions is mandated.

## **I. INTRODUCTION**

Petitioner’s Motion for Sanctions is an unwarranted attack on Patent Owner and the Board and is driven by nothing more than speculation and unsupported accusations of bias and misconduct. Petitioner requests that the Board ignore its sound and final written decision and instead render judgment in Petitioner’s favor or order re-trial on the merits. Petitioner’s request is absurd for numerous reasons:

***First***, the Code of Federal Regulations and the Rules of Practice make clear that the Sawyer Letters are not impermissible *ex parte* communications;

***Second***, none of the Sawyer Letters addressed the merits of the pending proceedings and there has been no prejudice here;

***Third***, Petitioner’s request for relief is untimely and barred as it comes after an adverse judgment and also in light of the fact that Petitioner was in possession of the first and the last of the Sawyer Letters and still chose to do nothing; and

***Finally***, even assuming the Sawyer Letters were improper *ex parte* communications, the requested sanctions are completely unprecedented and disproportionate to the alleged misconduct and actual harm.

## II. ARGUMENT

### A. **The Sawyer Letters Are Authorized By The Rules of Practice and Do Not Qualify As *Ex Parte* Communications.**

The Sawyer Letters are not impermissible *ex parte* communications; they are exempted and authorized by the C.F.R. and Rules of Practice. The heart of Petitioner's Motion rests upon 37 C.F.R. § 42.5(d), generally prohibiting communications with the Board "unless both parties have an opportunity to be involved." *See* Motion at 9. But § 42.5(d) does **not prohibit** all *ex parte* communications. Indeed, in explaining § 42.5(d), the Rules of Practice provide:

The prohibition on *ex parte* communications **does not extend to:** [...] (4) **reference to a pending case in support of a general proposition** (for instance, citing a published opinion from a pending case **or** **referring to a pending case to illustrate a systemic concern**).

*See, e.g.*, Rules of Practice for Trials Before the Patent Trial and Appeal Board, 77 FR 48612-01 (emphasis added). Therefore, communications that make "reference" to a pending case in order to "illustrate a systemic concern" are permissible. *Id.*

#### 1. **The Sawyer Letters illustrate systemic issues in the IPR process as allowed under the Rules of Practice.**

All of the Sawyer Letters constitute the authorized illustration of systemic concerns about the U.S.P.T.O. and PTAB process that are permitted under the Rules of Practice and the C.F.R.<sup>1</sup> Reference to this proceeding does not make the Sawyer

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<sup>1</sup> Much has been made about the involvement of Patent Owner in the Sawyer Letters. Patent Owner has been as concerned as Dr. Sawyer about systemic issues with Office practice. Patent Owner did have discussions with Dr. Sawyer about these systemic

Letters impermissible *ex parte* communications. *See supra*. Petitioner tries to create issues where none exist by misrepresenting the Sawyer Letters, some of which were already in Petitioner's possession. *See* Section II.C. A careful review reveals that the letters are not impermissible *ex parte* communications under the Rules of Practice.

**May 1, 2017 Letter (the “May Letter”):** Foremost, the May 1, 2017 Letter was admittedly received by Petitioner. *See* Section II.C. And Petitioner did nothing about it. That fact alone removes the May Letter from the scope of § 42.5; it is not an impermissible *ex parte* communication. Separately, the fact that the May Letter, which was sent to the Honorable David P. Ruschke and copied to the U.S. President and various members of Congress and officials, was transmitted in order to criticize general USPTO policies that prevent participants in the *Inter Partes* Review process from accessing information necessary to determine whether there is bias or impartiality in any particular proceeding, also disqualifies the May Letter as an *ex parte* communication under § 42.5. For example, the May Letter contrasts the requirement that federal judges disclose financial conflicts of interests with evidence showing that similar disclosures are *not* required in the PTAB setting due to systemic policies. As the May Letter states:

The financial disclosures are withheld in full pursuant to Exemption (b)(6) of the FOIA, ... [as] a clearly unwarranted invasion of personal privacy [making it] impossible to get financial information about the

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issues and did participate in the preparation of the Sawyer Letters, as was stated in the October Letter, publicly posted on Patent Owner's website. But, as set forth here, Patent Owner did so within the requirements of § 42.5(d). *See infra*.

three members of the panel in the current IRB [and] information concerning any potential bias in the administration of this judicial system. *See* Ex. 3003 (May Letter) at page 2.

That the May Letter refers to a pending case to illustrate a point is actually authorized by the Rules of Practice. Petitioner falsely asserts, without evidence, that the May Letter “demanded” the Board replace the original Panel (Paper 55 at 1); in fact, *no* “demand” was ever made for the Board to change the panel. Petitioner’s suggestion that the Board granted relief based on the May Letter is pure conjecture. *Id.* at 1. Thus, the May Letter is not an impermissible *ex parte* communication.

**July 27, 2017 Letter (the “July 27 Letter”):** The July 27 Letter is not impermissible under § 42.5; it, too, illustrates systemic concerns with the PTAB process and policy of allowing special purpose entities to file petitions on behalf of other undisclosed parties and failing “to provide constitutional protections to patent holders.” *See* Ex. 3006 (July 27 Letter) at 1. The July 27 Letter does not reference the instant proceedings specifically, only the fact that Patent Owner “has had eight IPR petitions filed against it,” in order to illustrate these systemic concerns.

**August 31, 2017 Letter (the “August Letter”):** The August Letter is also not an *ex parte* communication under § 42.5. The August Letter raises systemic concerns about potential unfairness of the IPR system due to “gang tackling”, PTAB panel stacking/manipulation, or conflicts of interest due to USPTO officers having financial stakes in Silicon Valley. *See* Ex. 3007 (August Letter) at 1-4. While this letter was copied to the Panel, all of the issues were systemic in nature and none of

the issues raised were relevant to the substantive merits of the case before the new Panel. *Id.*

**October 23, 2017 Letter (“October Letter”):** The October Letter is not an impermissible *ex parte* communication under § 42.5, at least because it was received by Petitioner, which failed to act. *See* Section II.C. Separately, the October Letter reiterated the same criticisms about PTAB policies and systemic issues regarding fundamental fairness. *See* Ex. 3008 (October Letter) at 3-6. Petitioner alleges that the October Letter demands unwarranted relief. But the Rules of Practice authorize complaints about systemic issues, all of which come with the inherent right to request that those systemic concerns be remedied. Petitioner’s admitted awareness of the October Letter and the timing of the Motion for Sanctions is suspicious at best.

**June 21 and July 11 Letters (the “Follow Up Letters”):** The Follow Up Letters, too, are permissible under § 42.5. Petitioner’s portrayal of the June 21 Letter as seeking “a judgment in the patent owner’s favor or a dismissal of the action” is misleading. *See* Paper 55 at 4. The June 21 and July 11 Letters follow up the May Letter to seek *transparency* regarding the changes to the original Panel. That transparency never came because the letters were either not received or ignored.

Petitioner’s argument that the June 21 and July 11 Letters sought “sanctions” in the form of a judgment in the Patent Owner’s favor is misleading. *See* Paper 55 (Motion) at 4, 5. The June 21 Letter merely suggests that the process of substituting a panel, if done to remedy a conflict, would not address any predicate decision of the

substituted panel. *See* June 21 Letter at 2. These comments are hardly earth shattering and had no effect on the proceeding. Dr. Sawyer's suggestion to "allow the new panel to reconsider the institution decision" was never acted upon. *Id.* Even if it had been acted upon, reconsideration of institution would not necessarily have led to judgment for the Patent Owner. Similarly, the July 11 Letter criticizes the PTAB's procedure of substituting a panel without revisiting the substituted panel's decisions. The July 11 Letter concludes with an explanation about sanctions that, ironically, are not even applicable to judges. *See* Ex. 3005 (July 11 Ltr) at 3.

**2. Patent Owner's conduct with respect to the Sawyer Letters was entirely proper under the Rules of Practice.**

Both Voip-Pal and its shareholder shared the foregoing systemic concerns. As noted above, the Rules of Practice authorize *ex parte* communications regarding systemic issues and reference to current proceedings to provide context and illustration. Had any of the Sawyer Letters addressed the merits of these proceedings, refuted prior art references, or discussed the patent's claims, that would have been improper. But that is not the case here.

All of the Sawyer Letters illustrated systemic concerns about potential unfairness and bias of the *Inter Partes* Review system, citing various public sources of commentary by patent practitioners, industry experts, and even Federal Circuit judges echoing those systemic concerns. *See* Exs. 2058-2096. The Sawyer Letters scrupulously avoid discussion of all "substantive issues" (prior art, non-obviousness or antedating). No attempt was made to communicate clandestinely with the Panel;

the letters provided an open list of “cc’d” recipients, including the Board and federal court judges through which Petitioner received what it characterizes as the most egregious *ex parte* communications. Nor did Patent Owner hide these letters, but rather, posted them on its public website and issued a press release.<sup>2</sup>

**3. The relief requested by Petitioner would be unprecedented under these circumstances.**

Even if deemed impermissible *ex parte* communications, the Sawyer Letters do not come close to being egregious conduct that is worthy of the unprecedented sanctions requested by Petitioner – reversal of the Board’s sound decision or re-trial. Where a party has engaged in *ex parte* communications with a judge, courts have declined to impose sanctions, and instead, have opted to warn parties against further communications, invoking the possibility of sanctions only if the warnings were violated. *See, e.g., Scherer v. Washburn Univ.*, No. CIV.A. 05-2288-CM, 2006 WL 2570274, at \*2, FN 1 (D. Kan. Mar. 30, 2006) (declining to impose sanctions after “numerous [*ex parte*] contacts, via email and telephone, with the court regarding this case and various other topics”); *see also Wells Fargo Bank Nw., N.A. v. Biotab Nutraceuticals, Inc.*, No. 1300435, 2013 WL 12202754, at \*2 (C.D. Cal. Mar. 11, 2013) (declining sanctions, instead ordering that “*ex parte* communications” cease).

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<sup>2</sup> The press release states that the letters were independently written by Dr. Sawyer. As made clear in the Sawyer Letters and this brief, the Patent Owner contributed to Dr. Sawyer’s letters about their mutual concerns, shared by the commentators cited in the letters, regarding systemic issues in the Office as authorized by the Rules. Patent Owner’s participation ensured that the technical merits were not discussed. *See* FN 1. A revised version of the press release was issued on January 11, 2018.

And in analogous settings where recusals were sought following *ex parte* communications with judges or their staff, courts have declined to grant relief especially where the communications did not affect the merits of the decision. *See, e.g.*, *In re Adbox, Inc.*, 234 Fed. Appx. 420, 421 (9th Cir. 2007) (denying motion for recusal despite “several *ex parte* contacts,” as there was “no evidence that those communications affected the bankruptcy judge’s rulings”).<sup>3</sup>

Here, none of the Sawyer Letters affected the rulings. Given that the Sawyer Letters are entirely non-substantive, Petitioner has no choice but to conjure up a nebulous argument about alleged “reciprocal bias”, misleadingly suggesting that the “Substitute Panel” was “implicitly pushed” by Dr. Sawyer’s “additional *ex parte* letters” (i.e., “the remainder of the letters”) onto some kind of biased, erroneous and prejudiced “path,” as “every additional letter from Voip-Pal fostered and nurtured that bias, compounding the error, the prejudice, and the due process violation.” *See* Paper 55 at 13-14 (emphasis added). Such a proposed chain of prejudicial influence is absurd because there is *no evidence* that members of the “Substitute Panel”

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<sup>3</sup> *See also Knop v. Johnson*, 977 F.2d 996, 1011 (6th Cir.1992) (no relief granted despite *ex parte* contacts because “lapses appear[ed] relatively harmless,” as the court did not rely on the contacts in writing its opinion); *Aiken Cnty. v. BSP Div. of Envirotech Corp.*, 866 F.2d 661, 679 (4th Cir.1989) (no “reasonabl[e] ... belief that the judge was not impartial,” where *ex parte* contacts didn’t touch “substantive issues”); *AIG Baker Shopping Ctr. Props., LLC v. Deptford Twp. Planning Bd.*, No. 04-CV-5849(FLW), 2006 WL 83107, at \*12 (D.N.J. Jan. 10, 2006) (explains that proscription against *ex parte* communications concerns those communications that affect the merits of a proceeding; no recusal is necessary if they do not).

*received or read, let alone acted upon, the Sawyer Letters.*

Petitioner doesn't identify what, exactly, gives the "appearance" of bias. Petitioner assumes that the mere *fact* of the Sawyer Letters creates an appearance of bias—an unsupported and patronizing view that denigrates the competence and independence of the Board. Courts have rejected this very view, refusing to infer bias solely due to the fact of *ex parte* communication. *See, e.g., Kaufman v. Am. Family Mut. Ins. Co.*, No. 05-CV-02311-WDM-MEH, 2009 WL 924442, at \*1 (D. Colo. Apr. 3, 2009).<sup>4</sup> In *Kaufman*, the plaintiff said that an *ex parte* communication created an "appearance of partiality" and "somehow cast[] doubt on the reliability of orders" issued. *Id.* (finding the argument to be "unavailing" and indicating that "there is nothing to indicate partiality or even the appearance of partiality"). Thus, there is no basis for the draconian sanctions that Petitioner requests.

**B. Petitioner's Argument That It Was Prejudiced Is Wrong Because Petitioner Lost Squarely On The Merits.**

Board Decisions hold that a showing of harm is required in a motion for sanctions. *See, e.g., RPX Corp. v. Applications in Internet Time, LLC*, IPR2015-

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<sup>4</sup> Petitioner's theory that the Panel "responded" to the Sawyer Letters (*id.* at 14) is contradicted by the fact that the Board did not answer Dr. Sawyer's letters, nor did it revisit the institution decision. Rather, the Board followed standard operating procedures to assess both Petitioner's and Patent Owner's positions on the merits. Petitioner assumes that substitution of the Original Panel is proof of a response, but Petitioner admits it was aware of this change and also aware of the May Letter but did nothing, having "no reason to believe" that there was an effect. *See* Section II.C.

01750, Paper No. 58, at 2 (noting that a motion for sanctions must address the following factors: (1) whether a party has engaged in conduct that warrants sanctions; (2) whether the moving party has suffered harm from that conduct; and (3) whether the sanctions requested are proportionate to the harm suffered by the moving party). But these factors do not support Petitioner's request for sanctions. In arguing that it was harmed by the Sawyer Letters, Petitioner mischaracterizes the record in order to discredit the Final Written Decision ("FWD") as tainted by bias. Petitioner states that "the replacement panel reversed the [Original Panel's] decision," and that Patent Owner "repeated the same rejected arguments from the POPR and rehearing request." Paper 55 at 1, 3. Both allegations are false and misleading. In fact, Patent Owner presented *new* arguments and *new* evidence (e.g., testimony from Dr. Mangione-Smith and Petitioner's expert, Dr. Houh) that the Original Panel didn't have. The new Panel analyzed "the entirety of the record," e.g., "the record... developed during trial." Paper 53 (FWD) at 20, 27.

Petitioner also mischaracterizes the Board's factual findings, stating that the "FWD analyzed only the ordering of steps and motivation to combine arguments—both of which the Original Panel had previously rejected..." Paper 53 (FWD) at 7. Contrary to the Petitioner, the Board analyzed "the entirety of the record" (*id.* at 27) to find, *inter alia*, that: (1) the Petitioner's reasons to combine Chu '684 were "conclusory and insufficient" and lacked "underlying evidentiary support" (*id.* at 18-21); (2) Chu '684 classified calls based on the "unaltered 'dialed digits'" and did not

require “knowledge of the attributes of a caller” (*id.* at 22); (3) Chu ‘684’s teaching does not apply to reformatted numbers (*id.* at 23); (4) the record didn’t support Petitioner’s claim that a skilled person would program Chu ‘684 to “analyze the dialed digits and reformat *as necessary*” for classification (*id.* at 23); and (5) Petitioner didn’t account for the order of steps required by the claims (*id.* at 23-24).

Moreover, these factual findings were based on the entirety of the record developed during trial, including new evidence from both Dr. Mangione-Smith and Dr. Houh. Paper 53 (FWD) at 20. For example, the Panel expressly relied on Dr. Mangione-Smith’s evidence to identify deficiencies in Dr. Houh’s testimony (*id.* at 19, citing Dr. Mangione-Smith’s testimony in Ex. 2016 ¶¶ 65–67) and also to confirm it’s view that Chu ‘684 relied on the “dialed digits”, and not on any attributes of a caller, to process a call (*id.* at 22, citing Ex. 2016 ¶ 71). For example, the Board found:

Indeed, we credit Dr. Mangione-Smith’s view that Dr. Houh does not explain adequately the nature of the deficiency in Chu ‘684 that is intended to be addressed.” *Id.* at 19 (citing Dr. Mangione-Smith’s testimony in Ex. 2016 ¶¶ 65–67).

Thus, Petitioner’s characterization of the FWD as merely a reversal of earlier decisions by the Original Panel or as merely rehashing rejected arguments is disingenuous and inaccurate. Petitioner dismisses the detailed analysis the Board performed in weighing all of the new evidence, to blame the decision on “bias”. While Petitioner complains that it did not have an opportunity to respond to the

Sawyer Letters, it fails to provide any explanation for how the Sawyer Letters impacted the factual findings in the FWD. They *did not* because they *could not*: the Sawyer Letters did not even touch any of the “substantive issues” before the Panel.

Petitioner’s overwhelming reliance on accusations of bias and prejudice in this Motion belie its claims that Petitioner’s loss on the merits is due to the Sawyer Letters. But the content of the Sawyer Letters was *irrelevant* to the substantive issues before the Panel, and even if Petitioner had made a timely protest (which it *deliberately* chose not to do), that would not explain how Petitioner’s technical submissions would have been any different. The same flawed arguments and evidence could not have led to a different decision on the merits. Thus, Petitioner cannot substantiate any of its allegations of unfairness or of an improper result.

**C. Petitioner Motion for Sanctions and the Relief Requested Therein Is Untimely and Barred.**

Petitioner’s Motion for Sanctions is separately barred because Petitioner was aware of the alleged *ex parte* communications, chose to do nothing, and waited until after final judgment. It is axiomatic that a request for sanctions must be made promptly after the alleged misconduct in order to be actionable. *See, e.g., Square Inc. v. REM Holdings 3, LLC*, IPR2014-00312, Paper 59 (Petitioner’s request found untimely because it waited more than *four months* after the misconduct and *two weeks* after the final decision); *see also* IPR2015-00516, Paper 12 at 2 (finding request “untimely because Patent Owner waited until this late stage..., after our

Decision Denying Institution, to request relief"); and IPR2015-00165, Paper 19 (denying relief because "Patent Owner allowed nearly seven weeks to pass").

Petitioner became aware of the May 1, 2017 Letter and the October 23, 2017 Letter on May 8, 2017 and November 1, 2017, respectively, yet chose to do nothing.<sup>5</sup> Notwithstanding that fact and Petitioner's awareness of the panel change in June of 2017, Petitioner took no action to mitigate any alleged prejudice for *seven months* and *six weeks*, respectively, waiting until after it lost on the merits by final judgment. In a hearing with the present panel of judges, Petitioner's counsel admitted Petitioner's awareness of the May 1 Letter and their own dilatory conduct:

The only reason we knew about that letter is a copy was sent to the District Court in Nevada, where the clerk entered it into the record in the litigation there. No actions were taken by Apple or the board with respect to that letter. We didn't take any action in response to that letter because we had no reason to believe that it had any impact.

[*See* Ex. 1021 (Hearing Transcript 12/19/2017) at 3:22-4:4 (emphasis added); *see also* Paper 55 at 10]

Yet, now, Petitioner asserts the contrary—that the May Letter *did* have an impact.

Separately, Petitioner's Motion for Sanctions is statutorily barred under 37 C.F.R. 42.73(a), which provides, in relevant part, that "a judgment, except in the case of a termination, disposes of all issues that were, or by motion reasonably could have been, raised and decided." Here, Petitioner received notice of the first and the last

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<sup>5</sup> As set forth in the Declaration of Adam Knecht (Ex. 2057), the CM/ECF system in co-pending federal court proceedings in the District of Nevada served Petitioner with both the May and October Letters. And Petitioner's counsel admitted that they were received. (*See* Ex. 1021 (Hearing Transcript 12/19/2017) at 3-4)).

letters and “could have” raised its complaint as far back as May 2017 but chose not to do anything until after judgment. Under § 42.73(a), Petitioner’s claim must be denied. The fact that Petitioner did not receive the other Sawyer Letters is no excuse because they are cumulative. *See Section II.A.1.*

The dilatory nature of Petitioner’s conduct belies the sincerity of Petitioner’s allegation that any of the Sawyer Letters were prejudicial. *See Section II.B and II.D.* If Petitioner truly believed the Sawyer Letters had impacted this proceeding, it could have (and would have) done something. Now, under § 42.73(a), Petitioner is barred from lodging any complaint at all. *See also Arris Grp., Inc.*, Petitioner, IPR2015-00635, 2015 WL 12711783, at \*2 (May 1, 2015) (citing § 42.73 to explain that all issues that could have been raised by motion are disposed of upon final judgment).

That the late procedural posture of this case leaves only certain remedies available to Petitioner, such as judgment in its favor or a re-trial (*see* Paper 55 at 15), is a circumstance caused by Petitioner’s own failures. To grant Petitioner a remedy now would reward Petitioner for waiting and doing nothing.

#### **D. Petitioner’s Due Process Rights Were Not Violated.**

Petitioner also claims that its “due process” rights were violated. Paper 55 at 10-12. Assuming *arguendo* that the Sawyer Letters constitute impermissible *ex parte* communications, Petitioner’s claim of a due process violation fails. Petitioner cites *Stone v. FDIC*, 179 F.3d 1368, 1377 (Fed. Cir. 1999), but the *Stone* decision is inapposite and only proves that there was no due process violation. First, *Stone* deals

with deprivation of a *property right* by a federal employee, which gave rise to a due process claim. *Id.* at 1374, 1375. Here, there is no property right at stake on the part of Petitioner. Even if *Stone* did apply here, the Federal Circuit has made clear that:

...not every *ex parte* communication is a procedural defect so substantial and so likely to cause prejudice that it undermines the due process guarantee and entitles the claimant to an entirely new administrative proceeding. **Only *ex parte* communications that introduce new and material information to the deciding official will violate the due process guarantee of notice.**

*Id.* at 1376-77 (emphasis added) (“...the inquiry of the Board is whether the *ex parte* communication is **so substantial** and **so likely to cause prejudice**...”)

As discussed above, Petitioner has pointed to no actual harm and no prejudice. And for the reasons discussed in this brief, *Stone*’s requirement that the Sawyer Letters introduce **new and material information** can’t be met. *Stone* at 1377 (“If the Board finds that an *ex parte* communication **has not introduced new and material information**, then there is **no due process violation**.”) *See* Section II.A.1 (explaining why the Sawyer Letters had no material information). Moreover, as explained in Section II.C, Petitioner knew of some of the Sawyer Letters and did nothing. *Id.* at 1377 (knowledge of and opportunity to respond to a communication is relevant to whether the communication is new and material information).

Petitioner’s complaint about due process violations should be rejected.

**III. CONCLUSION**

For the foregoing reasons, Patent Owner respectfully requests that the Board deny Petitioner's Motion for Sanctions.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that true and correct copy of PATENT OWNER'S OPPOSITION TO APPLE'S MOTION FOR SANCTIONS PURSUANT TO BOARD ORDER OF DECEMBER 20, 2017 is being served on January 12, 2018, via electronic mail, for Petitioners as addressed below:

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