

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE OFFICE OF THE UNDERSECRETARY AND DIRECTOR OF  
THE UNITED STATES PATENT AND TRADEMARK OFFICE

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OPENSKY INDUSTRIES, LLC,  
INTEL CORPORATION,  
Petitioners,

v.

VLSI TECHNOLOGY LLC,  
Patent Owner.

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IPR2021-01064<sup>1</sup>  
Patent 7,725,759 B2

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

ORDER  
*Setting Schedule for Director Review*

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<sup>1</sup> Intel Corporation (“Intel”), which filed a petition in IPR2022-00366, has been joined as a party to this proceeding. Paper 43.

## I. INTRODUCTION

On December 23, 2021, the Patent Trial and Appeal Board (“Board”) issued a Decision granting institution of an *inter partes* review of claims 1, 14, 17, 18, 21, 22, and 24 (“challenged claims”) of U.S. Patent No. 7,725,759 B2 (“the ’759 patent”), as OpenSky Industries, LLC (“OpenSky”) requested. Paper 17 (“Institution Decision”). VLSI Technology LLC (“Patent Owner”) subsequently filed a rehearing request and a request for Precedential Opinion Panel (“POP”) review. *See* Paper 20 (“Req. Reh’g”); Ex. 3002. I initiated Director review of the Board’s Institution Decision on June 7, 2022. Paper 41. Concurrent with my Order, the POP dismissed the rehearing and POP review requests. Paper 42. On June 8, 2022, the Board joined Intel as a Petitioner in this case. Paper 43.

In accordance with United States Patent and Trademark (“USPTO” or “Office”) policies, this Order identifies the issues subject to review and sets forth the schedule for the Director review process. *See* Paper 41; *Interim process for Director review*<sup>2</sup> §§10 (encouraging focused issues), 11 (“Responsive or amicus briefing may only be submitted if requested by the Director.”), 22 (“If Director review of an institution decision is initiated sua sponte by the Director, the parties to the proceeding will be given notice and may be given an opportunity for briefing. The public also will be notified and the Director may request amicus briefing.”).

## II. BACKGROUND

In October 2019 and February 2020, Intel filed two petitions for *inter partes* review challenging claims of the ’759 patent in IPR2020-00106 and IPR2020-

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<sup>2</sup> Available at <https://www.uspto.gov/patents/patent-trial-and-appeal-board/interim-process-director-review>.

00498. IPR2020-00106, Paper 3; IPR2020-00498, Paper 4. 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”), the Board exercised discretion to deny institution of both proceedings, based on the advanced state of litigation concerning the ’759 patent then pending in the United States District Court for the Western District of Texas. IPR2020-00106, Paper 17, 13; IPR2020-00498, Paper 16, 10. Intel requested POP review of the Board’s decisions, which was denied. IPR2020-00106, Papers 19, 20; IPR2020-00498, Papers 19, 20. The district court cases concluded on March 2, 2021, with a jury verdict finding Intel infringed the ’759 patent and U.S. Patent No. 7,523,373 B2 (“the ’373 patent”). Paper 9, 5. The jury awarded Patent Owner \$2.175 billion in damages, \$675 million of which was attributable to infringement of the ’759 patent. *Id.*; *VLSI Tech. LLC v. Intel Corp.*, Case No. 6:19-cv-00254-ADA (consolidated as 19-cv-00977) (W.D. Tex.). *Id.*

On June 7, 2021, OpenSky filed the Petition for *inter partes* review in this proceeding, challenging claims 1, 14, 17–18, 21–22, and 24 of the ’759 patent. Paper 2 (“Petition” or “Pet.”). OpenSky also filed a petition for *inter partes* review in IPR2021-01056, challenging claims 1–3, 5, 6, 9–11, and 13 of the ’373 patent. IPR2021-01056, Paper 2. In its Petition, OpenSky argued that the Board should not exercise discretion to deny institution under 35 U.S.C. §§ 314(a) or 325(d). Pet. 7–10. In addressing the *Fintiv* factors, OpenSky argued that:

the Board needs to institute review to maintain the integrity of the patent system, because a jury found that this patent is worth at least \$675 million (\$675,000,000), yet no judge or jury (or PTAB proceeding) has ever double-checked the validity of the ’759 patent. The *Fintiv* analysis is designed to determine whether the integrity of the system would be furthered by instituting review. *Apple v. Fintiv*, IPR2020-00019, Paper 11, p. 6 (“the Board takes a holistic view of

whether efficiency and integrity of the system are best served by denying or instituting review.”). The integrity of the entire patent system is threatened whenever a patent owner constructs a set of proceedings in which no one ever checks the validity of a patent found to be worth over six hundred million dollars. The denial of invalidity review cannot be proper; OpenSky urges the Board to find that this factor weighs strongly in favor of institution.

*Id.* at 9–10.

Patent Owner filed a Preliminary Response on September 24, 2021, explaining that this was the third *inter partes* review petition filed against the ’759 patent. Paper 9, 1 (noting discretionary denial of Intel’s petitions in IPR2020-00106 and IPR2020-00498). Patent Owner argued that this Petition should be denied, alleging that “[s]hortly after the widely-reported Verdict” finding that Intel infringed the ’759 and ’373 patents, “OpenSky formed in Nevada on April 23, 2021. OpenSky’s only apparent business activity is the filing of two IPR petitions against VLSI.” *Id.* at 5 (citation omitted). Patent Owner also noted that “OpenSky fashioned this Petition by copying and then stitching together portions of the rejected Intel Petitions. Rather than provide its own expert testimony, OpenSky just refiled Intel’s declarations without even changing the cover pages.”<sup>3</sup> *Id.* at 1–2, 6. Moreover, Patent Owner noted that “[j]ust one week after OpenSky filed its petitions, yet another new entity was created, to file yet another petition against the ’373 patent using a similar approach.” *Id.* at 1–2 (identifying IPR2021-01229, that Patent Quality Assurance, LLC filed as petitioner).

In this proceeding, the Board reviewed the evidence and arguments in the

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<sup>3</sup> Such practice has become known as “copycat” petition practice and, to date, has not been held to be improper any more than copying claims to invoke interference proceedings.

Petition, Preliminary Response, Preliminary Reply, and Preliminary Sur-reply, and instituted the requested *inter partes* review. Institution Decision 30. Specifically, the Board found that the *Fintiv* factors did not weigh in favor of discretionary denial in large part because the district court jury trial did not resolve the issues presented in this proceeding. *Id.* at 8–9. The Board was not persuaded that “prevailing in litigation against one party should insulate a patent owner from challenge by a different party based on grounds that were not resolved in the litigation.” *Id.* at 9. The Board also disagreed with Patent Owner’s arguments that institution should be denied because the Petition presents the same challenges as the prior Intel petitions, namely, because the Board did not reach the merits of the prior Intel petitions. *Id.* at 10, 12 (relying on factors set forth in *General Plastic Industrial Co., Ltd. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19 (Sept. 6, 2017) (precedential) (“the *General Plastic*” factors)).

In IPR2021-01056, however, the Board denied institution of an *inter partes* review due to the unavailability of an expert declarant upon which OpenSky relied in its contentions. IPR2021-01056, Paper 18, 10.

Following the Board’s Institution Decision in this case, Patent Owner filed a request for rehearing and for POP review. In the rehearing request, Patent Owner argued that “the 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.” Req. Reh’g 1, 3–4, 6–8. Patent Owner 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, 9–10. Patent Owner also criticized the Board’s reliance on two expert declarations, which Patent Owner contended constitute inadmissible hearsay. *Id.* at 11–15.

As noted above, I initiated Director review of the Board’s Institution Decision on June 7, 2022. Paper 41. Concurrent with my Order, the POP dismissed the rehearing and POP review requests. Paper 42. Subsequently, on June 8, 2022, the Board joined Intel as a Petitioner in this case. Paper 43.

### III. DISCUSSION

#### A. The Board’s Institution Decision

On this record, I discern no error in the Board’s decision to institute review of a meritorious Petition where the challenged patent was previously litigated in district court and was the subject of previous *inter partes* review proceedings, which were not instituted based on *Fintiv*.<sup>4</sup> As the Institution Decision explains, the challenges presented here have not yet been adjudicated, either by the Board or in district court. Institution Decision 8–9, 10–14.

In the Leahy-Smith America Invents Act (“AIA”), Congress established post-grant proceedings, including *inter partes* review, post-grant review, and covered business method review proceedings, to improve and ensure patent quality by providing “quick and cost-effective alternatives to litigation” for challenging issued patents. H.R. Rep. No. 112–98, pt. 1, at 48 (2011); *see also* S. Rep. No. 110–259, at 20 (2011) (explaining that the “post-grant review system . . . will give third parties a quick, inexpensive, and reliable alternative to district court litigation to resolve questions of patent validity”). Congress granted the Office “significant power to revisit and revise earlier patent grants” as a mechanism “to improve patent quality and restore confidence in the presumption of validity that

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<sup>4</sup> I have reviewed the parties’ pre-institution papers concerning the merits and I agree with the Board’s determination that OpenSky demonstrated a reasonable likelihood of prevailing as to at least one challenged claim. Institution Decision 15–29.

comes with issued patents.” *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 272 (2016) (quoting H.R. Rep. No. 112-98, pt. 1, at 45, 48). Given those objectives, compelling, meritorious challenges will proceed at the Board even where district court litigation is proceeding in parallel. *See Discretionary Denial Guidance* 3–5.

I further discern no error in the Board’s findings and determinations with respect to its analysis of the *Fintiv* or *General Plastic* factors. Institution Decision 7–9. Accordingly, in this Director review proceeding, no further briefing is permitted as to the merits of the unpatentability challenges as it pertains to institution, or the *Fintiv* or *General Plastic* factors.

#### B. Issues of First Impression

When abuse has been demonstrated, the Board retains discretion to, *inter alia*, deny institution of AIA proceedings or terminate instituted trials. Although I agree with the Board that the Petition should not have been discretionarily denied under the Board’s currently established discretionary policies, that leaves questions of first impression as to what 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.

#### C. Scope of Director Review

As noted above, this proceeding presents issues of first impression. It also involves issues of particular importance to the Office, the United States innovation economy, and the patent community. In particular, the following issues are 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.

Because of the importance of these issues to the Office in fulfilling its mission, which includes curbing behavior that may thwart that mission, and because of the importance to the patent community at large, the parties shall address these issues in their briefing, including through new arguments and non-declaratory evidence. Additionally, *amici curiae* are permitted and encouraged to submit briefing on these issues, as set forth below. Any briefing by *amici curiae* in this case will be considered submitted in IPR2021-01229.

In addition, the parties' briefing shall address the following additional interrogatories and shall cite supporting documentary evidence:

- a. When was OpenSky formed? For what purpose? What is the business of OpenSky? Who are members of OpenSky? Which other persons or entities have an interest in OpenSky or any of its activities including this proceeding? Explain.
- b. What is the relationship between OpenSky and each of the other parties? Other than communications already in the record, what communications have taken place between OpenSky and each of the other parties?
- c. Could OpenSky be subject to claims of infringement of the '759 patent? Does OpenSky have development plans to create a product that could arguably infringe the '759 patent? Does OpenSky have a policy reason for filing the Petition that benefits the public at large beside any reasons articulated in the already-filed papers? Explain.
- d. Does the evidence in this proceeding demonstrate an abuse of process or conduct that otherwise thwarts, as opposed to advances, the goals of the Office and/or the AIA and, if so, which evidence and how should that evidence be weighted and addressed?
- e. What is the basis for concluding that there are no other real parties in interest, beyond OpenSky (*see* Pet. 5)? Are there additional people or



entities that should be considered as potential real parties in interest?  
Explain.

- f. Did OpenSky ever condition any action relating to this proceeding, including but not limited to delaying, losing, not participating in, withdrawing from, or taking action that will influence any experts' participation in this proceeding, on payment or other consideration by Patent Owner or anyone else? Explain.

The parties are instructed that sanctions may be considered for any misrepresentation, exaggeration, or over-statement as to the facts or law made in the parties' briefing. *See, e.g.*, 37 C.F.R. §§ 11.19(a), 11.101 *et seq.*, 42.11.

#### IV. MANDATED DISCOVERY

In order to allow all parties to answer the questions set forth above, the parties shall exchange the following information, including electronically stored information, by July 21, 2022. Any exchanged information may be relied upon in the parties' briefs, and only information that is relied upon may be filed as an exhibit along with the party's brief.

OpenSky shall provide to other parties to this proceeding:

- i. all documents filed with state, federal, and/or other governmental regulatory entities related to the formation of OpenSky and any communications related to the same or to the formation of OpenSky;
- ii. all documents relating to OpenSky's business plan including its funding, its potential revenue, and the future allocation of any of its profits;
- iii. all 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;
- iv. all documents and communications relating to the filing, settlement, or termination of any other *inter partes* review proceeding concerning the '759 patent, not already of record in the proceeding;
- v. all documents and communications with Dr. Bruce Jacob relating to

- his retention by OpenSky, including any agreements with him;
- vi. all documents and communications relating to any real party in interest and decisions made to list or not list any person or entity as a real party in interest; and
  - vii. all communications with any named party relating to the filing, settlement, or potential termination of this proceeding.

Patent Owner also shall provide to other parties to this proceeding all documents responsive or relevant to i–vii above.

Likewise, Intel shall provide to other parties to this proceeding all documents responsive or relevant to i–vii above. Intel also shall provide all communications with OpenSky (including its attorneys or agents) relating to this or any other *inter partes* review of or litigation related to the '759 patent, created or exchanged prior to the December 23, 2021 institution date of this proceeding.

These obligations extend to all documents within the possession, custody, or control of OpenSky, Intel, and Patent Owner, including without limitation documents maintained by officers, directors, employees, agents, experts, consultants, or outside counsel. The requests above shall be interpreted inclusively and broadly to include text messages, voice mail messages, calendar entries, and any other communications or documents. Any attempt to withhold evidence based on a narrow interpretation of the requests will be reviewed in conjunction with any other subject conduct and may, alone or in combination with other conduct, be sanctionable.

The parties shall exchange the aforementioned evidence with all other parties, subject to the Modified Default Protective Order in this proceeding, unless a good faith claim of attorney-client privilege, work product doctrine, or any other applicable privilege or immunity exists in which case the evidence may be withheld from production. *See* Paper 48. Documents should not be excluded on

the basis that they were created during the course of district court litigation or Board proceedings. If evidence is withheld, that party shall maintain a privilege log of any responsive evidence that is withheld as privileged and shall exchange that privilege log on the date the documents are to be exchanged.

Within one week of receiving a privilege log, a receiving party may identify any documents they believe the Director should review in camera. Within one week of such identification, the party providing the privilege log must file those documents to the Office, submitted as “Board Only” within the PTAB E2E system.<sup>5</sup>

## V. BRIEFING AND SCHEDULE

Any evidence cited in a party’s brief shall be referenced by existing exhibit number or shall be entered into the record. *See Interim process for Director review* §7 (“The Director will not consider new evidence or arguments not part of the official record. Parties should also generally avoid citing cases not cited in the official record. Exceptions are issues of first impression or issues involving intervening changes in the law or USPTO procedures, guidance, or decisions.”). Only evidence that is relied upon may be filed as an exhibit along with a party’s brief.

New declaratory evidence is not permitted. The parties may submit evidence under seal if necessary. The parties shall file a motion to seal accompanied by the Modified Default Protective Order as necessary. *See* Paper 48.

OpenSky, Intel, and Patent Owner are authorized to submit initial briefing,

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<sup>5</sup> The Office does not consider a party to waive any applicable privilege by providing allegedly privileged documents to the Office for in camera review, when filed as “Board Only.”

limited to the policy issues and questions identified above, of no more than twenty-five (25) pages, due on August 4, 2022.

Additionally, *amici curiae* are authorized to submit a brief to Director\_PTABDecision\_Review@uspto.gov, limited to the policy issues identified above, of no more than twenty-five (25) pages and due on August 4, 2022. Amici are not authorized to submit evidence. The Board will enter the *amicus curiae* briefs into the record.

OpenSky, Intel, and Patent Owner are further authorized to file responsive briefing of no more than twenty-five (25) pages, due on August 18, 2022. The parties also may respond to the *amicus curiae* briefing in their responsive briefs.

No further briefing is authorized at this time.

Oral argument may be authorized for this proceeding. If so, I will issue a Hearing Order in due course setting forth the date, time, and location for an oral hearing.

As noted in the Order initiating Director review, the *inter partes* review is not stayed and will proceed according to the schedule stipulated to by the parties. See Paper 41, 3.

## VI. ORDER

Accordingly, based on the foregoing, it is:

ORDERED that the Board's Decision Instituting *Inter Partes* Review (Paper 17) is submitted for Director review on the policy issues, interrogatories, and schedule identified above;

FURTHER ORDERED that OpenSky, Intel, and Patent Owner shall exchange evidence as identified above and on the schedule identified above; and

FURTHER ORDERED that, if a party must contact the Office related to this Director review proceeding, they do so by email to

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Director\_PTABDecision\_Review@uspto.gov.

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