

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

OPENSKY INDUSTRIES, LLC,
INTEL CORPORATION,
Petitioners,

v.

VLSI TECHNOLOGY LLC,
Patent Owner.

IPR2021-01064¹
Patent 7,725,759 B2

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

DECISION

Denying Request for Rehearing, Affirming Decision on Remand,
Dismissing Petitioner OpenSky Industries, LLC,
Ordering Patent Owner to Show Cause, and Lifting Stay

¹ Intel Corporation (“Intel”), which filed a petition in IPR2022-00366, has been joined as a party to this proceeding.

I. INTRODUCTION

On October 4, 2022, I issued a Director review decision (Paper 102, “Decision”) determining that Petitioner OpenSky Industries, LLC (“OpenSky”) abused the *inter partes* review (“IPR”) process by filing an IPR petition in an attempt to extract payment from Patent Owner VLSI Technology LLC (“VLSI”) and joined Petitioner Intel Corporation (“Intel”), and by expressing a willingness to abuse the process in order to do so. *OpenSky Indus., LLC v. VLSI Tech. LLC*, IPR2021-01064, Paper 102, 3 (PTAB Oct. 4, 2022). I sanctioned OpenSky by precluding OpenSky from actively participating in the underlying proceeding, and I elevated Intel to the role of lead petitioner, pending further review of the merits of the Petition. *Id.* at 47.

II. DISMISSAL OF OPENSKY UNDER 37 C.F.R. § 41.12(B)(8)

In the Decision, I determined that OpenSky, through its counsel, abused the IPR process by filing this petition in an attempt to extract payment from VLSI and joined Petitioner Intel, and expressed a willingness to abuse the process in order to do so. In addition to abusing the IPR process, I further determined that OpenSky engaged in further sanctionable conduct including discovery misconduct, violation of an express order, and unethical conduct. 37 C.F.R. § 42.12(a)(6).

At the time of my Decision, I did not dismiss OpenSky from the proceeding because the issue before me was one of first impression and I needed additional time to determine the appropriate course of action under such extraordinary circumstances. Now having the benefit of additional time to consider this case, as well as *Patent Quality Assurance, LLC, v. VLSI Tech. LLC*, IPR2021-01229, I conclude that the best course of action is to

dismiss OpenSky from this case to ensure that OpenSky does not benefit from its abuse of the IPR process. Accordingly, I dismiss OpenSky from this proceeding, subject to the Director, Board, and USPTO retaining jurisdiction over the issuance of sanctions. *See* 37 C.F.R. § 42.12(b)(8).

III. SHOW CAUSE FOR FAILURE TO COMPLY WITH 37 C.F.R § 42.11

In its Rehearing Request (Paper 113 (“Rehearing Request” or “Req. Reh’g”)), VLSI advances several arguments as to the Board panel’s compelling merits determination in its Remand Decision (Paper 107 (“Remand Decision”)). Specifically, VLSI argues that the Remand Decision is inconsistent with the Board’s Institution Decision (Paper 17 (“Institution Decision”)), ignores factual issues identified by the Institution Decision, and relies on inadmissible hearsay. *See generally* Req. Reh’g. I am not persuaded by these arguments for the reasons I detail below, and furthermore I admonish VLSI and its counsel for supporting their arguments with misleading statements of law and fact in contravention of their obligations under 37 C.F.R. § 11.303 (Candor Toward the Tribunal) (“A practitioner shall not knowingly: (1) Make a false statement of fact or law to a tribunal or fail to correct a false statement of material fact or law previously made to the tribunal by the practitioner. . . .”); 37 C.F.R. § 42.11(a), (c). This is not the first time VLSI has made misleading statements of law or fact in an attempt to mislead me or the Board.²

² From VLSI’s initial appearance, VLSI misrepresented the Federal Circuit’s case law on secondary indicia of obviousness. *See* Prelim. Resp. 69–70 (“Significant for our purposes, both the Federal Circuit and the Board have relied upon an infringement verdict to find objective indicia of non-

For this reason, VLSI is ordered to show cause as to why it should not be ordered to pay Intel the reasonable attorney fees they incurred responding to VLSI's Rehearing Request. 37 C.F.R. § 42.11(d)(3) ("On its own, the Board may order an attorney, registered practitioner, or party to show cause why conduct specifically described in the order has not violated paragraph (c) of this section and why a specific sanction authorized by the Board should not be imposed."). While I recognize the amount of these fees may not be significant, I want to make clear to the parties and the public that we will hold attorneys and parties accountable for the ethical obligations they owe to the Board.

Within two weeks of this Decision, VLSI and Intel shall each file a 5-page paper addressing whether an award of attorney fees is appropriate as a sanction for VLSI's misleading statements of law and fact. Intel shall also identify its attorney fees incurred in responding to VLSI's Rehearing Request and may submit such evidence as necessary to support that identification. Within one week of the filing of such papers, VLSI and Intel may each file a 3-page paper in response.

obviousness, such as commercial success."). Further, in Patent Owner's Request for Reconsideration of my October 4, 2022 Decision, Paper 106 at 11–15, in arguing that having the same Board panel decide both compelling merits at institution and the final determination on patentability in the final written decision violated the Due Process Clause, VLSI misrepresented the holdings of the Federal Circuit and Supreme Court cases it cited. *See* Order Denying Request for Reconsideration, Paper 114 at 7–10 ("The cases on which VLSI relies do not stand for the positions for which VLSI cites them.").

IV. COMPELLING MERITS

In the Decision, I also remanded the underlying proceeding to the Board to determine whether OpenSky’s IPR Petition, based only on the record before the Board prior to institution, presented a compelling, meritorious challenge. *Id.* at 49. On October 14, 2022, the Board issued a Remand Decision concluding that the Petition presented a compelling, meritorious challenge. *See* Remand Decision. Given the unusual and complex nature of this case, I then ordered Director review of the Board panel’s Remand Decision on the issue of compelling merits. Paper 108. With my authorization, VLSI filed a Rehearing Request of the Board panel’s Remand Decision (Req. Reh’g) and Intel filed a response (Paper 115 (“Intel’s Response” or “Response”)).

I have reviewed the record as it stood before institution and have considered VLSI’s Rehearing Request and Intel’s Response. I discern no error in the Board’s Remand Decision and, in particular, find the Petition’s evidence and the Board’s reasoning as to the ground based on Chen and Terrell to be compelling.³ *See* Pet. 40–60; Remand Decision 8–11. I also reviewed the Board’s Institution Decision, and I agree with the Board’s findings and conclusions in both the Institution Decision and the recent Remand Decision as they relate to the grounds based on the combination of Chen and Terrell. For the reasons stated in the Institution Decision (Institution Decision 3–4, 22–29) and the Remand Decision (Remand Decision 8–11), and as further discussed below, I determine the combination

³ Because I find the merits in the ground based on Chen and Terrell to be compelling, I do not reach any of VLSI’s arguments specific to other grounds.

of Chen and Terrell, as presented in the Petition, presents a compelling, meritorious challenge based on the record prior to institution.

VLSI's principal argument is that the Remand Decision is inconsistent with the Institution Decision. Specifically, VLSI contends that the "Panel found that these grounds had a 'reasonable likelihood of success' and were 'adequate,' but found 'reasonable questions' and 'risk[s]' relevant to their strength." Req. Reh'g 1-3 (citing Institution Decision, 6, 20-21, 26-27, 29). VLSI argues that the Board's Remand Decision represents a shift in the panel's position without an explanation of its reasoning because the Board "never even suggested that it found their strength noteworthy in any way, or any more than 'adequate.'" *Id.* at 1-2 (citing Institution Decision 6, 20-21, 26-27, 29).

Much of VLSI's argument rests on the Board's finding that Petitioner's evidence was "adequate" to establish a reasonable likelihood of success in proving unpatentability. *See* Req. Reh'g 1-5. VLSI argues that the Board's compelling merits finding evidences an inconsistency rising to the level of an Administrative Procedure Act ("APA") violation, noting that "[t]he [Institution Decision] found Petitioner's grounds merely 'adequate,' not 'compelling.'" *Id.* at 1-3. VLSI's argument lacks merit.

When instituting a trial, the Board is required to determine whether "the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition." 35 U.S.C. § 314(a). I commend the Board for not opining on the strength of the merits in its Institution Decision other than to say that the petition met the reasonable likelihood standard required for

institution. VLSI suggests that the Board, by making the assessment it was legally required to make and not opining further, implied that the evidence relied upon in the Institution Decision could not also meet the compelling merits standard — a standard not yet articulated at the time of the Institution Decision. That suggestion requires an unjustified leap that I am unwilling to take.

VLSI mischaracterizes the Institution Decision’s statements regarding factual issues appropriate for trial. *See* Req. Reh’g 4–5, 9. For example, VLSI asserts that the Institution Decision found that “Patent Owner has raised *reasonable* questions regarding Chen’s operation.” *Id.* at 4 (quoting Institution Decision 24–26) (emphasis added by VLSI). VLSI’s assertions fail to describe the full context of the Board’s analysis and omit key language from the cited quote. The Board actually states that “[w]hile Patent Owner has raised reasonable questions regarding Chen’s operation, *at most those questions identify factual issues appropriate for resolution through trial.*” Institution Decision 26 (emphasis added). Further, just prior to that statement in the Institution Decision, in contrast to VLSI’s characterization, the Board stated that VLSI had failed to fully explain their argument. Institution Decision 26 (“Patent Owner does not explain the distinction or why that would be the case.”). In yet another example, VLSI wrongly asserts that the Institution Decision “found the record ‘unclear’” (Req. Reh’g 5 (quoting Institution Decision 26)). To the contrary, the Board was making it quite clear that VLSI’s argument was implausible: “It is unclear, however, what providing a clock frequency to a device would do besides control its frequency.” Institution Decision 25–26.

Similarly, VLSI contends that the Remand Decision ignores arguments regarding the combination of Chen and Terrell that the Institution Decision indicates raise a factual dispute appropriate for trial. Req. Reh’g 9 (citing Institution Decision 28–29 (“At trial, the parties will be able to support their contrary views.”)). Again, VLSI’s characterization is misleading because the Board clearly states that “[w]e do not agree with Patent Owner that Terrell’s approach is incompatible with Chen’s,” and that “Petitioner has adequately justified the combination.” Institution Decision 27.

Next, VLSI argues that the Remand Decision improperly relies on Dr. Jacob’s testimony, which VLSI contends is hearsay. Req. Reh’g 5–7 (citing Remand Decision 7, 10). I am not persuaded. Contrary to VLSI’s arguments, the Board regularly considers sworn declarations in lieu of live testimony.⁴ Moreover, the Remand Decision made it clear that “the record prior to institution shows that it was highly likely Petitioner would prevail because its contentions were supported by the prior art’s disclosures *even without supporting expert testimony.*” Remand Decision 9 (emphasis added).

VLSI also argues that the Remand Decision overlooks evidence of objective indicia of nonobviousness when addressing the required “nexus” with the challenged claims. Req. Reh’g 10 (citing Prelim. Resp. 69–71

⁴ See *Grunenthal GmbH v. Antecip Bioventures II LLC*, PGR2018-00062, Paper 32 at 15 (PTAB Oct. 29, 2019) (““Without exception, the Board accepts ... sworn witness declarations in lieu of live testimony in administrative patent trials.”); *Johns Manville Corp. v. Knauf Insulation, Inc.*, IPR2016-00130, Paper 35 at 19, 22–23 (PTAB May 8, 2017) (finding declarations not hearsay in IPR, where “direct testimony is typically provided via affidavit, with cross-examination taken via deposition”).

(“Preliminary Response” or “Prelim. Resp.”)). VLSI states that the Preliminary Response “literally includes *pages* of such argument addressing whether this evidence has a ‘nexus’ with the claims.” *Id.* Though the Board must consider and properly weigh objective indicia of non-obviousness, the Board is not required to elevate form over substance. In VLSI’s pages of argument, VLSI misrepresents Federal Circuit case law. VLSI repeats those misrepresentations in its Rehearing Request, stating that: “the Federal Circuit and the Board have . . . [found] *nexus* based upon [a] jury verdict of infringement.” Prelim. Resp. 69–71; Req. Reh’g 10. None of the Federal Circuit decisions VLSI cites hold as much. *See, e.g., Brown & Williamson Tobacco Corp. v. Phillip Morris, Inc.*, 229 F.3d 1120, 1130 (Fed. Cir. 2000); *WBIP, LLC v. Kohler Co.*, 829 F.3d 1317, 1337 (Fed. Cir. 2016).

VLSI cites to a non-precedential Board decision — *RTI Surgical, Inc. v. LifeNet Health*, IPR2019-00571, Paper 75, 46–47 (PTAB Aug. 4, 2020) — for the same proposition. However, in *RTI Surgical*, although the Board mentions the jury verdict, the Board nowhere says that the verdict itself is evidence of nexus. Instead, the Board principally relies on expert testimony, documentary product information, and claim charts as evidence establishing a nexus to the claimed invention. *Id.*

Of course, the Board can — and should — consider any evidence of commercial success and nexus in its Final Written Decision, based on the complete trial record.

None of VLSI’s other arguments in its Rehearing Request fare any better.

For the reasons stated above, I deny VLSI’s request for rehearing and affirm the Board’s finding of compelling merits.

V. ORDER

For the foregoing reasons, it is hereby:

ORDERED that VLSI's Rehearing Request is DENIED;

FURTHER ORDERED that the Board's finding of compelling merits based on the record before the Board prior to institution is AFFIRMED;

FURTHER ORDERED that OpenSky is dismissed from the proceeding, subject to the Director, Board, and USPTO retaining jurisdiction over OpenSky on the issue of sanctions;

FURTHER ORDERED that the stay in the underlying proceeding is lifted; and

FURTHER ORDERED that within two weeks of this Decision, VLSI and Intel shall each file a 5-page paper addressing whether an award of attorney fees is appropriate. Intel shall also identify its attorney fees incurred in responding to VLSI's Rehearing Request and may submit such evidence as necessary to support that identification.

FURTHER ORDERED that within one week of the filing of such papers, VLSI and Intel may each file a 3-page paper in response.

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