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571-272-7822

Paper 131
Date: August 3, 2023

PUBLIC VERSION

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE OFFICE OF THE UNDER SECRETARY OF COMMERCE
FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE

PATENT QUALITY ASSURANCE, LLC,
INTEL CORPORATION,
Petitioners,

v.

VLSI TECHNOLOGY LLC,
Patent Owner.

IPR2021-01229[1]
Patent 7,523,373 B2

Before KATHERINE K. VIDAL, *Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office*.

DECISION
Determining Failure to Comply with Mandatory Discovery;
Misrepresentation of Fact, and
Misleading Argument; and
Ordering Petitioner Patent Quality Assurance, LLC to Show Cause

[1] Intel Corporation ("Intel"), which filed a Petition in IPR2022-00479, has been joined as a party to this proceeding. Paper 30.

I previously ordered Petitioner Patent Quality Assurance, LLC ("PQA") to show cause why it should not be sanctioned for its conduct in this proceeding. Although this decision is on a motion for reconsideration, I consider the issues anew, because I provided PQA with additional briefing to show cause why it should not be sanctioned.

Having considered the issues anew, I determine that PQA's conduct in this proceeding rises to the level of sanctionable conduct, and hereby give the parties notice that I am contemplating imposing an attorney-fee order or an admonishment as a sanction.

I. PROCEDURAL HISTORY

On January 26, 2022, the Patent Trial and Appeal Board ("PTAB" or "Board") issued a decision granting institution of an *inter partes* review ("IPR") of claims 1–16 ("challenged claims") of U.S. Patent No. 7,523,373 B2 ("the '373 patent"), based on a Petition filed by PQA. Paper 10 ("Institution Decision"). This Decision on whether to issue sanctions to PQA arises on Director Review of the Decision on Institution in this proceeding. *See generally* Paper 31; Paper 35; Paper 102.[2]

There is a complex background to this proceeding, some of which provides necessary context for the discovery I ordered in this proceeding and some of which is directly relevant to my finding below that PQA made misleading arguments about the availability of an expert witness.

[2] Paper 102 is the nonconfidential version of my previous decision on Director Review; Paper 101 is the confidential version.

A. Jury Verdict in the U.S. District Court for the Western District of Texas

VLSI sued Intel for infringement of the '373 patent in the Waco Division of the United States District Court for the Western District of Texas on April 11, 2019. *VLSI Tech. LLC v. Intel Corp.*, Case No. 1-19-cv-00254-ADA (consolidated as 1-19-cv-00977) (W.D. Tex.).

The trial resulted in a jury verdict finding that Intel infringed claims 1, 5, 6, 9, and 11 of the '373 patent. Ex. 1031, 2–4. The jury awarded VLSI $1.5 billion in damages for infringement of the '373 patent.[3] *Id*. at 6. Intel did not challenge, and the jury did not consider, the validity of the claims of the '373 patent. *See id.;* Paper 10, 6. Intel appealed to the United States Court of Appeals for the Federal Circuit, and that appeal is currently pending as *VLSI Technology LLC v. Intel Corporation*, No. 22-1906 (Fed. Cir. June 15, 2022). Because validity of the '373 patent was not at issue in the jury trial, the appeal will not resolve the unpatentability issues pending before the Board.[4]

[3] The jury also found that Intel did not literally infringe U.S. Patent No. 7,725,759 B2 ("the '759 patent"), but did infringe claims 14, 17, 18 and 24 of that patent under the doctrine of equivalents. Ex. 1031, 2–4. The jury further found that Intel had not proven by clear and convincing evidence that claims 14, 17, 18, and 24 of the '759 patent were invalid as anticipated. *Id.* at 5. The jury awarded VLSI $675 million in damages for Intel's infringement of the '759 patent, bringing the total damages award to $2.175 billion. Ex. 1031, 2–4. The '759 patent is the subject of IPR2021-01064.

[4] As noted in footnote 3 above, the validity of the '759 patent was tried to the same jury.

B. Intel's Prior Petition

Within one year of being sued for infringement by VLSI and over a year before the trial in the Western District of Texas, Intel filed an IPR petition challenging claims of the '373 patent. IPR2020-00158, Paper 3. Considering the factors set forth in the Board's precedential decision in *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (precedential) ("the *Fintiv* factors"), however, the Board exercised discretion to deny institution of the proceeding. IPR2020-00158, Paper 16, 14. In particular, the Board highlighted "the advanced stage of the Western District of Texas litigation, a currently scheduled trial date approximately seven months before the would-be deadline for a final written decision, and the overlap between the issues." *Id.* The Board did not address the merits of the Petition, other than noting "that the merits of the Petition do not outweigh the other *Fintiv* factors." *Id.* Notably, the Board issued this decision prior to the issuance of the June 21, 2022, Director's Memorandum ("Guidance Memo"),[5] which instructs the PTAB to "consider[] the merits of a petitioner's challenge when determining whether to institute a post-grant proceeding in view of parallel district court litigation" and that "compelling, meritorious challenges will be allowed to proceed at the PTAB even where district court litigation is proceeding in parallel." Guidance Memo at 4–5.

[5] Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation (USPTO June 21, 2022), *available at* www.uspto.gov/sites/default/files/documents/interim_proc_discretionary_denials_aia_parallel_district_court_litigation_memo_20220621_.pdf.

C. OpenSky's Petition

On June 7, 2021, OpenSky filed a petition for *inter partes* review challenging claims 1–3, 5, 6, 9–11, and 13 of the '373 patent in IPR2021-01056. IPR2021-01056, Paper 2. OpenSky copied extensively from Intel's earlier petition. IPR2021-01056, Ex. 2016 (redline comparison of portions of the petition in IPR2021-01056 with portions of Intel's petition in IPR2020-00158). OpenSky further refiled the declaration of Intel's expert witness, Dr. Adit Singh, which Dr. Singh prepared for Intel in IPR2020-00158, without Dr. Singh's knowledge and without engaging him as a witness for the OpenSky proceeding. *See* IPR2021-01056, Paper 2; Exs. 1002, 2037.[6] PQA filed its petition in this proceeding one month after OpenSky, and urged that the Board not deny its petition in favor of OpenSky's. *See infra.*

On December 23, 2021, the Board denied OpenSky's petition challenging the claims of the '373 patent. IPR2021-01056, Paper 18. The Board found "no indication that [OpenSky] ever spoke to Dr. Singh or attempted to retain him for this proceeding or secure his availability for cross examination before filing his declaration." *Id.* at 8. Instead, based on PQA's representations, *see infra* §§ I.D, III., the Board found that Dr. Singh

[6] OpenSky also filed an identical copy of the declaration of Intel's other expert, Dr. Sylvia Hall-Ellis, without change. IPR2021-01056, Paper 17, 9; IPR2021-01056, Ex. 1027. Dr. Hall-Ellis is a librarian who had proffered testimony regarding the prior art status of certain references relied on in Intel's previous petition. *See* IPR2021-01056, Ex. 1027.

had agreed to work exclusively for PQA in this proceeding, and OpenSky had not provided any factual support that Dr. Singh would be released from his obligation to PQA so that he could be cross-examined about the content of his declaration in the OpenSky proceeding. *Id.* at 9. The Board found that OpenSky "brought forth the testimony of an expert that [OpenSky] likely cannot produce for cross-examination and would likely be excluded." *Id.* Accordingly, the Board concluded that OpenSky's petition did not warrant institution. *Id.*

D. PQA's Petition

On July 7, 2021, PQA filed the Petition for *inter partes* review in this proceeding, challenging claims 1–16 of the '373 patent. Paper 1 ("Petition" or "Pet.").[7] Like OpenSky, PQA copied extensively from Intel's earlier petition. Ex. 2016 (comparison of portions of the petition in this IPR with portions of Intel's petition in IPR2020-00158). Again, like OpenSky, PQA refiled Intel's supporting declaration of Dr. Singh with minor changes. *See* Exs. 1002, 2022.[8] Unlike OpenSky, however, PQA contacted Dr. Singh prior to filing the Petition and retained Dr. Singh as an expert for this proceeding. *See* Exs. 1034; 2053, 9:5–9. According to Dr. Singh's declaration in the case, he had been "exclusively retained by Petitioner

[7] Unless otherwise indicated, Papers enumerated herein refer to Papers filed in IPR2021-01229 and "Petition" or "Pet." refer to PQA's Petition in IPR2021-01229.

[8] PQA also filed a virtually identical copy of the declaration of Intel's other expert, Dr. Hall-Ellis. Paper 7, 6; Ex. 1027.

Patent Quality Assurance LLC s:\ [sic] for the duration of th[e] case."[9] Ex. 1002, ¶174; *see also* Ex. 1034, 2 (engagement agreement with PQA required that he "***will not accept new consulting engagements related to the Challenged Patent without prior written consent***." (emphasis in original)). That agreement was executed just three days after OpenSky petitioned for review of the '373 patent, which relied on Dr. Singh's nearly identical declaration. *Id*. at 3 (signed June 10, 2021).

In its Petition, PQA argued that the Board should not exercise discretion to deny institution of this proceeding under 35 U.S.C. §§ 314(a) or 325(d). *See* Pet. 2–5. In addressing discretionary denial, PQA argued that:

> the integrity of the patent system is at issue, as a jury recently found a well-known U.S. company (Intel Corporation) liable for infringement of the '373 patent and awarded $1.5 billion to Patent Owner—one of the top 5 largest infringement damage awards. . . . Because no examiner, court, or other tribunal has evaluated the '373 patent's validity in view of the grounds presented herein, review is necessary to instill confidence in the integrity of the patent system and to ensure that innovative U.S. companies (and their consumers) are not unfairly taxed by entities asserting invalid patents.

Id. at 2–3.

[9] Even though PQA essentially copied verbatim Dr. Singh's declaration from the Intel IPR, PQA made a point of adding this one sentence to his declaration including this typo. *Compare* Ex. 1002 ¶ 174 *with* IPR2020-00158, Ex. 1002 ¶ 17; *see also* Ex. 2022 (side-by-side comparison of substance of Singh declarations in Intel and PQA cases).

As to OpenSky's earlier-filed petition, PQA asserted that PQA "*exclusively* engaged Dr. Singh and Dr. Hall-Ellis to challenge the '373 patent. Thus, OpenSky cannot present either expert for cross-examination as required." *Id.* at 4 (emphasis in original). PQA thus argued that the Board should not discretionarily deny its Petition in favor of OpenSky's defective petition, and that "OpenSky must either dismiss its petition to refile with a new expert or risk exclusion of its expert declaration as mere hearsay." *See id.* at 4–5.

In this proceeding, the Board reviewed the evidence and arguments in the Petition, Patent Owner Preliminary Response, Preliminary Reply, and Preliminary Sur-reply, and instituted the requested IPR on January 26, 2022. Institution Decision 24. Specifically, the Board found that the *Fintiv* factors did not weigh in favor of discretionary denial in large part because neither the Board in Intel's IPRs nor the district court jury trial considered the merits of the unpatentability issues presented in this proceeding. *Id.* at 6–7.

On February 8, 2022, VLSI sought to challenge the Institution Decision, filing requests for rehearing and for review by the Precedential Opinion Panel ("POP"). Paper 13. In the rehearing request, VLSI argued that "[t]he Board should not permit entities formed after the verdict and facing no infringement threat to treat these proceedings as leverage to extract ransom payments in exchange for withdrawing abusive attacks." *Id.* at 1, 6–8. VLSI argued that such a proceeding advances no valid public interest and "fail[s] to weigh the overarching interests of fairness to the parties and the integrity of the patent system." *Id.* at 1–2, 9–10.

E. Intel's Motion for Joinder

Within one month of the Board's institution of this proceeding, Intel timely filed its own second petition for IPR with a Motion for Joinder to this proceeding. Paper 30; IPR2022-00479, Papers 3 and 4. The Board joined Intel to this proceeding on June 6, 2022, determining that Intel's petition warranted institution and declining to discretionarily deny institution under 35 U.S.C. §§ 314(a) and 325(d). Paper 30. In considering discretionary denial, the Board determined that:

> [a]lthough Petitioner has directed this Petition to the same claims and relies on the same art as in its first petition, that the Board did not substantively address the merits of the prior Intel petition, in our view, weighs against discretionary denial here. The district-court trial that led to the denial of its initial petitions is over and did not resolve the challenges presented here. Allowing Petitioner the opportunity to pursue a decision on the merits from the Board at this time—by joining PQA's substantially identical petition—best balances the desires to improve patent quality and patent-system efficiency against the potential for abuse of the review process by repeated attacks on patents.

Id. at 9–10 (citing *General Plastic Industrial Co., Ltd. v. Canon Kabushiki Kaisha*, IPR2016-01357 et al., Paper 19 (PTAB Sept. 6, 2017) at 16–17 ("*General Plastic*")). The Board correctly identified that the statute expressly provides an exception to the one-year time bar (set forth in 35 U.S.C. § 315(b)) for a request for joinder. Paper 30 at 7 n.7, 18 (citing 35 U.S.C. § 315(b) ("The time limitation set forth . . . shall not apply to a request for joinder under subsection (c)")). VLSI requested POP review of

the Board's decision to join Intel to the proceeding, and that request was denied. Papers 34 and 40.

On August 30, 2022, the Board authorized VLSI to file a Motion to Terminate Intel from the proceeding, setting forth VLSI's arguments on res judicata. Paper 70, 2. The Board authorized Intel to file an opposition to the motion. *Id.* VLSI filed the Motion to Terminate on September 29, 2022. Paper 91. Intel filed its opposition on October 27, 2022. Paper 97. VLSI filed a reply on November 28, 2022. Paper 98. On June 2, 2023, the Board denied the motion. Paper 128, 9.

F. Director Review

Citing "novel issues of law and policy" raised by this proceeding, I ordered a *sua sponte* Director Review of the Board's Institution Decision on June 7, 2022. Paper 31. Concurrent with my Order, the POP dismissed the rehearing and POP review requests. Paper 32.

On July 7, 2022, I issued a Scheduling Order for the Director Review. Paper 35. The Scheduling Order explained that "this proceeding presents issues of first impression," including questions as to "[w]hat action the Director, and by delegation the Board, should take when addressing allegations of abuse of process or conduct that otherwise thwarts, as opposed to advances, the goals of the Office and/or the AIA." *Id.* at 7–8. It grounded this proceeding in Director's discretion over the decision whether to institute, indicating that "[w]hen abuse has been demonstrated, the Board retains discretion to, *inter alia*, deny institution of AIA proceedings or terminate instituted trials." *Id.* at 7. It also explained that this proceeding

"involves issues of particular importance to the Office, the United States innovation economy, and the patent community." *Id.* at 7–8. In particular, I identified the following issues as relevant:

> 1. What actions the Director, and by delegation the Board, should take when faced with evidence of an abuse of process or conduct that otherwise thwarts, as opposed to advances, the goals of the Office and/or the AIA; and
>
> 2. How the Director, and by delegation the Board, should assess conduct to determine if it constitutes an abuse of process or if it thwarts, as opposed to advances, the goals of the Office and/or the AIA, and what conduct should be considered as such.

Id. I directed the parties to address these questions and to support their answers "in their briefing, including through new arguments and non-declaratory evidence." *Id.* at 8. I also invited *amici curiae* briefing. *Id.*

To enable me to address those questions in the context of this review, my Scheduling Order also instructed the parties to answer interrogatories and exchange certain categories of information as Mandated Discovery. *Id.* at 8–11. My interrogatories ordered the parties to address specific questions related to the issues of particular importance in this review. *See* Paper 35, 7–9.

I ordered the Mandated Discovery "to allow all parties to answer the questions" (interrogatories) I set forth, and ordered each party to produce evidence supporting its position. *Id.* at 8, 9–10. The Mandated Discovery included, among other things, categories of documents relating to the formation and business of PQA, documents and communications "relating to

the filing, settlement, or potential termination of this proceeding, or experts in this proceeding, not already of record in the proceeding," and "communications with any named party relating to the filing, settlement, or potential termination of this proceeding." *Id.* My Scheduling Order warned "that sanctions may be considered for any misrepresentation, exaggeration, or over-statement as to the facts or law made in the parties' briefing" (*id*. at 9), and that "[a]ny attempt to withhold evidence based on a narrow interpretation of the [discovery] requests will be reviewed in conjunction with any other subject conduct and may, alone or in combination with other conduct, be sanctionable." *Id*. at 10.

On July 20, 2022, PQA submitted objections to the Mandated Discovery. Ex. 3004; *see also* Ex. 1039 (Petitioner's objections to Director's Orders, filed August 4, 2022). I address PQA's specific objections below.[10] PQA also stated that it "is willing to produce responsive third-party communications in its possession, custody, and control between PQA and OpenSky, VLSI, Intel, governmental entities, and Dr. Singh . . . if the Office provides written confirmation the Office will not consider PQA's act of producing the Third-Party Documents as waiver of PQA's objections to the Order." Ex. 3004 (emphasis omitted). PQA's submission concluded

[10] Although some of this Decision repeats the discussion in my previous opinion (Paper 102), this Decision weighs additional arguments by PQA (*see* Papers 120 and 121).

with a listing of its preliminary objections regarding the interrogatories and discovery required in the Scheduling Order. *Id.*[11]

On July 21, 2022, I extended the deadlines for the parties to exchange information and accordingly extended the briefing deadlines. Paper 37, 4. In the extension Order, I reminded the parties that "as set forth in the Scheduling Order, a party may lodge legitimate, lawful grounds for withholding documents, and shall maintain a privilege log of documents withheld." *Id.*

On July 29, 2022, I issued a further Order addressing the scope of Mandated Discovery. Paper 39. I reminded the parties that "they are required to comply with the full scope of the Scheduling Order, including its Mandated Discovery provisions now due to be exchanged by August 4, 2022," and "failure to comply with my Order may be sanctionable." *Id.* at 3. I explained that potential sanctions may include, for example, "[a]n order holding facts to have been established in the proceeding." *Id.* at 3–4 (quoting 37 C.F.R. § 42.12). The parties were further "reminded that legitimate, lawful grounds for withholding documents may be lodged and, if so, the party shall maintain a privilege log of documents withheld. No responsive document may be withheld without being included in such a privilege log." *Id.* (internal citations omitted). Thus, I provided actual notice to the parties of specific sanctionable conduct and corresponding potential sanctions for such conduct.

[11] PQA's objections listed in Exhibit 1039 include the arguments set forth in its preliminary objections. *Compare* Exhibit 1039, *with* Exhibit 3004.

On December 22, 2022, after receiving briefing from the parties and from *amicus curiae*, I issued an Order concluding that PQA failed to comply with the Mandated Discovery and interrogatories and engaged in misconduct, "abus[ing] the IPR process including by advancing a misleading argument and a misrepresentation of fact" regarding its exclusive engagement of an expert witness. Paper 102, 3, 25 (public version); Paper 101 (confidential version). As a sanction, I dismissed PQA as a party to the IPR proceeding but declined to reverse the Institution Decision because I found that the Petition was supported by compelling merits at the time of Institution. *Id.* at 4–6 & n.4, 61. I further directed PQA to "show cause as to why it should not be ordered to pay compensatory damages to VLSI, including attorney fees, to compensate VLSI for its time and effort in this proceeding." *Id.* at 5. Finally, I lifted a stay of the *inter partes* review.

On January 4, 2023, PQA requested an extension of time to file a rehearing request of Paper 102, which I granted. Paper 104.

On January 11, 2023, PQA filed its rehearing request (styled as a motion for reconsideration of the sanctions decision), seeking "withdrawal of the already-imposed sanctions and an opportunity to show why they should not be imposed." Paper 105, 3. In its request, PQA did not provide any argument as to why sanctions should not be imposed, instead arguing that it had not received adequate opportunity to do so. *Id.* at 2.

On January 18, 2023, I granted PQA's motion in part to "provide PQA with an opportunity to brief the subject of its rehearing request on the merits and to show cause why sanctions should not be imposed on the

argued bases." Paper 106, 3. I also "stay[ed] the underlying proceeding pending the disposition of the rehearing" request and, thus, "[i]n accordance with 37 C.F.R. § 42.100(c) . . . [I] adjust[ed] the time period for a final determination in this proceeding, which involves joinder." *Id.* at 3–4.

On January 24, 2023, PQA filed a mandamus petition to the U.S. Court of Appeals for the Federal Circuit. Ex. 3044. The same day, PQA requested an extension to January 27, 2023 for it to file its briefing "respond[ing] to the Director's sanctions," which I granted. Ex. 3024.

On January 25, 2023, PQA filed a document "declin[ing] further participation" in the administrative proceedings "until the Federal Circuit has an opportunity to rule on the issues raised in PQA's mandamus petition," arguing that "[a]s an unlawfully dismissed party," it was "no longer subject to the Office's jurisdiction." Paper 107, 1.

On January 27, 2023, I issued an Order restoring PQA as a Petitioner in the IPR to facilitate my consideration and full resolution of PQA's rehearing request and the order to show cause. Paper 108, 4 ("vacat[ing] the portion" of my earlier decision "that orders the dismissal of PQA from the proceeding"). I gave PQA "until February 1, 2023, to file its response" to the order to show cause, making clear that "PQA may request a reasonable extension of this deadline." *Id.* I also lifted the stay and adjusted the time period for a final determination in this proceeding, which involves joinder, to permit consideration of the pending issues. *Id.* (quoting Paper 106, 4). PQA later sought and received further extensions to file its brief, i.e., until March 8, 2023. Paper 109, 3–4; Paper 113, 3.

On March 6, 2023, the U.S. Court of Appeals for the Federal Circuit dismissed the mandamus petition at PQA's request. Ex. 3045.

On March 9, 2023, PQA filed its response to the order to show cause (Paper 106). Paper 120 (confidential version); Paper 121 (public version).[12]

I now proceed to consider the issues of sanctions anew in view of the additional briefing from PQA in response to the order to show cause.

II. FAILURE TO COMPLY WITH MANDATED DISCOVERY

I first review PQA's objections to my Mandated Discovery and PQA's deficient responses to the discovery required in my Scheduling Order.

A. PQA's Objections to Mandated Discovery

The deadline for exchanging documents and communications contemplated by my Mandated Discovery order was August 4, 2022. Paper 37, 4. The deadline for the parties to submit briefs addressing the interrogatories with supporting documentary evidence was August 18, 2022. *Id.*; Paper 35, 8–10. The parties were repeatedly warned that no responsive documents may be withheld without being included in a privilege log, and that any attempt to withhold relevant evidence may be sanctionable. Paper 35, 10; Paper 39, 4.

On July 20, 2022, PQA sent an email with objections to my Mandated Discovery. Ex. 3004. I noted PQA's objections and reminded the parties

[12] This paper was accepted as filed out of time because the P-TACTS docketing system was down on March 8. *See* Paper 122.

that "they are required to comply with the full scope of the Scheduling Order, including its Mandated Discovery provisions." Paper 39, 3. PQA filed more expansive objections on August 4, 2022. Ex. 1039. For the reasons set forth below, I find their objections have no merit.

First, by statute, the Director determines whether to institute an IPR, and has discretion to deny petitions even if they satisfy the statutory criteria for institution. 35 U.S.C. § 314. Although the Director has delegated decisions on institution to the Board (37 C.F.R. § 42.4), the Director retains the power to review such decisions. *See, e.g.*, 35 U.S.C. §§ 3(a)(2)(A), 316(a)(4). Nothing in *Arthrex* or the AIA suggests otherwise. *See, e.g.,* 141 S. Ct. at 1977, 1980 ("Congress has committed the decision to institute inter partes review to the Director's unreviewable discretion."; "The Director . . . controls the decision whether to institute inter partes review . . . ."); *id.* at 1989 (stating that "[b]ecause Congress has vested the Director with the 'power and duties' of the PTO, § 3(a)(1), the Director has the authority to provide for a means of reviewing PTAB decisions"); *Apple Inc. v. Vidal*, 63 F.4th 1, 7 (Fed. Cir. 2023) ("We have also made clear that any institution decision made by the Board as delegatee of the Director is subject to reversal by the Director."); *In re Palo Alto Networks, Inc.*, 44 F.4th 1369, 1375 ("Here, there is no structural impediment to the Director's authority to review institution decisions either by statute or by regulation. Indeed, institution decisions are, by statute, the Director's to make and are only made by the Board as a matter of delegated authority."); *see also Medtronic, Inc. v. Robert Bosch Healthcare Sys., Inc.*, 839 F.3d 1382, 1385 (Fed. Cir.

2016) ("[A]dministrative agencies possess inherent authority to reconsider their decisions, subject to certain limitations, regardless of whether they possess explicit statutory authority to do so."). I have been clear from the outset that the goal of this proceeding is to determine whether I should exercise the discretion over institution given to the Director by Congress. Paper 31, 2.

PQA contends that "this Director Review exceeds the Director's authority and violates PQA's due process rights." Ex. 1039, 3. Specifically, PQA argues that the Director does not have the authority to review a panel's institution decision because the Supreme Court's decision in *United States v. Arthrex* modified 35 U.S.C. § 6(c) only with respect to final Board decisions. *Id.* (citing 141 S. Ct. 1970, 1987 (2021)). PQA's interpretation does not comport with the Director's authority because, as explained previously, Congress gave the Director complete and unilateral authority over the institution decision. *Arthrex*, 141 S. Ct. at 1977, 1980.

PQA also argues that the Director Review is ultra vires because the Director Review was not instituted or "conducted within a short or reasonable time period." Paper 121, 18 (citing *Cooley v. United States*, 324 F.3d 1297, 1305 (Fed. Cir. 2003) (internal citation omitted)). PQA argues that the Director Review was initiated four months after the Section 314(b) deadline and the previous decision in Paper 101 issued eleven months after the deadline. However, this was a reasonable time period for me to examine the complex nature of this proceeding, including the facts in the Petition and Preliminary Response, and render a decision on whether compelling merits

existed. I also invited and received *amicus* briefing on the issue of sanctions during this time period. [13]

PQA also argues that after my Scheduling Order (Paper 35) affirmed the Institution Decision, only the three-member panel was authorized to conduct the IPR, not the Director alone. Paper 121, 18. PQA relies on *Arthrex* for the proposition that the AIA does not grant the Director the authority to "take control" of a PTAB proceeding, but instead only authorizes the Director to make rules governing IPRs. *Id.* (citing 35 U.S.C. §§ 6(c), 316(c); *United States v. Arthrex, Inc.*, 141 S. Ct. 1970, 1986–87 (2021)). I disagree that I have "take[n] control" over this IPR. Rather, the Director Review here is a review of the Institution Decision (*see* Paper 31, 2), and all actions that I have taken as part of Director Review, including the question of whether to sanction a party, have been necessary and incidental to my review of the Institution Decision (*see* Paper 35) and my decision as to whether to de-institute the proceeding. In particular, I investigated "[w]hat actions the Director, and by delegation the Board, should take when faced with evidence of an abuse of process. . . ." *See id.* at 7–8.

Second, PQA contends that the Mandated Discovery subjects PQA to undisclosed substantive and procedural standards and procedures under the threat of sanctions, where PQA has done nothing to warrant such action. Ex.

[13] PQA's reliance on *Cooley v. United States*, 324 F.3d 1297, 1305 (Fed. Cir. 2003), is inapt. In that takings case, the three-plus years it took for the Army Corps of Engineers to issue a reconsideration of its original permitting decision resulted in a 98.8% diminution in Cooley's property value. Here the delay pales in comparison, both in time and consequence.

1039, 7–11 (citing Paper 31; Paper 35; Paper 39). Although PQA contends that its conduct did not warrant discovery, the need for discovery was based on the particular posture of this proceeding. Here, Patent Owner has argued that PQA was formed and filed its Petition only after a significant jury verdict for infringement, not to "instill confidence in the integrity of the patent system," as it represented to the Board, but to abuse the IPR process. *See* Paper 68, 2; Paper 35, 4, 5, 9; Pet. 2–3. These allegations, if true, would indicate that PQA was using the IPR process in a manner arguably contrary to that intended by Congress. *See* 35 U.S.C. § 316(a)(6) (authorizing the PTO to "prescrib[e] sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay"). Considering the severity of this allegation, the *point* of the discovery was to determine whether I should exercise discretion to deny institution. PQA does not explain why it viewed the Mandated Discovery as subjecting it to "undisclosed substantive and procedural standards and procedures." Ex. 1039, 7. My discovery orders set out clear procedures for the parties to exchange discovery and claim privilege, and provided clear notice of the potential consequences for failing to comply. Paper 39, 3–4; Paper 37, 3–4; Paper 35, 9–12. Moreover, exchange of discovery is an ordinary part of IPR practice. *See, e.g.,* 37 C.F.R. §§ 42.51, 42.52. Thus, I find that PQA's objection has no merit.

Third, PQA contends that the Order[14] exceeds the Office's statutory and regulatory authority. Ex. 1039, 11. PQA argues that the Order is contrary to 35 U.S.C. § 6(c). *Id.* PQA further contends that the Order exceeds the discovery permitted under 35 U.S.C. § 316(a)(5) and 37 C.F.R. §§ 42.51 and 42.5. *See id.* at 8, 11; Paper 121, 19. PQA argues that the rules do not authorize discovery initiated by the Board or by the Director, and instead only provide for routine discovery or discovery requested by a party. Paper 121, 19 (citing, e.g., *Drumheller v. Dep't of Army*, 49 F.3d 1566, 1574 (Fed. Cir. 1995)). PQA also argues that § 316(a)(5) only authorizes the Director to promulgate regulations, and "does not authorize the Director to propound discovery." *Id.*

PQA's arguments on these points are not persuasive. At the outset, and as explained above, it is important that this Director Review is evaluating the Board's decision to institute IPR in this case as my delegatee. The Supreme Court has stated that Congress has committed "to the Director's unreviewable discretion" the determination whether to institute. *Arthrex*, 141 S. Ct. at 1977. In order for the Director to meaningfully effectuate her control over institution, she must be able to inquire into the circumstances surrounding an institution, so that she can make an informed decision as to whether a proceeding was appropriately instituted. PQA cites no authority indicating that Congress intended to give the Director unreviewable discretion to decide whether to institute, but intended to limit

[14] PQA appears to be referring to Paper 35. *See* Ex. 1039, 1.

the evidence that the Director could consider in doing so. Indeed, the Director might need discovery in order to investigate whether a petitioner has an unnamed real party-in-interest or is otherwise colluding with a time-barred party seeking to come in through joinder. Section 6(c) is not relevant here because this review is part of an institution decision. *See* 35 U.S.C. § 314(a).

I turn now to PQA's specific arguments. 37 C.F.R. § 42.51(b)(1) authorizes certain "[r]outine discovery," but indicates that "the Board may otherwise order" different discovery.[15] Under 37 C.F.R. § 42.51(b)(2), the Board may order "[a]dditional discovery" on a party's motion when "in the interests of justice," and "[t]he Board may specify conditions for such additional discovery." That discovery may take many different forms. *See, e.g.*, 37 C.F.R. § 42.52 (authorizing the Board to "compel testimony and production of documents or things"), § 42.54 (authorizing the Board to "Specify[] terms, including time and place, for the disclosure or discovery").

[15] Although the regulations refer to the "Board," 35 U.S.C. § 6(a) makes clear that the Director is a member of the Board, and 37 C.F.R. § 42.2 makes clear that regulatory references to the "Board" with respect to "petitioner decisions and interlocutory decisions" means "a Board member or employee acting with the authority of the Board." In this context, where the Board merely exercises the Director's unilateral, delegated authority over institution decisions, there is no doubt that the Director may exercise the "Board's" regulatory authority, whether as a Board member or as possessed of the "authority of the Board." Accordingly, PQA's argument that certain of the regulations authorize "Board action, not Director action" is incorrect. *See* Paper 121, 19.

These provisions indicate that the Board exercises control over the discovery process, and does not limit the Board to only ordering discovery upon a party's motion. Moreover, nothing in the regulations states that the Board may only order discovery on a party's motion, or that the Board is prohibited from ordering discovery *sua sponte*. Indeed, in general, it is within my or the Board's purview to "determine a proper course of conduct in a proceeding for any situation not specifically covered by [the other regulations]" and to "enter non-final orders," such as the Scheduling Order, "to administer the proceeding." 37 C.F.R. § 42.5(a).[16] Here, much of the evidence relevant to the questions to be addressed in this Director Review was uniquely in PQA's custody or control, and so Mandated Discovery was a necessary "course of conduct" required "to administer the proceeding."

Even assuming that, as PQA argues, § 316(a)(5) only provides the power to promulgate regulations, and is not a separate source of power to order discovery, PQA does not explain how the Director or Board ordering discovery under § 42.5(a) would be beyond the power granted by the statute. *See* Paper 121, 18–19. Section 316(a)(5) provides that discovery may be sought where "necessary in the interest of justice," which is at the heart of the inquiry as to whether the Director should deny institution because PQA has abused the IPR process. Nothing in § 316(a)(5) suggests that the discovery powers granted by Congress are limited by who requested

[16] 37 C.F.R. § 42.2 explains that "[p]roceeding means a trial or preliminary proceeding," indicating the § 42.5(a) powers apply both in connection with the institution and trial phase.

discovery; the only limitation to Congress's broad grant of power is the "in the interest of justice" standard. Accordingly, PQA's argument that § 316(a)(5) constrains the Board's or my power to act is incorrect.

Fourth, PQA argues that the Scheduling Order is inconsistent with Board procedures governing non-routine discovery. Ex. 1039, 11–15. For example, PQA contends that there is no evidence "tending to show beyond speculation that in fact something useful will be uncovered." *Id.* at 12 (quoting *Garmin Int'l, Inc. v. Cuozzo Speed Techs. LLC*, IPR2012-00001 (PTAB Mar. 5, 2013) (Paper 26) (precedential)). Again, my Scheduling Order makes clear the basis for the ordered discovery here. The Scheduling Order explains that discovery would address questions germane to my inquiry into the circumstances surrounding PQA's formation, ownership, and conduct—information that is uniquely in the parties' (and specifically PQA's) possession. Paper 35, 7–10; 37 C.F.R. § 42.11(a) ("Parties and individuals involved in the proceeding have a duty of candor and good faith to the Office during the course of a proceeding."). I asked for this information to determine whether to exercise my discretion to de-institute the proceeding.

PQA's argument that the Order is not "easily understandable" is also not persuasive. Ex. 1039, 13. No other party indicated that they had any issue understanding the Order. PQA's argument that the discovery is overly burdensome (Ex. 1039, 13–14) fares no better—PQA could have sought to file a motion to revise the standing protective order "[f]orbidding . . . or [s]pecifying terms . . . for the disclosure or discovery" to alleviate that

burden (37 C.F.R. § 42.54(a)(1)), or at least have requested a second extension if it could demonstrate an actual burden, but instead chose noncompliance.

PQA briefly argues that the Order violates its members' constitutional rights by compelling PQA members to disclose their identities without evidence of wrongdoing or inaccurate mandatory notices. Ex. 1039, 15. PQA does not explain how complying with a discovery order results in a constitutional violation. Further, by choosing to file this IPR, PQA availed itself of my and the Board's jurisdiction and opened itself to questions regarding its members and purpose, among others. *See, e.g.,* 37 C.F.R. § 42.8 ("Mandatory notices" include "[i]dentify[ing] each real party-in-interest for the party.").

PQA ends its objections with a series of similarly unpersuasive arguments. PQA suggests that the Order is inconsistent with the purposes of the AIA. Ex. 1039, 5–6, 10. PQA also asserts that the Order contravenes congressional intent for "discovery in *inter partes* review proceedings to be limited in [both] scope and expense." *Id.* at 15. However, PQA fails to acknowledge that, along with the goal of improving patent quality, "Congress recognized the importance of protecting patent owners from patent challengers who could use the new administrative review procedures as 'tools for harassment.'" *WesternGeco LLC v. ION Geophysical Corp.*, 889 F.3d 1308, 1317 (Fed. Cir. 2018) (citing H. Rep. No. 112–98, at 48 (2011)). The Order sets forth discovery for this very purpose, to identify and address potential harassment in this proceeding.

PQA's argument that the Order is inconsistent with the guidelines for Director Review rests on its contention that "the Order does not identify any issue of first impression." Ex. 1039, 16. PQA provides no citation for the claim that Director Review is limited to issues of first impression. In any event, my Order indicated that the issues here are ones of first impression. *Id*. Finally, PQA contends that the Order would require it to waive privilege objections by disclosing privileged documents to a federal agency, *id.* at 17 (citing *In re Qwest Commc'ns Int'l Inc.*, 450 F.3d 1179, 1186 (10th Cir. 2006)), but avoiding such waiver while still proving sufficient indicia to test that privilege claim is the point of a fulsome privilege log, which PQA failed to submit. *See infra* § II.B. PQA cannot have it both ways—it cannot both seek to maintain the proceeding, but not reveal information legitimately within the scope of that proceeding it seeks to maintain.

B. PQA's Failure to Comply with Mandatory Discovery and Interrogatories

PQA failed to comply with the discovery requirements set forth in the Scheduling Order by: (1) refusing to provide internal documents to the other parties in the proceeding, or instead, a privilege log listing privileged documents withheld for in camera review;[17] and (2) failing to respond in good faith to the interrogatories, with adequate evidence. Paper 35, 8–10. Each of these failures to comply is independently sanctionable. *Id.* at 9–10.

[17] PQA logged work product relating to its communications between PQA and Dr. Singh, and thus partially complied in this manner. Ex. 1039, 1.

1. PQA refused to produce confidential documents under seal, or a privilege log of internal documents that were not produced

As explained above, the deadline for the exchange of documents and communications was August 4, 2022. On August 11, 2022, VLSI requested in camera review, as to the production made by PQA. Paper 43. VLSI asserts that it:

> cannot identify with specificity documents for in camera review as to the responsive documents . . . because PQA has (i) failed to produce internal documents; and (ii) failed to provide a meaningful privilege log, instead providing only a very limited work product redaction log in this matter, each in violation of the Director's Orders (*see* Papers 35, 37 and 39).

Id. at 1. VLSI asserts that "PQA produced 111 documents and a 'privilege log' consisting of only 22 entries. The first 21 entries correspond to redacted email chains between PQA and its technical expert, Dr. Adit Singh, and identify the basis for those redactions as 'work product protection,' but not attorney-client privilege." *Id.* at 3 (internal footnote omitted). VLSI contends that "PQA's August 4, 2022 log identifies no documents withheld for attorney-client privilege" and, instead, PQA acknowledges that it has not logged any communications between PQA and its attorneys. *Id.* at 4. VLSI argues that "despite the fact that the Director has expressly found that PQA's objections are not a basis upon which to withhold documents or to not log, PQA has chosen to stand on its objections and withheld documents and a privilege log in violation of the Director's express Orders." *Id.* at 5–6 (citing Ex. 1039).

On August 18, 2022, PQA filed its initial brief in response to my Director Review order. Paper 67.[18]

In its responsive brief, filed September 1, 2022, PQA asserts that it produced responsive documents, and that it has not willfully violated any order. Paper 77, 15–16.[19] Instead, PQA asserts that VLSI violated my Orders because "VLSI did not produce or log any (i) internal communications of VLSI, Fortress Investment Group, and/or other VLSI affiliates, or (ii) communications solely among VLSI's outside or in-house counsel." *See id.* at 16. PQA further asserts that "VLSI's allegations of non-compliance during the Director review are actions that occurred well after institution and thus do not impact the Institution Decision in this proceeding." *Id.* at 17 (emphasis omitted). None of these arguments justify PQA's failure to comply.

PQA appears to admit that it did not produce or log any internal communications when it asserts that PQA and VLSI acted similarly. Paper 71, 15–16 ("VLSI did the *exact* same thing. VLSI only logged communications between VLSI in-house attorneys and outside counsel. VLSI did not produce or log any . . . internal communications . . ."") (emphasis omitted)). PQA does not provide any satisfactory reason for its refusal to comply with the Mandated Discovery. Having overruled

[18] Paper 67 is the nonconfidential version of PQA's Initial Brief in response to the Director Review order; Paper 51 is the confidential version.

[19] Paper 77 is the nonconfidential version of PQA's Brief in Response to Patent Owner's Director Review brief; Paper 71 is the confidential version.

PQA's objections to discovery, *see supra* § II.A, I find that PQA did not comply with the Mandated Discovery, as required by the Scheduling Order. *See* Paper 35, 9–10.[20]

2. PQA's responses to the interrogatories are inadequate and lack evidentiary support

In addition to its express refusal to comply with the Mandated Discovery, PQA failed to respond adequately to the interrogatories set forth in the Scheduling Order, which required the parties to respond with citation to supporting documentary evidence. Paper 35, 8. PQA's initial brief purports to address the interrogatories listed in the Scheduling Order but fails to do so adequately. Paper 67, 8–18. For instance, PQA refers to a declaration of Joseph A. Uradnik, Ex. 1032, which was already of record. *See id.* However, that declaration did not respond directly to the interrogatories, leaving many of the interrogatories unanswered or unsubstantiated by PQA.

For example, interrogatory (a) asked, among other things, for what purpose PQA was formed, what its business is, and who are its members. Paper 35, 8. To answer these questions, the Scheduling Order required PQA to provide materials including communications related to the formation of PQA and documents related to its business plan. *Id.* at 9. PQA responds by stating that the "initial authorized business of PQA is to challenge patent(s) to ensure patent quality." Paper 67, 8. PQA refuses to disclose its members

[20] This decision on PQA's request for reconsideration does not address the adequacy of VLSI's discovery compliance.

by stating that "PQA's members are United States citizens, none of whom are employed by, work for, or are affiliated with Intel, OpenSky, or VLSI." *Id.* (citing Ex. 1032 ¶ 6). PQA states that "[n]o other persons or entities beyond PQA's members have an interest in PQA, its future revenues, profits, or obligations, or any of its activities including this proceeding." *Id.* at 8–9 (citing Ex. 1032 ¶¶ 4, 5, 7–11).

This answer is not responsive. As an initial matter, this answer only makes an assertion as to who PQA's members are not; it does not identify the members of PQA. *See* Paper 35, 8 ("Who are members of PQA?"). In addition, PQA does not answer the interrogatory seeking the purpose for which PQA was formed, nor does PQA provide any required supporting evidence that would allow me, VLSI, or Intel to verify that PQA's business interest is truly "ensur[ing] patent quality," as argued by PQA. *See* Paper 67, 8; Paper 46, 10–11; Paper 68, 2–5.

Interrogatory (b) asked, "[o]ther than communications already in the record, what communications have taken place between PQA and each of the other parties?" Paper 35, 8. To answer this question, the Scheduling Order required PQA to provide the other parties with "all documents and communications relating to the filing, settlement, or potential termination of this proceeding, or experts in this proceeding, not already of record." *Id.* at 9.

PQA reports that after it filed its Petition, "VLSI contacted PQA to discuss settlement" and PQA declined. Paper 67, 6. PQA also explains that VLSI contacted PQA again, after the Board instituted this proceeding. *Id.* at

7. PQA states that [redacted]. Paper 51, 9. PQA further reports that "[t]he parties did not agree to settlement before institution, and they have not discussed settlement since then." *Id.* at 7; *see also id.* at 9 (responding to the interrogatory by, in part, referring to these communications).

PQA also states that since Intel's joinder as a petitioner on June 6, 2022, PQA and Intel have had a common interest and have cooperated in the challenge to the merits of the unpatentability of the '373 patent, which is not part of the Director Review, and that PQA has no other formal or informal relationship with Intel. *Id.* at 10.

PQA does not explain sufficiently the nature of its communications with VLSI in PQA's initial brief.[21] In its responsive brief, PQA goes into some further detail. Paper 77, 4–7; s*ee also* Paper 71 (confidential version), 4–7 (citing Exs. 2065, [redacted]. In particular, [redacted]

[21] According to VLSI, in the privilege log that PQA submitted to VLSI, "[t]he last entry lists several communications that appear to correspond to communications between PQA and VLSI that the log states are withheld based on only PQA's 'objections,'" not privilege or work product protection, and that PQA's email to the Board sent along with the August 4 production states 'are documents VLSI has in its own possession.'" Paper 43, 3 n.1 (citing Ex. 3015).

[redacted]. VLSI bases its allegation on the following email from PQA:

[redacted]

Id. at 7–8 (citing Ex. 2069; Ex. 2076).

[redacted]

I find PQA's responses deficient. For example, [redacted]. PQA's briefing also was not fully responsive to the

interrogatory question about its dealings with VLSI, as VLSI correctly points out.[22] Paper 76, 1, 7–8 (citing Exs. 2064–2078). [redacted]. *See* Exs. 2075, 2076 ([redacted]). Further, PQA did not mention that PQA implied that [redacted]. *See* Ex. 2069 ([redacted]).

PQA argues that PQA was bound by its agreement not to disclose the substance of its discussions with VLSI without a court order compelling it to

[22] VLSI alleges that PQA failed to produce communications between PQA and Intel that are logged in a privilege log by Intel and that are not logged by PQA. *See* Paper 76, 1. [redacted]. Ex. 1518.

[23] Although VLSI asserts that [redacted] (Paper 50, 6), I rely for factual findings on Exhibits 2075 and 2076 which simply indicate that [redacted]. I note that VLSI offered to submit new declaratory evidence to substantiate the remainder of its assertion. *See* Paper 68, 6 n.1.

do so. Paper 121, 13–14 (citing *Gumbs v. Int'l Harvester, Inc.*, 718 F.2d 68, 96 (3d Cir. 1983)). However, this would not have prevented PQA from disclosing this information in a confidential, sealed version of its filing in response to my interrogatory request, based on the protective order for this proceeding. *See* Paper 36; Ex. 3003. Moreover, PQA could have at least identified these communications as potentially responsive had it provided a responsive privilege log.

Interrogatory (c) asked, "[c]ould PQA be subject to claims of infringement of the '373 patent," and "[d]oes PQA have a policy reason for filing the Petition that benefits the public at large beside any reasons articulated in the already-filed papers?" Paper 35, 8. PQA resists answering this question by arguing that an invalid patent cannot be infringed, that it does not wish to admit infringement, that infringement and validity are separate questions, and that the Intel products found to infringe are used by millions of people and businesses in the United States. Paper 67, 10–12. PQA argues that it has served a public interest by highlighting what it considers to be a problem with the Office's *Fintiv* practice, that it has filed a meritorious petition, and that "the public interest in the validity of a patent is arguably at its highest when a U.S. company has been found to infringe and is liable for one of the biggest patent verdicts in history." *Id.* at 12–14. PQA's briefing was thus not responsive to the underlying question of infringement, i.e., the extent to which PQA participates in the market for products covered by the patents in question.

Interrogatory (d) asked, "[d]oes the evidence in this proceeding demonstrate an abuse of process . . . and, if so, which evidence and how should that evidence be weighted and addressed?" Paper 35, 8–9. To answer this question, the Scheduling Order required PQA to provide the other parties with "all communications with any named party relating to the filing, settlement, or potential termination of this proceeding." *Id.* at 10. PQA responds that there is no abuse of process, but fails to provide supporting evidence. Paper 67, 14. Moreover, as discussed above, PQA omitted information [redacted].

Apart from its own actions, PQA argues that the Board and Director confirmed the merits of PQA's petition and that a meritorious petition should never be considered an abuse of process or contrary to the goals of the Office. *Id*. at 14 and n.2. However, other improper behavior beyond the filing of a petition may be sanctionable even if a petition is meritorious. *See National Ass'n of Government Employees, Inc. v. National Federation of Federal Employees*, 844 F.2d 216, 224 (5th Cir. 1988) (discussing a former

version of Federal Rule of Civil Procedure 11).[24] [25] PQA also argues that this proceeding will be the first adjudication—by any tribunal—of the validity of the '373 patent, that PQA and Intel confirmed through document productions there is no hidden connection between Intel and PQA, and that PQA has vigorously prosecuted this IPR and [redacted]. However, PQA failed to provide evidence with respect to [redacted]. PQA's briefing was thus non-responsive to this interrogatory question.

Interrogatory (e) asked, "[w]hat is the basis for concluding that there are no other real parties in interest, beyond PQA," and "[a]re there additional people or entities that should be considered as potential real parties in interest?" Paper 35, 8–9. To answer this question, the Scheduling Order

[24] In that case, the court reasoned that: "'If a reasonably clear legal justification can be shown for the filing of the paper in question, no improper purpose can be found and sanctions are inappropriate.'" *Id.* At the same time, the court also stated that: "we do not hold that the filing of a paper for an improper purpose is immunized from Rule 11 sanctions simply because it is well grounded in fact and law. The case can be made . . . that the filing of excessive motions, even if each is 'well grounded,' may under some circumstances constitute 'harassment' sanctionable under the Rule." *Id.*

[25] Because I have found that PQA's Petition had compelling merits at the time of institution (*see* Paper 102, 61), I do not base my findings on failure to comply with discovery and misrepresentation or misleading argument on PQA's motive for filing the Petition itself.

required PQA to provide the other parties with "all documents relating to PQA's business plan including its funding, its potential revenue, and the future allocation of any of its profits." *Id.* at 9. PQA's response to this interrogatory essentially repeats its response to interrogatory (a) and relies on the Declaration of Joseph A. Uradnik (Ex. 1032). *See* Paper 67, 15–17. For reasons similar to those I gave regarding interrogatory (a), PQA's answer is not responsive to interrogatory (e) and does not provide sufficient evidence to allow me to evaluate PQA's answer.

Interrogatory (f) asked, "[d]id PQA ever condition any action relating to this proceeding . . . on payment or other consideration by Patent Owner or anyone else?" Paper 35, 9. [redacted]. PQA essentially argues that it has never suggested delaying, losing, or not participating in the proceeding and never attempted to influence an expert not to participate in the proceeding. *See* Paper 67, 18. PQA states that while PQA's engagement with Dr. Singh is "exclusive," that provision may be waived on request. *Id.* (citing Ex. 1034). PQA states that since its engagement of Dr. Singh, no party (including OpenSky) has ever sought to engage him in connection with the '373 patent, and thus PQA has never declined any such request. *Id.*

PQA's answer in its initial brief (Paper 67) is misleading and not fully responsive to interrogatory (f). For starters, PQA fails to acknowledge that it intentionally and purposefully inserted the unqualified sentence into Dr. Singh's Intel declaration that he had been "exclusively retained by Petitioner

Patent Quality Assurance LLC s:\ [sic] for the duration of th[e] case." Ex. 1002 ¶ 174; *see also* Pet. 4 ("Petitioner *exclusively* engaged Dr. Singh … to challenge the '373 patent"). At the time PQA filed this declaration, no other party was aware that PQA could waive this provision. That fact did not come to light until months later when PQA produced his engagement letter. *See* Ex. 1034 (filed 11/16/2021). Given this categorical statement of his unavailability, PQA's argument that "no one asked" PQA to waive this exclusivity provision, rings rather hollow.

Moreover, VLSI provides evidence that [redacted]. Interrogatory (f) inquired whether PQA ever conditioned any action "relating to this proceeding." Paper 35, 9. [redacted]. Moreover, one aspect of [redacted]. Paper 71, 4–5.

[redacted]. Paper 71, 9 (citing

Ex. 2065, 1). It is worth noting, however, that PQA only provided this justification after VLSI exposed the parties' negotiation in VLSI's interrogatory answer. PQA could have—and should have—provided this information in the first instance (i.e., in its initial brief) in response to the interrogatory (f). *See* 37 C.F.R. § 42.11(a) ("Parties and individuals involved in the proceeding have a duty of candor and good faith to the Office during the course of a proceeding."). I find that PQA's failure to mention anything of this nature in its initial brief represents an attempt to subvert answering interrogatory (f).

C. Sanctions for PQA's Failure to Comply

PQA has identified no authority that would allow it to ignore the Mandated Discovery and interrogatories in my Scheduling Order. Therefore, I determine that PQA has failed to comply with the Mandated Discovery. *See* 37 C.F.R. § 42.12(a)(1) ("Failure to comply with an applicable rule or order in the proceeding;"). I determine that PQA's conduct in discovery rises to the level of sanctionable conduct, and hereby give the parties notice that I am contemplating imposing an attorney-fee order or an admonishment as a sanction. *See* 37 C.F.R. § 42.12(b) (non-exhaustive list of sanctions).

The Director[26] has the authority to impose sanctions against a party for misconduct. 35 U.S.C. § 316(a); 37 C.F.R. §§ 42.2, 42.12(a); *see Apple*

[26] The Director of the USPTO, the Deputy Director of the USPTO, the Commissioner for Patents, the Commissioner for Trademarks, and the

Inc. v. Voip-Pal.com, Inc., 976 F.3d 1316, 1323 (Fed. Cir. 2020); *see also* AIPLA, 9; BAS, 6–7; Unified, 3–5, 12–17; Naples, 6. Although 37 C.F.R. § 42.12(a) does not require sanctions to be imposed, where, as here, a party has clearly violated an order after being provided with reasonable notice of possible sanctions for failing to comply with that order (and a full and fair opportunity to respond), the integrity of practice before the Board is best served by imposing sanctions commensurate with the sanctionable misconduct to not only punish the offending party, but also to deter future misconduct. *See* 37 C.F.R. § 42.12(a) (authorizing sanctions for "misconduct"); *see also id.* at § 42.11(d)(4) (permitting sanctions to "deter repetition of the conduct or comparable conduct by others similarly situated").

Whether sanctions are appropriate is a highly fact-specific question, and the relevant considerations will vary from case to case. Prior sanction contexts have considered:

(1) whether the party has performed conduct warranting sanctions;

(2) whether that conduct has caused harm (to, for example, another party, the proceedings, or the USPTO); and

(3) whether the potential sanctions are proportionate to the harm.

Administrative Patent Judges shall constitute the PTAB. 35 U.S.C. § 6(a). Accordingly, the Director may levy sanctions as a member of the Board. Here, where the Director Review is in the context of an institution decision, the review is of the exercise of the power delegated by the Director to the panel to decide whether to institute a proceeding. *See* 35 U.S.C. § 314(a).

See, e.g., *R.J. Reynolds Vapor Co. v. Fontem Holdings 1 B.V.*, IPR2017-01318, Paper 16 at 5, 8 (PTAB Aug. 6, 2018). The Director may impose sanctions, for example, for "[f]ailure to comply with an applicable rule or order in the proceeding"; "[a]dvancing a misleading or frivolous argument or request for relief"; "[m]isrepresentation of a fact"; "[a]buse of discovery"; "abuse of process"; or "[a]ny other improper use of the proceeding, including actions that harass or cause unnecessary delay or an unnecessary increase in the cost of the proceeding." 37 C.F.R. §§ 42.12(a)(1), (2), (3), (5), (6), (7). Sanctions may include, for example, "[a]n order holding facts to have been established in the proceeding"; "an order precluding a party from filing a paper"; or "an order providing for compensatory expenses, including attorney fees." *Id.* §§ 42.12(b)(1), (2), (6). Additionally, the Director may issue sanctions not explicitly provided in 37 C.F.R. § 42.12(b). *See Voip-Pal.com*, 976 F.3d at 1323–24. Any sanction must be commensurate with the harm caused. *See R.J. Reynolds*, IPR2017-01318, Paper 16 at 5.

In view of the record as discussed above, including PQA's response to interrogatories (a), (c), and (e), I find that PQA was not only non-responsive to my interrogatories but that PQA was evasive in its responses and deliberately failed to comply with mandated discovery. This sort of discovery misconduct would be sufficient to give rise to adverse inferences under 37 C.F.R. § 42.12(b)(1), as I warned. However, I do not apply—and do not need to apply—adverse inferences regarding discovery noncompliance with respect to settlement discussions or to PQA's

relationship with Dr. Singh because of the evidence actually disclosed by VLSI.[27, 28] Nevertheless, the fact remains that PQA refused to comply with Mandated Discovery without adequate basis. Therefore, I order PQA to show cause why I should not impose an attorney-fee order or an admonishment as a sanction.

III. OTHER SANCTIONABLE CONDUCT

A. PQA's Conduct[29]

1. Factual Findings

As discussed above, PQA represented in its Petition that it had "*exclusively* engaged" Dr. Singh (Pet. 4) (emphasis in brief), such that Dr. Singh could not be presented for cross-examination in OpenSky's IPR.

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[27] This is not to say that I condone PQA's conduct with respect to settlement discussions or Dr. Singh—only that it is not necessary to draw adverse inferences in order to make factual findings based on the record evidence with respect thereto.

[28] PQA argues that any adverse inference sanction based on PQA's nondisclosure of the PQA-VLSI settlement discussions would be improper because that evidence was actually disclosed by VLSI. Paper 121, 14 (citing *Eaton Corp. v. Appliance Valves Corp.*, 790 F.2d 874, 878 (Fed. Cir. 1986)). Because there is sufficient documentary evidence of PQA's misrepresentation of fact and misleading argument to decide this case, I do not need to rely on adverse inferences and I do not reach these arguments.

[29] Responding to the prior Order's statement that "[t]he totality of PQA's conduct evinces a singular focus on using an AIA proceeding to extort money" (Paper 102, 54), PQA makes arguments that it did not seek to extort money from VLSI. Paper 121, 20. These arguments are moot because this Decision does not make such a finding.

See Pet. 4–5 ("OpenSky cannot present either expert for cross-examination as required. OpenSky must either dismiss its petition to refile with a new expert or risk exclusion of its expert declaration as mere hearsay. The Board should not discretionarily deny this petition when OpenSky's petition is not properly supported . . . .") (citations omitted).

Indeed, the Board expressly relied on PQA's statements regarding exclusivity and denied OpenSky's petition on that basis. *See* IPR2021-01056, Paper 18, 5–9, 6 ("Rather that retaining an expert who would be available for cross examination, Petitioner chose to rely on Dr. Singh's declaration throughout the Petition."), 7 ("Petitioner contends further that it will seek Dr. Singh's cooperation if trial is instituted. That suggestion, however, stands at odds with Dr. Singh's agreement to work exclusively with PQA. . . . Dr. Singh has agreed to work exclusively with PQA, which has not given any indication that it would release Dr. Singh from his agreement.") (citations omitted), 9 ("Given the facts surrounding Dr. Singh's testimony, we do not consider him likely to be a willing participant in this proceeding. . . . Under the circumstances, we determine that the Petition does not warrant institution.").

PQA later attempted to qualify this representation by arguing that the exclusivity provision could be waived. *Compare* Pet. 4 ("In contrast, Petitioner *exclusively* engaged Dr. Singh and Dr. Hall-Ellis to challenge the '373 patent. Thus, OpenSky cannot present either expert for cross-examination as required."), *with* Paper 67, 18 ("Similarly, while PQA's engagement with Dr. Singh is 'exclusive,' that provision may be waived on

request."). However, this qualification appears disingenuous and, at best, comes too late—eight months *after* the Board relied upon PQA's statements to deny the OpenSky petition and instituting PQA's nearly identical petition in its place. Had PQA not made the representation in its Petition—that Dr. Singh could not be presented for cross-examination and, thus, OpenSky must either dismiss its petition or risk exclusion—OpenSky may have sought permission to engage Dr. Singh. Indeed, I find it unsurprising that OpenSky did not seek permission to engage Dr. Singh in view of PQA's statements in its Petition and its intentional changes to his actual declaration.

2. Misleading arguments or misrepresentations of fact

I determine that the text of 37 C.F.R. § 42.12(a)(2) and (3) is plain that a misleading argument or misrepresentation of fact is sanctionable conduct.

I find that PQA advanced a misleading or frivolous argument, misrepresented a fact by (1) representing in its Petition that it had exclusively engaged Dr. Singh, an expert who was relied on by another litigant in another proceeding; and (2) then—after the Board relied on these representations to deny OpenSky's competing IPR petition—stating that this was an exclusivity provision that could be waived upon request. *Compare* Pet. 4, *with* Paper 67, 18.

PQA argues that both statements are accurate and not misleading because PQA never hid the fact that the exclusivity agreement was waivable and PQA never changed its position that it would not have waived

Dr. Singh's exclusivity for OpenSky. *See* Paper 121, 1–4, 6–7. Further, PQA argues that it is literally true that no party has sought to engage Dr. Singh. *See id.* at 4. PQA argues that its statements in this Director Review were simply in response to the interrogatory and that the interrogatory does not engage in a hypothetical about what PQA would have done under different circumstances. *See id.* at 5–6, 8.

First, PQA's petition characterized its engagement with Dr. Singh as exclusive, without exception. PQA argued to the Board that it "*exclusively* engaged Dr. Singh . . . to challenge the '373 patent." Paper 1, 4 (emphasis maintained). As a result, PQA argued, OpenSky could not present him "for cross-examination as required." *Id.* PQA contended that there were two ways to cure this defect: "OpenSky must either dismiss its petition to refile with a new expert or risk exclusion of its expert declaration as mere hearsay." *Id.* At no point did PQA include that it could or would waive the exclusivity provision; indeed, its argument that OpenSky must either refile with a new expert or risk exclusion of Dr. Singh's testimony instead indicates that there was no possibility of OpenSky engaging Dr. Singh. Similarly, Dr. Singh's own declaration states unequivocally and without qualification that "I have been exclusively retained by Petitioner Patent Quality Assurance s:\ [sic] for the duration of that case." Ex. 1002, ¶ 174. This statement was inserted into the paragraph entitled "AVAILABILITY FOR CROSS-EXAMINATION" in his original declaration in the Intel IPR. *Compare id., with* IPR2020-00158, Ex. 1002 ¶ 174.

But, as we now know, PQA's statement that it had exclusively engaged Dr. Singh was only partially true because the engagement agreement allowed Dr. Singh to work with another party with PQA's consent. *See* Ex. 1034, 2.[30, 31] Although PQA argues that it did not hide Dr. Singh's engagement agreement, that agreement did not become of record in this case until PQA filed its pre-institution reply in this proceeding—well after the filing of PQA's petition and Dr. Singh's declaration representing that Dr. Singh was exclusively retained. Although the pre-institution reply cites the engagement agreement (Paper 8, 8), it does not explain the caveat that the exclusivity was waivable, leaving the Petition and Dr. Singh's own characterization outstanding. Counsel for PQA also submitted a declaration stating that Dr. Singh agreed to work exclusively with PQA for an 18-month timeframe, or longer if the petition, trial, or appeal continued longer. *See* Ex. 1033 ¶ 7 (quoting, e.g., Ex. 1034). Later, counsel for PQA noted that "Petitioner erroneously claimed an exclusive agreement with both experts." *Id.* ¶ 9 (citing Paper 1, 4). Counsel for PQA reiterated that "[t]he only exclusive engagement is with Dr. Singh." *Id.* Taken together, these submissions incorrectly represented to the Board that Dr. Singh was working

[30] OpenSky might have sought to engage Dr. Singh but for these representations, although PQA represents that they would not have released Dr. Singh to work with OpenSky.
[31] PQA acknowledges that, with PQA's consent, Dr. Singh worked with both PQA and Intel on a reply brief subsequent to PQA's interrogatory responses. Paper 121, 6 n.3.

and could only work with PQA. The Board relied on that representation in denying OpenSky's petition.

PQA argues that it did not intend to waive exclusivity absent changed circumstances (*see* Paper 120, 7), but that unstated intention does not make true the statement in the Petition and Dr. Singh's underlying declaration that it was an exclusive agreement. PQA also argues that all contracts are theoretically waivable (*see* Paper 121, 10 (*Hall v. Integon Life Ins. Co.*, 454 So. 2d 1338, 1343 (Ala. 1984)). That is, however, not applicable or relevant in this proceeding because this exclusivity agreement was expressly waivable and neither PQA nor Dr. Singh indicated any basis to conclude that the exclusivity could or would be waived. Indeed, the panel in IPR2021-01056 seems to have been aware that PQA could, in theory, release Dr. Singh, but found it unlikely that that would happen, based on PQA's statements in this proceeding. IPR2021-01056 IPR, Paper 18, 7 ("Without some factual support to demonstrate that it reasonably expects Dr. Singh to cooperate, in light of the exclusive agreement with PQA, Petitioner's assertion is speculation and does not demonstrate sufficiently that Dr. Singh would likely participate in this proceeding.").

Nevertheless, PQA's Petition and pre-institution reply misrepresented the nature of Dr. Singh's exclusivity. These statements are therefore misleading arguments and/or misrepresentations of fact.

Once this Director Review began, PQA changed how it characterized its agreement with Dr. Singh. In response to interrogatory (f), which asked, among other things, whether PQA ever took "action that will influence any

experts' participation in this proceeding," PQA stated that "while PQA's engagement with Dr. Singh is 'exclusive,' that provision may be waived upon request." Paper 67, 17–18. In other words, once I signaled that "influenc[ing] any experts' participation in this proceeding" might be considered improper, PQA highlighted that any exclusivity with Dr. Singh could be waived—even putting the word "exclusive" in quotes, perhaps intending to suggest that any exclusivity was in name only. *Id.* at 18. PQA then stated that "no party (including OpenSky) has ever sought to engage [Dr. Singh] in connection with the '373 patent, thus PQA has never declined any such request." *Id.* at 18. This suggests that PQA would have entertained releasing Dr. Singh from his obligation if requested to do so. This statement is inconsistent with the manner in which PQA represented its agreement with Dr. Singh in its petition, as well as Dr. Singh and its counsel's declarations.

PQA's most recent filings change course again. PQA states that Dr. Singh was exclusively engaged, but that possible waiver "was not relevant because PQA intended to work exclusively with Dr. Singh absent changed circumstances." Paper 121, at 7. Whether PQA considered the waiver provision "relevant" does not change its scope, and does not change that PQA did not include the waiver provision in its characterizations of Dr. Singh's engagement in its Petition. Moreover, PQA's now-stated intention not to waive exclusivity is in tension with its earlier statement that no party "including OpenSky" sought to engage Dr. Singh, *see* Paper 67, 18, which suggests that PQA would have considered waiving exclusivity for OpenSky.

PQA's argument that exclusive engagement is "common" and "routine practice," Paper 121, 9–10, is in tension with PQA's counsel's admission that it did "not have an exclusive engagement with [its other expert,] Dr. Hall-Ellis." Ex. 1033 ¶ 9.

At the end of the day, PQA's various statements are inconsistent, i.e., stating in its initial brief on Director Review that the exclusivity agreement was waivable; previously stating that there was an exclusivity agreement without mentioning that the agreement was waivable; and previously stating that OpenSky could not produce Dr. Singh for cross-examination without mentioning that Dr. Singh's exclusivity was waivable. Either PQA's original statements that it had an exclusive agreement and that Dr. Singh could not be offered for cross-examination were misleading (in view of its later admission that the statement was waivable), or its later statement that the agreement was waivable was misleading (in view of PQA's admission that it did not intend to waive exclusivity), or both were misleading, each in their own way.

B. Conclusion

PQA has made misrepresentations of fact and/or misleading arguments regarding the nature of its exclusivity with Dr. Singh.[32]

[32] I do not reach PQA's remaining arguments, which do not relate to the issues of failure to comply with mandated discovery and misrepresentation of fact or misleading argument.

IV. REMEDY FOR SANCTIONABLE CONDUCT; SHOW CAUSE

The AIA granted the Office broad authority to prescribe regulations aimed at sanctioning the "abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding." 35 U.S.C. § 316(a)(6). Our existing regulations take full advantage of that authority and provide a broad range of potential sanctions to address such as failure to comply with an applicable order in a proceeding, e.g., on mandated discovery, misrepresentations of fact and misleading arguments and other sanctionable conduct, ranging from awarding "compensatory expenses" to "[j]udgment in the trial." 37 C.F.R. § 42.12(a)(1)–(3), (6), (b). These enumerated sanctions are not exclusive. The Federal Circuit has held that § 42.12(b) "allows the Board to issue sanctions not explicitly provided in the regulation." *Voip-Pal.com, Inc.*, 976 F.3d at 1323. Accordingly, the Office has robust powers to sanction for failure to comply with an applicable order in a proceeding, e.g., on mandated discovery, for misrepresentations of fact, misleading arguments, and for other sanctionable conduct where it occurs and to deter similar misconduct. I will ensure that the remedy suits the wrongdoing, both in this specific case and more generally when faced with evidence of conduct that thwarts, rather than advances, the goals of the Office and the AIA.

For all the reasons discussed above, PQA is ordered to show cause as to why it should not be ordered to pay compensatory expenses to VLSI, including attorney fees, or otherwise be reprimanded or admonished, as a

further sanction for misrepresentation of fact, misleading argument, or failure to comply with mandated discovery. *See* 37 C.F.R. § 42.12(b)(6); *Voip-Pal.com, Inc.*, 976 F.3d at 1323. Within 7 calendar days of this Decision, PQA and VLSI shall each file a 15-page brief addressing whether an admonishment or an award of attorney fees is appropriate, and if an award of fees is appropriate, how such fees should be determined, e.g., the appropriate time frame for which fees should be assessed. Detailed billing statements and declaratory evidence as to the time and amount of fees may be filed as exhibits and excluded from the page limit. PQA and VLSI may each file a 5-page responsive brief, due 7 calendar days from the date the initial briefs responding to the show cause order are filed.

V. ORDER

For the foregoing reasons, it is hereby:

ORDERED that PQA and VLSI shall file a brief addressing whether PQA should be admonished and/or compensatory expenses should be assessed against PQA as a sanction for PQA's misrepresentation of fact, misleading argument, and/or failure to comply with mandated discovery. Briefing shall be filed within 7 calendar days of this decision and shall be limited to 15 pages. Detailed billing statements and declaratory evidence as to the time and amount of fees may be filed as exhibits and excluded from the page limit; and

FURTHER ORDERED that PQA and VLSI may each file a 5-page responsive brief, due 7 calendar days from the date the initial briefs responding to the show cause order are filed.

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