

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

Determining Abuse of Process, Issuing Sanctions, and Remanding to Patent
Trial and Appeal Board Panel for Further Proceedings

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

I. INTRODUCTION

On December 23, 2021, the Patent Trial and Appeal Board (“PTAB” or “Board”) issued a Decision granting institution of an *inter partes* review (“IPR”) of claims 1, 14, 17, 18, 21, 22, and 24 (“challenged claims”) of U.S. Patent No. 7,725,759 B2 (“the ’759 patent”), based on a Petition filed by OpenSky Industries, LLC (“OpenSky”). Paper 17 (“Institution Decision”). VLSI Technology LLC (“VLSI” or “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.

I explained that Director review would address questions of first impression as to what actions the Director, and by delegation the Board, should consider when addressing allegations of abuse of process or conduct that otherwise thwarts the goals of the United States Patent and Trademark Office (“USPTO” or “Office”) and/or the America Invents Act (“AIA”). Paper 47, 7. Due to the importance of the issues to the Office in fulfilling its mission, I ordered the parties to respond to interrogatories and to exchange information (“Mandated Discovery”) to assist me in evaluating these issues of first impression. *Id.* at 8–11; *see also* Paper 51.

For the reasons below, I determine that OpenSky has engaged in discovery misconduct by failing to comply with my Order for interrogatories and Mandated Discovery. *See* Paper 47, 8–11. Failure to comply with an order is sanctionable. 37 C.F.R. § 42.12(a)(1). Accordingly, when

analyzing whether OpenSky’s conduct amounted to an abuse of process, I apply a negative inference and hold facts to have been established adverse to OpenSky. *See* 37 C.F.R. § 42.12(b)(1) (providing that sanctions may include “[a]n order holding facts to have been established in the proceeding”); Paper 47, 10 (“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.”); Paper 52, 4 (“As highlighted in the Scheduling Order, failure to comply with my Order may be sanctionable. . . . For example, and without limitation, sanctions may include ‘[a]n order holding facts to have been established in the proceeding.’”).

Based on the evidence of record and the facts held to have been established, I determine that OpenSky, through its counsel, abused the IPR process by filing this IPR in an attempt to extract payment from VLSI and joined Petitioner Intel, and expressed a willingness to abuse the process in order to extract the payment. OpenSky’s behavior in this proceeding is entirely distinguishable from conventional settlement negotiations that take place in an adversarial proceeding. I also find that OpenSky engaged in abuse of process and unethical conduct by offering to undermine and/or not vigorously pursue this matter in exchange for a monetary payment. *See Woods Servs., Inc. v. Disability Advocs., Inc.*, 342 F. Supp. 3d 592, 606 (E.D. Pa. 2018) (“The essence of an abuse of process claim is that proceedings are used for a purpose not intended by the law.”). Each aspect of OpenSky’s conduct—discovery misconduct, violation of an express order, abuse of the IPR process, and unethical conduct—taken alone, constitutes sanctionable conduct. 37 C.F.R. § 42.12(a)(6). Taken together,

the behavior warrants sanctions to the fullest extent of my power. Not only are such sanctions proportional to the conduct here, but they are necessary to deter such conduct by OpenSky or others in the future. *See* 37 C.F.R. § 42.11(d)(4).

Given OpenSky's conduct, from this day forward OpenSky and their counsel are precluded from actively participating in the underlying proceeding. The conduct of the individual attorneys in this case might also rise to the level of an ethical violation under the rules of their respective bars. OpenSky is precluded from filing further papers into the record or presenting further argument or evidence in the underlying proceeding or on Director review unless expressly instructed to do so by me or the Board. *See* 37 C.F.R. §§ 42.12(b)(2–4) (providing that sanctions include “[a]n order expunging or precluding a party from filing a paper”; “[a]n order precluding a party from presenting or contesting a particular issue”; and “[a]n order precluding a party from requesting, obtaining, or opposing discovery”).

Moreover, I order OpenSky 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. I further order OpenSky to address the appropriate time period for which any fees should be assessed. *See* 37 C.F.R. § 42.12(b)(6) (providing that sanctions include “[a]n order providing for compensatory expenses, including attorney fees”). As set forth below, I order briefing from OpenSky and VLSI on this issue.

Lastly, as to the underlying proceeding, for the reasons articulated below, I am remanding for the Board to determine, within two weeks of the date of this Order, whether OpenSky's Petition, based only on the record before the Board prior to institution, presents a compelling, meritorious

challenge. I recognize that the record in this proceeding has progressed through oral hearing. Nevertheless, as discussed in more detail below, the Board is to confine its compelling-merits analysis to the record that existed prior to institution, consistent with the June 21, 2022, Director's Memorandum ("Memorandum") and my additional direction below.² If the Board finds that OpenSky's Petition presented compelling merits, the underlying proceeding to determine whether the '759 patent should be canceled will, in the interest of the public, continue. If the Board finds the Petition does not rise to this standard, the Board will dismiss the IPR. As explained in more detail below, requiring the Board to assess whether the Petition presents a compelling-merits case based on the record before the Board prior to institution balances the interests of patent owners, including practicing entities and small to medium-sized enterprises, in reliable patent rights, with the public interest in canceling invalid patents, clearing the path for future innovation, and removing the tax on society caused by the litigation and licensing of invalid patents.

II. BACKGROUND

The dispute over the challenged patent has a long and complex history, starting with VLSI's complaint against Intel for infringing the '759 patent, filed in the Waco Division of the United States District Court for the Western District of Texas on April 22, 2019.

² Available at www.uspto.gov/sites/default/files/documents/interim_proc_discretionary_denials_aia_parallel_district_court_litigation_memo_20220621_.pdf.

A. Intel's Prior Petitions and Litigation

After being sued by VLSI, Intel filed two petitions for IPR, challenging claims of the '759 patent. 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. IPR2020-00106, Paper 17, 13; IPR2020-00498, Paper 16, 10. 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." IPR2020-00106, Paper 17, 13; *see* IPR2020-00498, Paper 16, 6, 10. The Board did not address the merits of the Petition, other than determining "that the merits of the Petition[s] do not outweigh the other *Fintiv* factors." IPR2020-00106, Paper 17, 13. Notably, the Board issued these decisions prior to the issuance of the Memorandum, which clarifies that "the PTAB considers 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." Memorandum at 4–5.

Intel requested POP review of the Board's decisions, which was denied. IPR2020-00106, Papers 19 and 20; IPR2020-00498, Papers 19 and 20. The trial in the Western District of Texas began on February 22, 2021, months after the date that was presented to the Board for the discretionary denial analysis. *See* Ex. 2025; *cf.* Memorandum at 8 ("A court's scheduled

trial date [] is not by itself a good indicator of whether the district court trial will occur before the statutory deadline for a final written decision.”). The trial resulted in a jury verdict finding that Intel neither literally nor willfully infringed the ’759 patent, but did infringe claims 14, 17, 18, and 24 under the doctrine of equivalents. Ex. 1027, 2–4. The jury also found that Intel had not proven by clear and convincing evidence that claims 14, 17, 18, and 24 were invalid as anticipated. *Id.* at 5. The invalidity basis presented to the jury during the trial did not overlap with the grounds for unpatentability in Intel’s Petitions. Institution Decision 8. The jury awarded VLSI \$675 million in damages for infringing the ’759 patent.³ *Id.* at 6. Intel appealed to the Federal Circuit, and that appeal is currently pending as *VLSI Technology LLC v. Intel Corporation*, No. 22-1906 (Fed. Cir. June 15, 2022). The appeal will not resolve the patentability issues pending before the Board.

B. OpenSky’s Petition

On June 7, 2021, OpenSky filed the Petition for IPR in this proceeding, challenging claims 1, 14, 17, 18, 21, 22, and 24 of the ’759 patent. Paper 2 (“Pet.”). OpenSky also filed a Petition for IPR, challenging claims 1–3, 5, 6, 9–11, and 13 of U.S. Patent No. 7,523,373 B2 (“the ’373 patent”). IPR2021-01056, Paper 2. OpenSky copied extensively from Intel’s two earlier petitions. Ex. 2024 (redline comparison of portions of the Petition in this IPR with portions of Intel’s petitions in IPR2020-

³ Concurrently, the jury found that Intel had also infringed U.S. Patent No. 7,523,373 B2 (“the ’373 patent”), owned by VLSI, and awarded VLSI \$1.5 billion in damages. Ex. 1027, 6. The ’373 patent is the subject of IPR2021-01229.

00106 and IPR2020-00498). OpenSky further refiled Intel’s supporting declarations of Dr. Bruce Jacob, without his knowledge. *See* Exs. 1002, 2097, 1046.⁴

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:

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.

VLSI filed a Patent Owner Preliminary Response on September 24, 2021, explaining that this was the third IPR Petition filed against the ‘759 patent. Paper 9, 1 (noting discretionary denial of Intel’s petitions in IPR2020-00106 and IPR2020-00498). VLSI argued that this Petition should

⁴ OpenSky also filed identical copies of declarations of Intel’s other expert, Dr. Hall-Ellis, without change. Paper 17, 5. Dr. Hall-Ellis is a librarian who proffered testimony regarding the prior art status of certain references relied on in Intel’s previous petitions. *See* Ex. 1040.

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). VLSI 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.”⁵ *Id.* at 1–2, 6. Moreover, VLSI 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, filed by Patent Quality Assurance, LLC).

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 December 23, 2021. 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 unpatentability issues presented in this proceeding. *Id.* at 8–9. Because the Board did not reach the merits of the prior Intel petitions, the Board disagreed with VLSI’s arguments that institution should be denied because the Petition presents the

⁵ 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, which have likewise not been found to be improper.

same challenges as the prior Intel petitions.⁶ *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)). *See Code200, UAB v. Bright Data Ltd.*, IPR2022-00861, Paper 18, 5 (PTAB Aug. 23, 2022) (precedential) (“Where the first-filed petition under factor 1 was discretionarily denied or otherwise was not evaluated on the merits, factors 1–3 only weigh in favor of discretionary denial when there are ‘road-mapping’ concerns under factor 3 or other concerns under factor 2. . . . ‘[R]oad-mapping’ concerns are minimized when, as in this case, a petitioner files a later petition that raises unpatentability challenges substantially overlapping with those in the previously-filed petition and the later petition is not refined based on lessons learned from later developments.”).

The Board then, for the first time, discussed the merits of the Petition. Institution Decision 15–29. The Board instituted the underlying proceeding, concluding that the “Petitioner has shown a reasonable likelihood it will prevail with respect to unpatentability of claim 1 over Shaffer and Lint—Petitioner’s showing justifies institution.” *Id.* at 21. The Board likewise concluded that because the “Petitioner has shown a reasonable likelihood it will prevail with respect to unpatentability of claim 1 over Chen and Terrell—Petitioner’s showing justifies institution.” *Id.* at 29.

On January 6, 2022, VLSI sought to challenge the institution decision, filing requests for rehearing and for POP review. In the rehearing request,

⁶ In IPR2021-01056, however, the Board denied institution of an IPR due to the unavailability of another expert declarant on which OpenSky relied in its contentions in that case. IPR2021-01056, Paper 18, 10.

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.” Req. Reh’g 1, 3–4, 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, 9–10. VLSI also criticized the Board’s reliance on two expert declarations, which VLSI contended constitute inadmissible hearsay. *Id.* at 11–15.

C. Intel’s Motion for Joinder

Within a month of the Board instituting IPR in this proceeding, Intel timely filed its own Petition for IPR with a Motion for Joinder to this proceeding. IPR2022-00366, Papers 3 and 4. The Board joined Intel to this proceeding on June 8, 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 43, 19–20. 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 two petitions, that the Board did not substantively address the merits of the prior Intel petitions, 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 OpenSky’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*, Paper 19 at 16–17). The Board correctly identified that the statute expressly provides an exception to the 1-year time bar (set forth in 35 U.S.C. § 315(b)) for a request for joinder. *Id.* at 12 (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. Paper 53. 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 86, 2. The Board authorized Intel to file an opposition to the motion. *Id.* VLSI filed the Motion to Terminate on September 27, 2022. Paper 99. Intel’s opposition is pending.

D. Director Review

As noted above, I ordered a *sua sponte* Director review of the Board’s institution decision in this proceeding on June 7, 2022, one day before the Board joined Intel as a Petitioner in this case. Paper 41. Concurrent with my Order, the POP dismissed the rehearing and POP review requests. Paper 42. Because I did not yet have all the facts before me, I did not stay the underlying proceeding.

On July 7, 2022, I issued a Scheduling Order for the Director review. Paper 47. The Scheduling Order defined the scope of my review, as I determined that “this proceeding presents issues of first impression” and “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; 35 U.S.C. § 316(a)(5) (“The Director shall prescribe regulations setting forth standards and procedures for discovery of relevant evidence . . . otherwise necessary in the interest of justice”). My interrogatories ordered the parties to address specific questions related to the “issues of particular importance” in this Review. *Id.* at 8–9.

I ordered the Mandated Discovery “to allow all parties to answer the questions” I set forth, and to give each party an opportunity to produce evidence supporting its position. *Id.* at 9–10. The Mandated Discovery included categories of documents relating to the formation and business of OpenSky; 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 15, 2022, OpenSky requested an extension of the deadlines in the Scheduling Order. Ex. 3012. On July 21, 2022, I extended the deadlines for the parties to exchange information and accordingly extended the briefing deadlines: as extended, the parties' initial briefs and briefs of amici curiae were due on August 18, 2022,⁷ and the parties' responsive briefs were due on September 1, 2022. Paper 51. In the Order granting a two-week extension, 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 52. I reminded the parties that "they are required to comply with the full scope of the Scheduling Order, including its

⁷ Fourteen amici curiae briefs have been entered into the record of this proceeding, from the following: American Intellectual Property Law Association (Paper 55) ("AIPLA"); Association of Amicus Counsel (Paper 56); Naples Roundtable (Paper 57) ("Naples"); Ramzi Khalil Maalouf (Paper 64) ("Maalouf"); Engine Advocacy et al. (Paper 74) ("Engine"); High Tech Inventors Alliance (Paper 75) ("HTIA"); Robert Armitage (Paper 76); Computer and Communications Industry Association (Paper 77) ("CCIA"); BSA | The Software Alliance (Paper 78) ("BSA"); The Alliance of U.S. Startups et al. (Paper 79) ("USIJ"); Hon. Paul R. Michel (Paper 80); Unified Patents et al. (Paper 81) ("Unified"); Public Interest Patent Law Institute (Paper 82) ("PIPLI"); and Centripetal Networks, Inc. (Paper 83) ("Centripetal").

Mandated Discovery provisions now due to be exchanged by August 4, 2022,” and “failure to comply with my Order may be sanctionable.” *Id.* at 4. I explained that potential sanctions may include, for example, “[a]n order holding facts to have been established in the proceeding.” *Id.* (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 specific notice of potential sanctions to the parties, in addition to the general notice provided by the Office’s regulations.

As discussed in detail below, OpenSky did not comply with the Mandated Discovery as ordered. *See* Paper 84, 19–21.⁸ It produced a minimal number of documents to the other parties and wholly inadequate answers to my interrogatories, and did not produce a privilege log. *See id.* In contrast, both VLSI and Intel produced responsive documents and detailed privilege logs, as ordered.

III. FAILURE TO COMPLY

As explained above, I initiated Director review to answer questions of first impression related to the IPR process. Paper 47, 7. Before proceeding to those questions, however, I must address OpenSky’s deficient responses to the discovery required in my Scheduling Order.

⁸ Paper 84 is the nonconfidential version of VLSI’s Initial Brief in response to the Director review order; Paper 70 is the confidential version.

A. OpenSky's Objections to Mandated Discovery

The deadline for exchange of documents and communications contemplated by my Mandated Discovery order was August 4, 2022. Paper 51, 4. The deadline for the parties to submit briefs addressing the Director's interrogatories with supporting documentary evidence was August 18, 2022. *Id.* at 4; Paper 47, 8–10. The parties were repeatedly warned that no documents may be withheld without being included in a privilege log, and that any attempt to withhold evidence may be sanctionable. Paper 47, 10; Paper 52, 4.

On August 4, 2022, OpenSky filed a Notice of Objections to my Mandated Discovery. Paper 54. I find their objections have no merit. For example, OpenSky contends that the Order is inconsistent with 35 U.S.C. § 6(c) as modified by *United States v. Arthrex, Inc.*, 141 S. Ct. 1970, 1987 (2021). Paper 54, 2. But OpenSky does not explain this assertion. OpenSky further contends that the Order exceeds the discovery permitted under 35 U.S.C. § 316(a)(5) and 37 C.F.R. § 42.51. *Id.* at 2. OpenSky's argument on this point is not persuasive. 35 U.S.C. § 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 OpenSky has abused the IPR process. And 37 C.F.R. § 42.51 is not relevant to Director-ordered discovery, because that rule governs only discovery between the parties. Furthermore, in general, it is within my 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).

OpenSky also argues that the Scheduling Order is inconsistent with Board procedures governing non-routine discovery. Paper 54, 2–3. For example, OpenSky contends that there is no evidence “tending to show beyond speculation that in fact something useful will be uncovered.” *Id.* at 3 (quoting *Garmin Int’l, Inc. v. Cuozzo Speed Techs. LLC*, IPR2012-00001 (PTAB Mar. 5, 2013) (Paper 26) (precedential)). Again, while Board procedures governing party conduct do not formally apply to the Director’s inquiry into process abuses, my Scheduling Order makes plain the basis for the ordered discovery here. The Scheduling Order explains that the discovery would permit the parties to answer the questions I identified as germane to my inquiry into the circumstances surrounding OpenSky’s formation and conduct—information about which is uniquely in the parties’ (and specifically OpenSky’s) possession. Paper 47, 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.”).

OpenSky’s other arguments similarly lack merit. OpenSky contends that, in its judgment, certain categories of Mandated Discovery are not in dispute. *See, e.g.*, Paper 54, 3–4. That is not OpenSky’s judgment to make. It is not appropriate for OpenSky to simply assert that something is undisputed and, on that basis, refuse to comply with my Order by failing to produce or log such materials. OpenSky’s argument that the Order is not “easily understandable” is also not persuasive. *Id.* at 4. No other party indicated that they had any issue understanding the Order, nor did they have issues complying. OpenSky’s argument that the discovery is overly burdensome (Paper 54, 4–5) fares no better. OpenSky could have sought to file a motion to revise the standing protective order (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.

OpenSky submits that the Order violates its and its members' constitutional rights. Paper 54, 5–6. OpenSky cites no court case to support this proposition, and instead gestures to the First Amendment right to freedom of association and the Fourteenth Amendment's right to due process of law. OpenSky does not explain how complying with a discovery order results in a constitutional violation. Further, by choosing to file this IPR, OpenSky availed itself of my and the Board's jurisdiction and opened itself to questions regarding its members and purpose, among others.

OpenSky ends its objections with a series of similarly unpersuasive arguments. OpenSky opines that the Order is inconsistent with the purposes of the AIA. Paper 54, 6. OpenSky does not explain why it believes that to be the case, and the argument lacks merit for reasons explained below. Moreover, even if true, the argument does not provide sufficient basis for OpenSky to disregard my Order. OpenSky'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." *Id.* at 7. OpenSky 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, OpenSky contends that the Order would require it to waive privilege objections (*id.* at 7–8), but avoiding such waiver is the point of a privilege log, which OpenSky did not submit.

B. OpenSky's Failure to Comply with Mandatory Discovery

OpenSky failed to comply with the discovery requirements set forth in the Scheduling Order by: (1) refusing to provide confidential documents to the other parties in the proceeding, or instead, a privilege log listing privileged documents withheld for in camera review; and (2) failing to respond in good faith to the interrogatories, including with supporting evidence. Paper 47, 8–10. Each of these failures to comply is independently sanctionable. *Id.* at 10.

1. OpenSky refused to produce confidential documents under seal, or a privilege log of what was 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 OpenSky. Paper 62. VLSI asserts that it:

cannot identify with specificity documents for in camera review in OpenSky's responsive documents, because OpenSky has (i) failed to produce internal documents; (ii) failed to produce any documents it deems either confidential or highly-confidential under the Director's modified direct protective order, Ex. 3011; and (iii) failed to provide any privilege log in this matter, each in violation of the Director's Orders (see Papers 47, 51, and 52).

Id. at 1. VLSI asserts that "OpenSky produced approximately 170 documents, all 'nonconfidential,' largely consisting of public filings and correspondence already available to all parties." *Id.* at 3. VLSI contends that the produced non-public documents include only emails from OpenSky's lead counsel, Andrew Oliver, and "a single internal communication." *Id.* at 3–4. Notably, VLSI asserts that "OpenSky has not logged a single document." *Id.* at 4. VLSI argues that, due to OpenSky's

failure to produce documents, I should—again—order OpenSky to produce “*all* withheld responsive documents in the seven categories of mandated discovery.” *Id.* at 8 (emphasis in original).

On August 18, 2022, OpenSky filed its initial brief in response to the Director review order. Paper 71.⁹ In the brief, OpenSky does not dispute VLSI’s assertions that OpenSky failed to produce internal or confidential documents and failed to produce a privilege log of withheld evidence. *See id.* In its responsive brief, filed September 1, 2022, OpenSky asserts that it produced “over 240MB of responsive documents to VLSI and Intel, of which more than half were nonconfidential and of which the others bore either confidential or highly confidential designations.” Paper 91, 19 (*see* Exs. 1066, 1067)¹⁰. However, quantity does not substitute for quality. OpenSky’s new exhibits merely show the size of the files shared with opposing counsel, not the contents of files. *See* Exs. 1066, 1067. Notably, OpenSky did not file any of the documents as exhibits in this proceeding, despite the existence of the Modified Default Protective Order. And directly contradicting the Scheduling Order’s requirements, OpenSky confirms that it “will not be producing, filing, or lodging any privileged documents in this proceeding; accordingly, OpenSky will not be producing a privilege log for purposes of identifying documents for an *in camera* review that will not take place.” Paper 91, 20. OpenSky’s refusal to comply with the requirements set forth in the Scheduling Order is alone sanctionable conduct. *See* Paper 47, 4.

⁹ Paper 71 is the nonconfidential version of OpenSky’s Initial Brief in response to the Director review order; Paper 67 is the confidential version.

¹⁰ OpenSky filed a corrected version of its responsive brief as Paper 101.

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

In addition to its express refusal to comply with the Mandated Discovery, OpenSky 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 47, 8. In its initial brief, OpenSky asserts that VLSI “has promoted a false narrative in which it portrayed itself as a victim of ‘harassment’ or a ‘shakedown.’” Paper 71, 2. OpenSky presents its own version of the facts and refers to alleged communications between OpenSky and VLSI that purportedly show VLSI to be the bad actor. *See id.* at 2–6. However, throughout this portion of its brief, OpenSky fails to cite a single source of evidence to support its allegations of harassment, apart from a single citation to Exhibit 2055 (of record as of April 11, 2022), which is addressed below. *Id.* at 5.

In addition to its largely unsupported narrative, OpenSky’s initial brief purports to address the interrogatories listed in the Scheduling Order but fails to do so adequately. *Id.* at 8–18. OpenSky refers to three sources of evidence previously of record to support its answers to the interrogatories, Exhibits 1048, 2055, and 2066. *See id.* As a result, many of the interrogatories remain unanswered or unsubstantiated by OpenSky.

For example, interrogatory (a) asked about OpenSky’s formation and business. Paper 47, 8. To answer these questions, the Scheduling Order required OpenSky to provide the other parties with communications related to the formation of OpenSky and documents related to OpenSky’s business plan. *Id.* at 9. OpenSky responds by stating that “OpenSky has not limited its business purpose” because “[a] Nevada Limited Liability Company is not

required to state a ‘business’ on formation.” Paper 71, 9. This answer is non-responsive. In addition to its effective refusal to answer the interrogatory, OpenSky did not provide any required evidence that would allow me, VLSI, or Intel to consider OpenSky’s position. *See* Paper 66, 10–11; Paper 84, 2–3.

Interrogatory (b) asked, “[o]ther than communications already in the record, what communications have taken place between OpenSky and each of the other parties?” Paper 47, 8. To answer this question, the Scheduling Order required OpenSky 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. OpenSky admits that “the parties have had numerous communications,” but asserts that “[t]he communications related to substance and procedure in this proceeding would be unduly burdensome to log and are not relevant to the topics of the Director’s review.” Paper 71, 10. OpenSky does not identify evidentiary support for these assertions and does not raise a good faith claim to withhold this evidence. *See id.* For example, OpenSky does not argue that the communications are privileged, or exchange a privilege log of the communications, as required by the Scheduling Order. *Id.* Rather, OpenSky impermissibly determines on its own that no evidence is relevant to topics of the Director review and withholds evidence on that basis. *Id.* Accordingly, OpenSky’s answer is evasive and non-responsive to interrogatory (b).

Interrogatory (c) asked, “[c]ould OpenSky be subject to claims of infringement of the ’759 patent,” and “[d]oes OpenSky have a policy reason for filing the Petition that benefits the public at large beside any reasons

articulated in the already-filed papers?” Paper 47, 8. OpenSky asserts that this question is “irrelevant,” and states that “OpenSky has not attempted to perform an infringement analysis.” Paper 71, 11. OpenSky also asserts that “it is possible” it could infringe the ’759 patent *if* it has a computer product containing an Intel product. *See id.* OpenSky lists a number of potential policy reasons for filing the Petition, none of which are supported by evidence showing OpenSky’s intent at the time of filing. *See id.* Accordingly, OpenSky’s answer is non-responsive to interrogatory (c).

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 47, 8. To answer this question, the Scheduling Order required OpenSky 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. OpenSky asserts that “[t]he evidence demonstrates abuse of process . . . only by VLSI. No evidence demonstrates any such abuse by Intel or OpenSky.” Paper 71, 12. OpenSky refers to a single piece of evidence already of record, Exhibit 2055, and offers no other supporting evidence. *See id.* at 13. As to other communications between the parties, OpenSky asserts that “parties’ discussions of potential settlement positions are not admissible evidence in this proceeding,” according to Rule 408 of the Federal Rules of Evidence. *Id.* at 12–13. OpenSky’s argument is misplaced.

First, “Rule 408 does not warrant protecting settlement negotiations from discovery. On its face, the rule applies to the admissibility of evidence at trial, not to whether evidence is discoverable.” *Phoenix Sols. Inc. v. Wells Fargo Bank, N.A.*, 254 F.R.D. 568, 584 (N.D. Cal. 2008). Second, Rule 408

does not bar the admission of settlement discussions for all purposes. Rather, it only excludes certain settlement statements offered for the purpose of “prov[ing] or disprov[ing] the validity or amount of a disputed claim or to impeach by a prior inconsistent statement or a contradiction.” Fed. R. 408(a). Settlement discussions may be admissible for other purposes. *See, e.g., Zurich Am. Ins. Co. v. Watts Indus., Inc.*, 417 F.3d 682, 689 (7th Cir. 2005) (“The district court has broad discretion to admit [408 settlement] evidence for a purpose other than proving liability.”); *BTG Int’l Inc. v. Bioactive Labs.*, No. CV 15-04885, 2016 WL 3519712, at *8 (E.D. Pa. June 28, 2016) (“Rule 408 does not bar the introduction of settlement discussions if offered for ‘another purpose,’ such as to show a party’s knowledge or intent.”). Therefore, Rule 408 does not control, and OpenSky failed to respond to interrogatory (d).

Interrogatory (e) asked, “[w]hat is the basis for concluding that there are no other real parties in interest, beyond OpenSky,” and “[a]re there additional people or entities that should be considered as potential real parties in interest?” Paper 47, 8–9. To answer this question, the Scheduling Order required OpenSky to provide the other parties with “all documents relating to OpenSky’s business plan including its funding, its potential revenue, and the future allocation of any of its profits.” *Id.* at 9. OpenSky asserts that “OpenSky acted entirely on its own and with its own funding in bringing its Petition” and that it “did not have the support of any other entity.” Paper 71, 17. Again, OpenSky provides no evidence to support its allegation. *See id.* For example, because OpenSky does not provide evidence of its funding, it is not possible to ascertain whether or not OpenSky merely acts as a shell for other entities seeking to challenge the

'759 patent. And as a newly formed entity, seemingly created solely for filing this IPR, OpenSky must have some source of undisclosed funding. Accordingly, OpenSky's answer is evasive and non-responsive to interrogatory (e).

Interrogatory (f) asked, “[d]id OpenSky ever condition any action relating to this proceeding . . . on payment or other consideration by Patent Owner or anyone else?” Paper 47, 9. OpenSky asserts that it “has not conditioned any action relating to this proceeding on payment or other consideration.” Paper 71, 17. OpenSky does not cite supporting evidence for this assertion, except to show that, at some point in time, OpenSky paid its expert. *See id.* at 17–18 (citing Ex. 2066, 19:17–24). By contrast, VLSI and Intel provide documentary evidence that contradicts OpenSky's assertion that it did not condition any action on payment or other consideration, as discussed in detail below. Accordingly, OpenSky's answer is misleading and non-responsive to 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.”).

C. Sanctions for OpenSky's Failure to Comply

OpenSky has identified no authority that would allow it to ignore the interrogatories and Mandated Discovery in my Order. Therefore, I determine that OpenSky has failed to comply. I further determine that it is appropriate to sanction OpenSky for its discovery misconduct. *See* 37 C.F.R. § 42.12(b) (non-exhaustive list of sanctions).

The Director¹¹ has the authority to impose sanctions against a party for misconduct. 35 U.S.C. § 316(a); 37 C.F.R. § 42.12(a); *see Apple 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. Though 37 C.F.R. § 42.12(a) uses the permissive language “may” (“The Board may impose a sanction against a party for misconduct”), the sanctity of practice before the Board is best preserved by imposing sanctions for misconduct as a matter of course absent extenuating circumstances.

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.
- See, e.g., R.J. Reynolds Vapor Co. v. Fontem Holdings I B.V.*, IPR2017-01318, Paper 16 at 5 (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]buse of discovery”; “[a]buse 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), (5), (6), (7). Sanctions may include, for example, “[a]n order holding facts to have been established in the

¹¹ The Director of the USPTO, the Deputy Director of the USPTO, the Commissioner for Patents, the Commissioner for Trademarks, and the Administrative Patent Judges constitute the PTAB. 35 U.S.C. § 6(a). Accordingly, the Director may levy sanctions as a member of the Board.

proceeding”; “[a]n order precluding a party from filing a paper”; and “[a]n 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.

As a result of OpenSky’s failure to comply with my ordered Mandated Discovery provisions, I, VLSI, and Intel do not have a complete record to fully examine OpenSky’s assertion that it has not committed an abuse of the IPR process, or to evaluate whether its allegation of “harassment” is supported.

OpenSky should not be allowed to profit from its discovery misconduct. Accordingly, I determine that the proper sanction is to hold disputed facts as established against OpenSky. 37 C.F.R. § 42.12(b)(1); Paper 52, 4 (warning parties that “failure to comply with my Order may be sanctionable,” and specifically warning that “without limitation, sanctions may include ‘[a]n order holding facts to have been established in the proceeding’ under 37 C.F.R. § 42.12(b)(1)). The Federal Circuit has approved this remedy of adverse inference in the context of district court litigation, stating that “when ‘the alleged breach of a discovery obligation is the non-production of evidence, a district court has broad discretion in fashioning an appropriate sanction, including the discretion to . . . proceed with a trial and give an adverse inference instruction.’” *Regeneron Pharms., Inc. v. Merus N.V.*, 864 F.3d 1343, 1363 (Fed. Cir. 2017) (quoting *Residential Funding Corp. v. DeGeorge Fin. Corp.*, 306 F.3d 99, 107 (2d Cir. 2002)).

In view of the record as discussed above, including OpenSky's response to interrogatory (f), I find that OpenSky was not only non-responsive to my interrogatories but that OpenSky was evasive in its responses, and engaged in egregious conduct. I further apply adverse inferences in my decisions on abuse of process below.

IV. ABUSE OF PROCESS

I initiated Director review in this proceeding to examine and address VLSI's allegations of abuse of process by OpenSky. *See* Paper 47. Under existing Office regulations, an abuse of process is sanctionable (i.e., it is "conduct that warrants sanctions"). 37 C.F.R. § 42.12(a)(6). Abuse of process is a fact-based inquiry, and existing regulations do not attempt to specify what acts constitute an abuse of process. Accordingly, I consider OpenSky's conduct to determine whether it demonstrates an abuse of process or conduct that otherwise thwarts, as opposed to advances, the goals of the Office and/or the AIA.

A. *Background Principles*

Congress created the AIA to support the "important congressional objective" of "giving the Patent Office significant power to revisit and revise earlier patent grants," among other objectives. *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 272 (2016). Congress did not implement a standing requirement for petitioners; any party (other than the patentee) may seek such review. 35 U.S.C. § 311(a). AIA post-grant proceedings, and more specifically, the IPR proceedings at issue here, do not exist in isolation but are part of a larger patent and innovation ecosystem. Congress intended AIA proceedings to be a less-expensive alternative to district court litigation to resolve certain patentability issues. AIA proceedings were not, however,

intended to replace patent litigation, which remains a vital forum for determining patent validity. Nor were they intended to be tools of patent owner harassment. Congress expressed the intent of the AIA in the statute when it directed the Director, when prescribing regulations, to “consider . . . the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings.” 35 U.S.C. § 316(b). I consider this mandate not just when promulgating regulations, but in administering the AIA through guidance and decision-making. Abuse of AIA proceedings undermines these important objectives, and the Office will not tolerate it.

B. OpenSky’s Conduct

Although OpenSky’s Petition stressed that granting IPR was necessary to maintain the “integrity of the patent system” (Pet. 8–9), OpenSky’s conduct belies that statement. OpenSky’s subsequent conduct made clear that OpenSky was using the IPR process to extract payment from either Intel or VLSI without meaningfully pursuing unpatentability grounds. *See Exs. 2055; 1524–1529.* Again, this differs from typical settlement negotiations between adversaries during AIA proceedings, in which parties may offer payment or other consideration in return for settlement of the dispute. Using AIA post-grant proceedings, including the IPR process, for the sole purpose of extracting payment is an abuse of process warranting sanctions.

After OpenSky filed its Petition and before institution, on August 28, 2021, OpenSky and VLSI entered into a “Confidential Discussions Agreement” for settlement negotiations. Paper 84, 3 (citing Ex. 2081–2083). Although OpenSky insists throughout its briefs that VLSI initiated

and pursued settlement negotiations, and not vice versa (*see* Paper 71, 13–16; Paper 91, 4–9 (*see* Exs. 1063, 1065)), I draw an adverse inference and find that OpenSky initiated settlement negotiations. *See Vodusek v. Bayliner Marine Corp.*, 71 F.3d 148, 156 (4th Cir. 1995) (“Even the mere failure, without more, to produce evidence that naturally would have elucidated a fact at issue permits an inference that” the evidence would have exposed facts unfavorable to the non-disclosing party.). Typically, the query about who initiated settlement talks does not raise questions about abuse of the IPR process. *See* Patent Trial and Appeal Board Consolidated Trial Practice Guide (“Consolidated Practice Guide”)¹² at 86 (“There are strong public policy reasons to favor settlement between the parties to a proceeding”). However, the adverse inference here that OpenSky initiated settlement negotiations is relevant to the larger question of whether OpenSky’s pursuit of the IPR constitutes improper, abusive conduct.

After institution, OpenSky contacted Intel about collaborating in the IPR. *See* Paper 84, 6 (citing Ex. 2095, 2096); Paper 66, 11–12 (citing Ex. 1520). OpenSky’s counsel told Intel’s counsel that “VLSI has already reached out to OpenSky to discuss resolving the newly instituted IPR,” but “[w]hile OpenSky remains open to discussing this matter with VLSI, OpenSky would prefer to discuss the matter directly with Intel.” *Id.* (emphasis omitted). Specifically, OpenSky sought monetary payment from Intel in return for success in the IPR. Paper 66, 12 (citing Exs. 1520, 1521). “Intel rejected OpenSky’s request and stated that it would not make

¹² Available at www.uspto.gov/TrialPracticeGuideConsolidated.

OpenSky any monetary offer, including to avoid any potential risk of becoming a real-party-in-interest in OpenSky’s IPR.” *Id.* (citing Ex. 1520).

Following Intel’s rejection of OpenSky’s offer, OpenSky reengaged with VLSI. *See* Paper 84, 4–5 (citing Ex. 2084–2087). The negotiations were now complicated by the joinder request of Patent Quality Assurance, LLC (“PQA”) in IPR2022-00480, by which PQA sought to join this proceeding. *See id.* at 4 (citing Ex. 2090–2093). Intel also filed a Motion for Joinder to this proceeding in IPR2022-00366. Paper 43, 1.

VLSI asserts, and I find, that settlement negotiations between it and OpenSky culminated in a scheme proposed by OpenSky in an email dated February 23, 2022.¹³ Paper 84, 4–5 (citing Ex. 2055). Specifically, OpenSky set forth a “construct of a proposed deal” that included the following terms (screen shot of email reproduced here):

- Parties agree to work together to secure dismissal or defeat of the petition.
- OpenSky agrees not to negotiate with Intel or PQA
- VLSI takes full three months to oppose PQA joinder
- VLSI files its patent owner response
- OpenSky refuses to pay expert for time at deposition so expert does not appear for deposition
- The day after VLSI files response, OpenSky and VLSI file motion to dismiss

¹³ OpenSky contends that VLSI violated a confidentiality agreement with OpenSky (Ex. 1051) by bringing the email to the Board’s attention and making the email public. Paper 71, 14–16. Although VLSI properly brought OpenSky’s conduct to the Board’s attention, VLSI should have filed the document confidentially with the Board only. *See* Ex. 2055 (filed as public material). My decision in this case should not be viewed as an endorsement of VLSI’s behavior or of others potentially violating confidentiality agreements.

Ex. 2055, 1–2. While OpenSky’s email did not list monetary amounts, it did make clear: “First payment upon execution of agreement” and “Second payment upon denial of both joinder petitions.” *Id.* at 2. Moreover, OpenSky agreed that if PQA’s Motion for Joinder to the proceeding was granted, OpenSky would not produce its expert, on whom PQA relied, for deposition, creating “a potentially fatal evidentiary omission that PQA would be unable to remedy.” *Id.* at 1. OpenSky provided that, in that situation, “[t]here could be an alternative second payment if joinder is granted but claims are affirmed because of OpenSky’s refusal to produce witnesses.” *Id.* at 2.

In pressing the urgency of its proposal to VLSI, OpenSky pointed out that any deal would “not benefit [VLSI] unless it ultimately leads to dismissal of the petition, or affirmance of the claims.” *Id.* OpenSky also noted that “there is substantial value to VLSI in settling with OpenSky before the Board takes up” either Intel’s or PQA’s “joinder petition[s].” *Id.* VLSI reported this scheme to the Board, and there were no further negotiations between OpenSky and VLSI. Ex. 2094. Initiating a legal proceeding to deliberately sabotage for money, including offering to violate the duties of candor and good faith owed to the Board, amounts to an abuse of process. *See Woods Servs.*, 342 F. Supp. 3d at 605–606; *see also BTG Int’l Inc. v. Bioactive*, 2016 WL 3519712 at *12 (“BTG has accordingly alleged sufficient facts to demonstrate that Defendants were using the IPR petition for an improper purpose—specifically, “as a threat and a club to extort and coerce millions of dollars . . . from BTG”).

After engaging in an abuse of process with regard to its conduct with VLSI that did not prove fruitful to OpenSky, OpenSky continued its

discussions with Intel. Indeed, after Intel was joined to this proceeding (IPR2022-00366, Paper 43), it became clear that OpenSky had no interest in meaningfully pursuing the unpatentability grounds in its Petition.¹⁴

Ex. 1524. For example, OpenSky proposed that it might rest on “its initial filings and may decide not to depose VLSI’s expert or file a reply brief.” *Id.* OpenSky allegedly offered Intel the leading role in the case, but only if Intel compensated OpenSky “for its prior work in the IPR” as well as “additional remuneration.” *Id.* OpenSky did not notice VLSI’s expert for deposition until after Intel proposed going to the Board to seek a more active role.

Paper 44. Even then, OpenSky’s counsel noticed the deposition for July 7, 2022—a mere four days before its reply brief was due, leaving little time to incorporate VLSI’s expert testimony into the brief. Ex. 1525. In addition, OpenSky’s counsel indicated they were scheduled to be in trial between June 24–30, 2022, leaving little time to prepare the reply brief (or prepare for the deposition). *Id.*

Given OpenSky’s representations, Intel offered to help “with Dr. Conte’s deposition and the petitioner’s reply,” and suggested that OpenSky seek a two-week extension “to give more time to integrate the deposition materials into the petitioner’s reply.” Ex. 1526. OpenSky’s counsel proceeded with Dr. Conte’s deposition on July 7, 2022, with the benefit of

¹⁴ To be clear, parties will make choices during the course of an IPR regarding what arguments to make, papers to file, issues to pursue, etc. Those kinds of judgment calls and tactical decisions do not reflect a failure to “meaningfully pursue the merits.” As explained further below, OpenSky’s conduct here goes beyond ordinary strategic decisions and reflects a failure to essentially take any steps to develop or otherwise pursue an unpatentability case.

Intel’s deposition outline. Ex. 1062. However, OpenSky declined to seek an extension to file its reply brief.

On Friday, July 8, 2022—three days before its reply brief was due—OpenSky’s counsel initiated discussions with Intel in which OpenSky’s counsel maintained that, as a result of the need to respond to the Scheduling Order (Paper 47), OpenSky intended to “refrain from considering or making further invalidity arguments and to file a reply on Monday [July 11, 2022] indicating that OpenSky believes that its original petition establishes invalidity and OpenSky rests on the arguments in that petition,” and not file a reply. Ex. 1528.

At the same time, OpenSky “offered to let Intel write the reply on OpenSky’s behalf in exchange for remuneration and indemnity against any lawsuit brought by VLSI against OpenSky based on the IPR proceeding.” Ex. 1529. Intel declined OpenSky’s offer but agreed to provide OpenSky with a fully complete reply brief with supporting expert declaration. *Id.* OpenSky agreed to “file it in full or in part” (*id.*), and did so two days later, as Paper 49 (July 11, 2022).

On August 11, 2022, VLSI requested oral argument. Paper 61. OpenSky did not request oral argument (the deadline passed August 11, 2022; Paper 18, 11) and did not meaningfully participate in the oral hearing.

C. Case-specific Considerations

1. Petitioner’s interest in the proceeding

I am mindful that Congress did not itself include a standing requirement for IPRs. 35 U.S.C. § 311(a); *see Cuozzo*, 579 U.S. at 279 (“Parties that initiate [IPRs] need not have a concrete stake in the outcome; indeed, they may lack constitutional standing.”); *see also Engine*, 13–14

“Congress created IPR so that any ‘person who is not the owner of a patent’ may file an IPR petition. . . . It would be improper for the PTO to supplant that choice.” (citations omitted). Instead, Congress left it to the USPTO to prescribe regulations, to “consider . . . the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings.” 35 U.S.C. § 316(b).

The Office has repeatedly instituted IPRs where the petitioner has not been sued for infringement. *See, e.g., Athena Automation Ltd. v. Husky Injection Molding Systems Ltd.*, IPR2013-00290, Paper 18, 12–13 (PTAB Oct. 25, 2013) (precedential) (declining to deny a petition based on assignor estoppel); *Fresenius Kabi USA, LLC, et al. v. Chugai Seiyaku Kabushiki Kaisha, Inc. et al.*, IPR2021-01336, Paper 27, 48 (PTAB Feb. 23, 2022). In practice, however, there is commonly a high degree of interplay between IPR petitions/trials and Article III patent litigation. *See, e.g., The Patent and Trial Appeal Board: Examining Proposals to Address Predictability, Certainty, and Fairness*, Hearing Before the S. Comm. on Intellectual Prop., 117th Cong. at 1:14:27–1:14:37 (June 22, 2022) (testimony of Tim Wilson, Head of Patents and Intellectual Property Litigation, SAS Institute, Inc.) (stating that IPR petitions are typically filed in response to a patent infringement lawsuit).

Barring evidence to the contrary, there is little need to question the motives of a party sued for infringement. However, where a petitioner has not been sued for infringement, and is a non-practicing entity, legitimate questions may exist regarding whether the petitioner filed the petition for an improper purpose or one that does not advance the goals of the AIA or this Office. For example, an amici identifies a concern with petitioners who file

“petitions, filed for the primary purpose of obtaining a cash settlement” from patent owners in order to settle and terminate the proceeding. *See Naples*, 2. Not only would such a purpose not advance legitimate goals, but the PTAB proceedings under the AIA are not intended to be a tool for patent owner harassment.

To be clear, there is nothing *per se* improper¹⁵ about a petitioner who is not a patent infringement defendant filing an IPR petition. For example, there may be circumstances in which a petitioner has not yet been sued, but believes it may be, or otherwise wants to make sure it has the freedom to operate. Alternatively, there may be circumstances in which a petitioner is planning to enter the field of technology that the patent protects and is trying to clear entry barriers. *See Engine*, 10–11. Or a petitioner may act on behalf of the public without having any research or commercial activities involving the challenged patent. *See Consumer Watchdog v. Wisconsin Alumni Rsch. Found.*, 753 F.3d 1258, 1260 (Fed. Cir. 2014).

Although it is not *per se* improper for a person not charged with infringement to file an IPR petition, the posture of a petitioner, in conjunction with other surrounding circumstances, could raise legitimate questions about whether the petition is reasonably designed to advance the beneficial aims of the AIA or this Office and whether, in addition, the filing amounts to an abuse of process.

So it is here. OpenSky has not been sued for infringing the ’759 patent. Pet. 5. When I asked whether OpenSky could be sued for

¹⁵ I address here only what conduct is improper and do not suggest that all conduct that is not improper warrants institution. Such decisions are better suited for guidelines and notice-and-comment rulemaking.

infringement (*see* Paper 47, 8), OpenSky merely indicated that it has not performed an infringement analysis and that it uses products that may incorporate accused Intel products, so it might be sued for infringement in the future. Paper 71, 11. OpenSky has not substantiated this argument, despite my Order providing it an opportunity to do so. Thus, the lack of evidence on this point is directly attributable to OpenSky's failure to follow my Order, and I draw negative inferences from that failure. *See Residential Funding Corp.*, 306 F.3d at 110 (finding that intentional acts that hinder discovery support an inference that the evidence was harmful to the non-producing party). Accordingly, I find the fact established that OpenSky does not have a legitimate belief that it may be sued for patent infringement in the future, and that fear of infringement did not motivate OpenSky to file its Petition.

OpenSky maintains that its interest is in the integrity of the patent system. Paper 71, 11–12. The record (and additional factors discussed below) belies that representation. Indeed, I ordered OpenSky to produce documentation and answer interrogatories related to its business purpose, and it has not done so. In its briefing, for example, OpenSky says that it was “not required to state a ‘business’ on formation,” and therefore, “OpenSky has not limited its ‘business.’” *Id.* at 9. Again, the lack of evidence of OpenSky's business is due to OpenSky's discovery misconduct, and therefore, I find the fact established that OpenSky did not file this case for its alleged purpose of testing patent quality or preserving the integrity of the patent system. Indeed, based on the record and adverse inferences, I find that the sole reason OpenSky filed the Petition was for the improper purpose of extracting money from either or both Intel and VLSI.

2. *Recent trial verdict awarding significant damages*

The mere existence of a trial verdict (whether by jury or from the bench) does not automatically make the filing of a subsequent IPR on the involved patent(s) an abuse of process. Indeed, patents are often asserted, either in demand letters or in litigation, against multiple entities in serial fashion. Both those entities subject to current or future assertions, or potential assertions, and the public have a vested interest in canceling invalid patents.

That said, an entity filing an IPR on the heels of a large jury verdict may, when combined with other facts, raise legitimate questions regarding the motivation behind the Petition. *See* USIJ, 15–16 (discussing petitions filed after infringement verdicts).

Such is the case here. As the parties and amici are well aware, a jury in the Western District of Texas rendered a verdict of more than \$2 billion against Intel for infringing two VLSI patents, including the '759 patent (\$675 million in damages). Ex. 1027. OpenSky filed its Petition shortly after the infringement verdict and, as noted in section IV(C)(1) of this decision above, without any established fear that it would be subject to a subsequent assertion. Together with the significant damages award, this suggests that the purpose of the IPR could be to extract a settlement from VLSI or payment from Intel.

Notably, despite being given the opportunity, OpenSky has not provided adequate evidence that it had another purpose for filing this IPR. As explained previously, OpenSky flouted Mandated Discovery by refusing to turn over documentation of the “purpose” for which OpenSky was formed. Paper 47, 8. Accordingly, per the sanction for OpenSky’s

discovery misconduct, I find that it has been established that OpenSky filed its Petition for the purposes of extracting payment from VLSI or Intel.

3. *Proximity of petitioner's formation to jury award*

Large jury awards attract publicity and attention. When the evidence demonstrates that an IPR petitioner was formed from whole cloth soon after a damages award, and in particular a significant damages award, this suggests that the petitioner could be motivated to extract a financial windfall from the patent owner or the adjudicated infringer, rather than being motivated by any legitimate purpose.

Here, the evidence demonstrates that OpenSky was formed seven weeks after a jury found that Intel infringed the '759 patent, and awarded VLSI \$675 million in damages. *Compare* Ex. 1027 (Jury Verdict Form dated March 2, 2021) *with* Ex. 2006 (OpenSky formation date of April 23, 2021). OpenSky refiled Intel's discretionarily denied IPR petitions six weeks after that. This timing, in the absence of contrary evidence from OpenSky, supports the finding that OpenSky was formed in an attempt to capitalize on that verdict. Moreover, and as explained in the previous factor, OpenSky has provided inadequate evidence that it was formed for another purpose, despite my Order giving it an opportunity to do so. As a sanction for that discovery violation, I find that it has been established that OpenSky was formed for the express and sole purpose of extracting payment from VLSI or Intel.

4. *Seeking compensation from both parties*

It is not unusual for parties to seek to settle their dispute; litigation is both risky and costly. Indeed, both this Office and the Federal Rules of Evidence encourage settlement. *See* Consolidated Practice Guide at 86. A

petitioner's agreement to dismiss a petition or terminate a proceeding in return for a payment from the patent owner may be the result of sound business judgment by both parties.

What is unusual, however, is a petitioner seeking compensation from *both the patent owner and another petitioner* in exchange for advocacy against whichever party does not pay. The problem with this behavior should be immediately apparent. For the purposes of the present analysis, however, such double-dealing suggests that a petition was filed purely to extract rents, in either direction, rather than for legitimate purposes.

The evidence against OpenSky here is both strong and concerning. As explained above, I find that OpenSky initiated early settlement talks with VLSI before institution. The evidence further demonstrates that following institution, OpenSky asked both VLSI and Intel for money in exchange for its cooperation in this IPR. Indeed, OpenSky contacted Intel on the very day that the Board granted institution (Ex. 1518) and communicated with VLSI both before and after the grant (Ex. 2083, 2084). That OpenSky, through its counsel, was willing to offer its advocacy to either side of this adversarial proceeding, depending on who was willing to pay, further suggests that its Petition was purely motivated by a wish to extract a quick settlement from either interested party in this proceeding. I am particularly concerned with OpenSky's counsel's proposal to VLSI (Ex. 2055) to intentionally undermine the proceeding and thereby violate the duty of good faith and candor to the Board. *See* 37 C.F.R. § 41.11. This behavior alone is sanctionable and will not be tolerated.

Moreover, OpenSky's predatory behavior did not end once it became clear that neither VLSI nor Intel was interested in paying OpenSky.

OpenSky also suggested that it lacked the resources to pursue this IPR and intimated that Intel should reimburse OpenSky for the predictable expenses associated with filing its Petition. *See, e.g.*, Ex. 1528 (email from OpenSky’s counsel to Intel indicating that “OpenSky has been forced to reallocate its remaining funds to address the director’s review,” and therefore, “OpenSky has directed me to refrain from considering or making further invalidity arguments” and to “rest[] on the arguments in th[e] petition”); Ex. 1529 (email from OpenSky’s counsel to Intel stating that “it is unfortunate that Intel is not willing to reimburse OpenSky for any of the considerable filing fees and legal fees that were incurred in filing this petition . . .”). Taken at face value, OpenSky’s comments that it was running out of money indicate that it did not budget for litigating this proceeding throughout its expected life, to a final written decision. In other words, in the absence of contrary evidence due to its discovery misconduct, OpenSky’s behavior and complaints about budgeting establish that it did not intend to pursue the patentability merits but instead intended to leverage the IPR’s existence only to extract a payout from one side or the other.

5. *Failure to meaningfully pursue the merits*

The evidence demonstrates that both before and after institution, OpenSky was focused on getting payment from VLSI or Intel as opposed to pursuing the merits of its patentability challenge. *See, e.g.*, Ex. 1518 (OpenSky email to Intel Dec. 23, 2021); Ex. 2084 (OpenSky email to VLSI Dec. 27, 2021).

Instead of vigorously litigating the IPR, as would be expected of a lead petitioner, OpenSky continued to seek payment from Intel. For example, OpenSky “offered to let Intel write the reply on OpenSky’s behalf

in exchange for remuneration and indemnity against any lawsuit brought by VLSI against OpenSky based on the IPR proceeding.” Ex. 1527. Intel refused. *Id.* OpenSky then lamented Intel’s unwillingness “to reimburse OpenSky for any of the considerable filing and legal fees that were incurred in filing this petition” and stated that, nevertheless, it was “still willing to partner with Intel”—its *co-petitioner*, allegedly working toward the same goal—“moving forward.” Ex. 1529. Despite Intel’s refusal to pay, OpenSky filed a reply brief that Intel drafted and used Intel’s deposition outline. Exs. 1527, 1529. Moreover, OpenSky did not request oral argument (the deadline passed August 11, 2022; Paper 18, 11) and did not meaningfully participate in the oral hearing.

This focus on settlement or reimbursement, rather than litigating the merits, further indicates that OpenSky’s goal was to extract a payment rather than litigate the validity of VLSI’s patent.

6. *Filing a copycat petition*

As my Scheduling Order notes, filing a “copycat” petition is not inherently improper. Paper 47, at 4 n.3. For example, under the current joinder rules, a time-barred party may file a copycat petition when it is seeking joinder as provided by the AIA. *See* 35 U.S.C. § 315(c); 37 C.F.R. §§ 42.122(b), 42.101(b). There may be circumstances, however, in which the filing of a petition that copies a previously denied petition may suggest an abuse of process.

The present case provides an example. In addition to OpenSky filing what was essentially a copy of Intel’s IPR petition, which had previously been denied based on the *Fintiv* factors, OpenSky also filed a copy of Intel’s expert declaration, without OpenSky notifying that expert that it was doing

so, let alone confirming that his opinions had not changed. Ex. 2097. OpenSky had also not engaged the expert to testify in the case, negotiated a rate for his services, or inquired as to his interest or availability. *Id.* Submitting a declaration in a proceeding, without securing the ability of the declarant to be challenged, raises serious process concerns. The lack of control over a key witness puts the entire case in jeopardy, which is exactly what happened in OpenSky's other IPR, which was denied because OpenSky could not ensure that Intel's expert, Dr. Singh, would appear for deposition. *See* IPR2021-01056, Paper 18 (Dec. 23, 2021). On these facts, this conduct suggests that OpenSky was attempting to file a petition with the lowest possible cost in an effort to generate leverage against VLSI, but without the intent or expectation of litigating the proceeding through trial.

D. Conclusion

Viewed as a whole, OpenSky's conduct has been an abuse of the IPR process, the patent system, and the Office. The totality of OpenSky's conduct evinces a singular focus on using an AIA proceeding to extort money, from any party willing to pay, and at the expense of the adversarial nature of AIA proceedings. Despite being given the opportunity, OpenSky failed to offer a verifiable, legitimate basis for filing its IPR Petition, which was filed only after a district court awarded large monetary damages keyed to the subject '759 patent. And the Petition it filed was not generated by OpenSky, but was a copy of Intel's earlier petition, filed without engaging Intel's expert or confirming his opinions or willingness to participate. Further, after filing the Petition, OpenSky did not conduct itself in a manner consistent with the AIA's purpose of exploring patentability issues. OpenSky's post-institution activity was dominated by attempts to extract

money from either Intel or VLSI instead of engaging with the patentability merits.

Seeking an AIA trial for the primary purpose of extorting money, while being willing to forego or sabotage the adversarial process, does not comport with the purpose and legitimate goals of the AIA and is an abuse of process. Opportunistic uses of AIA proceedings harm the IPR process, patent owners, the Office, and the public. Naples, 2; USIJ, 4.¹⁶ To safeguard the proper functioning of the patent system, and the confidence therein, it is incumbent on me and the USPTO to protect against that harm.

V. REMEDY FOR ABUSE OF PROCESS

The AIA granted the Office broad authority to prescribe regulations aimed at sanctioning the “abuse of process, or any other improper use 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 abuse, ranging from awarding “compensatory expenses” to “[j]udgment in the trial.” 37 C.F.R. § 42.12(a)(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*, 976 F.3d at 1323. Accordingly, the Office has robust powers to sanction the abuse of process where it occurs and to deter similar abuse. The Director will ensure that the remedy suits the

¹⁶ This situation thus meaningfully differs from others in which a “profit motive” was arguably present but there was not otherwise an allegation or proof that the petitioner had failed to meaningfully pursue the patentability merits. *See, e.g., Coalition for Affordable Drugs VI, LLC v. Celgene Corp.*, Case IPR2015-01092, Paper 18 (Sept. 25, 2015) (denying motions for sanctions for abuse of process).

wrongdoing, both in this specific case and more generally when faced with evidence of an abuse of process or conduct that thwarts, rather than advances, the goals of the Office and the AIA.

Here, in addition to any monetary sanctions I may levy (*see* below), I must decide whether to maintain or dismiss the underlying proceeding.

VLSI contends that the remedy for OpenSky's abuse should be termination of this IPR. Paper 84, 21. VLSI also argues that Intel should not be "allowed to take advantage of OpenSky's misconduct at VLSI's expense." Paper 84, 24. VLSI asserts that Intel was a time-barred party, and that the Board has previously terminated joined time-barred parties when finding that an IPR was improperly instituted. *See id.* at 24–25 (citing *I.M.L. SLU v. WAG Acquisition, LLC*, IPR2016-01658, Paper 46, 3, 5 (PTAB Feb. 27, 2018); *Mylan Pharma Inc. v. Horizon Pharma USA, Inc.*, IPR2017-01995, Paper 71, 12–13 (PTAB Mar. 17, 2019); *Intel Corp. v. Alacritech, Inc.*, IPR2018-00234, Paper 66, 23 (PTAB June 4, 2019); *Sling TV, LLC v. Realtime Adaptive Streaming, LLC*, IPR2018-01331, Paper 39, 8 (PTAB Jan. 17, 2020).

Intel responds that, in "VLSI's cited cases, the IPRs were terminated because the *original* petitioner was *statutorily barred* from bringing the petition in the first instance," so the petition was void *ab initio*. Paper 89, 12 (emphasis in original). That reasoning, however, does not apply to the current proceeding. As Intel correctly points out, in other cases, the Board has allowed a joined petitioner to step into an active role after the original petitioner was terminated from the proceeding. *See id.* at 13 (citing *Apple Inc. v. Traxcell Techs., LLC*, IPR2021-01552, Paper 19, 2 (PTAB May 26, 2022); *AT&T Servs., Inc. v. Convergent Media Sols., LLC*, IPR2017-01237,

Paper 11, 26–28 (PTAB May 10, 2017); *Qualcomm Inc. v. Bandspeed, Inc.*, IPR2015-01577, Paper 12 at 2–3, 6, 8 (PTAB Nov. 16, 2015).

Amici recognize that I must “weigh the policy goals of the Office and the AIA” when facing abusive behavior because “the public has a clear interest in discouraging conduct that is abusive or otherwise thwarts Congress’s goals in passing the AIA and the Office’s goals in overseeing post-grant proceedings.” AIPLA, 5–6. Many amici have pointed out that “[o]ur patent system is rooted in the fact that valid claims . . . support innovation, progress, and the public’s interests” (Engine, 3), while “[i]nvalid patents unduly restrict innovation, competition, and access to knowledge” (PIPLI, 2). *See* CCIA, 2; HTIA, 7; BSA, 10. Accordingly, “ensuring that invalid patents do not remain in force [is] one of the core missions of the PTAB” (CCIA, 2), and “AIA trials thus broadly aim to ‘protect the public’s paramount interest in seeing that patent [rights] are kept within their legitimate scope’” (HTIA, 5 (quoting *Cuozzo*, 579 U.S. at 789–80)). *See* Unified, 5–6, Engine, 7–8. On the other hand, other amici highlight that “the patent system incentivizes inventors to publicly disclose innovations that advantage the public by granting an inventor a patent, upon which an ‘exclusive enjoyment is guaranteed.’” Centripetal, 14; USIJ, 15; Maalouf, 6. Those amici point out that the legislative history of the AIA shows Congress recognized the importance of reliable patent rights. Maalouf, 6 (citing H.R. Rep. No. 112-98, pt. 1, at 48 (2011)); Centripetal, 13; USIJ, 15.

Going back to first principles, to further the objectives of this Office in promoting and protecting innovation for the greater good of the public, I must advance the goals of securing reliable patent rights and removing patents that do not support innovation. *See* Lamar Smith, *Don’t Weaken the*

Leahy-Smith America Invents Act, BLOOMBERG LAW (Mar. 30, 2022), at 3 (“In the committee report on the AIA, we wrote about the importance to inventors of having ‘quiet title’—clear ownership that can’t be challenged”); H.R. Rep. No. 112-98, pt. 1, at 40 (2011); 2011 U.S.C.C.A.N. 67, 69; S. Rep. No. 110-259, at 20 (2008) (the congressional intent behind the AIA was “to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs”).

I recognize that OpenSky should not benefit from its abusive use of the IPR process. Accordingly, due to OpenSky’s abuse of the process, I am temporarily elevating Intel to an active party and am relegating OpenSky to a silent understudy role for the duration of this proceeding. Removing OpenSky’s control of the IPR removes its ability to leverage that control for or against a particular party. Therefore, for the duration of this case, OpenSky will be prevented from presenting or contesting any particular issue; requesting, obtaining, or opposing discovery; filing any additional papers; or participating in oral argument, unless specifically authorized to do so, for example, as detailed below in relation to an order to show cause. 37 C.F.R. §§ 42.12(b)(2–4).

On the issue of whether to terminate the proceeding, that sanction could be the appropriate remedy here or in future proceedings reflecting an abuse of process. However, the unique dynamics of this case, coupled with the public interest in evaluating patent challenges with compelling merits, counsels for a different approach here by permitting this IPR to continue only if the panel determines that the unpatentability merits were compelling as of the time of institution and on the record as it existed at that time.

Predicating dismissal on the application of the compelling-merits standard best serves the competing interests here.

I recognize that some may believe that I am allowing Intel to benefit from OpenSky's wrongdoing by not immediately terminating the proceeding.¹⁷ However, there is no evidence that Intel was complicit in OpenSky's abuse. I therefore focus on a principled, replicable approach that is in the best interest of the public and advances the USPTO and AIA goals to "consider . . . the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings." 35 U.S.C. § 316(b).

The circumstances of this particular case are unusual and are not likely to reoccur.¹⁸ As discussed above, after being sued by VLSI, Intel filed its original IPR Petitions within the required time. 35 U.S.C. § 311(c)(1). At that time, the Board exercised discretion to deny institution based on the advanced state of a district court litigation that also involved the patent. IPR2020-00106, Paper 17, 13; IPR2020-00498, Paper 16, 6, 10. Consistent with how *Fintiv* was applied at that time, the Board did not address the

¹⁷ Under the USPTO's rules, promulgated on August 14, 2012, and past practices, even though Intel would have been otherwise time barred, it was permitted to file a petition for joinder within one month of the institution decision. 35 U.S.C. § 315(b); 37 C.F.R. §§ 42.122(b), 42.101(b).

¹⁸ Apart from the Memorandum that will require an earlier determination of compelling merits in future cases with similar fact patterns, the Board issued its Decisions several months before *Sotera* was designated precedential. See *Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12 (issued Dec. 1, 2020, designated precedential Dec. 17, 2020) (applying *Fintiv* and instituting review after the Petitioner filed a broad stipulation to limit grounds in district court, addressing factor 4 in *Fintiv*).

merits of the Petition, except to state “that the merits of the Petition[s] do not outweigh the other *Fintiv* factors.” IPR2020-00106, Paper 17, 13. Although I recognize that the “compelling merits” analysis would not normally apply where the *Fintiv* factors are not implicated (as the Board correctly determined here on OpenSky’s petition), when determining whether to continue an IPR initially filed for improper purposes, I must consider the public interest, which compels the USPTO to evaluate unpatentability challenges that, at the institution stage, evidence compelling merits.¹⁹

I remand the decision to the Board to issue an order within two weeks on whether the record before the Board prior to institution indicates that the Petition presents a compelling, meritorious challenge as consistent with the Memorandum. In assessing compelling merits, the Board should apply the guidance set forth in my Memorandum. There, I explained that “[c]ompelling, meritorious challenges are those in which the evidence, if unrebutted at trial, would plainly lead to a conclusion that one or more claims are unpatentable by a preponderance of the evidence.” *Id.* at 4.

To be clear, a compelling-merits challenge is a higher standard than the reasonable likelihood required for the institution of an IPR under 35 U.S.C. § 314(a). A challenge can only “plainly lead to a conclusion that one or more claims are unpatentable” (*id.*) if it is highly likely that the petitioner would prevail with respect to at least one challenged claim. I recognize that all relevant evidence likely will not have been adduced at the point of institution; trial should produce additional evidence that may support a

¹⁹ My decision to conduct a compelling-merits determination here, per the Memorandum, is limited to the facts of this case and should not be treated as an endorsement of retroactive application of that Memorandum to institution decisions made before it issued.

determination in the Final Written Decision that unpatentability has not been adequately proven. Thus, a determination of “compelling” merits should not be taken as a signal to the ultimate conclusion after trial. The Board shall provide its reasoning in determining whether the merits are compelling.

In making its determination, the Board must analyze the evidence and the parties’ arguments as they existed at the date of institution. Consistent with the ordinary course of institution, I do not authorize the parties to provide any additional briefing or argument on this issue.

Should the Board find that such a challenge was made prior to institution, the Board shall move forward with the proceeding with Intel as the active party.

Should the Board find that the Petition does not present a compelling, meritorious challenge prior to institution, the Board shall dismiss the Petition (filed by both OpenSky and Intel), subject to the Director, the Board, and the USPTO retaining jurisdiction over the issuance of sanctions.

VI. REQUESTS FOR IN CAMERA REVIEW

VLSI requested that I review in camera documents listed on Intel’s privilege log and OpenSky’s documents, generally. *See, e.g.*, Papers 62, 63. No other parties requested in camera review. For the reasons explained above, however, the evidence exchanged as Mandated Discovery is sufficient to resolve this Director review without resorting to in camera review. Accordingly, the request for in camera review is denied.

VII. SHOW CAUSE

Finally, for all the reasons discussed above, OpenSky also is ordered to show cause as to why it should not be ordered to pay compensatory expenses, including attorney fees, to VLSI as a further sanction for its abuse

of process. 37 C.F.R. § 42.12(b)(6). Within two weeks of this Decision, OpenSky and VLSI shall each file a 10-page Paper addressing whether an award of attorney fees is appropriate, and if so, how such fees should be determined, e.g., the appropriate time frame for which fees should be assessed.

VIII. ORDER

For the foregoing reasons, it is hereby:

ORDERED that OpenSky is relegated to the silent understudy role in this proceeding and is precluded from presenting or contesting any particular issue; requesting, obtaining, or opposing discovery; or filing any additional papers, unless specifically directed to do so;

FURTHER ORDERED that Intel is elevated to an active party in the role of lead petitioner in this proceeding;

FURTHER ORDERED that the Board panel shall determine and issue an order, within two weeks, addressing whether the petition, based only on the record before the Board prior to institution, presents a compelling, meritorious challenge, and shall take the appropriate action to dismiss or maintain the underlying action as identified above based on its determination; and

FURTHER ORDERED that OpenSky and VLSI shall file a Paper responding to the show cause order for OpenSky, addressing whether compensatory expenses should be ordered as a further sanction for OpenSky's abuse of process. Briefing shall be filed within two weeks of this decision and shall be limited to 10 pages.

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For PETITIONER:

Andrew T. Oliver
Vinay V. Joshi
AMIN, TUROCY & WATSON LLP
aoliver@atwiplaw.com
vjoshi@thepatentattorneys.com

Benjamin Fernandez
David Cavanaugh
Steven Horn
WILMER CUTLER PICKERING HALE AND DORR LLP
ben.fernandez@wilmerhale.com
david.cavanaugh@wilmerhale.com
steven.horn@wilmerhale.com

For PATENT OWNER:

Babak Redjaian
IRELL & MANELLA LLP
bredjaian@irell.com

Kenneth J. Weatherwax
Bridget Smith
Flavio Rose
Edward Hsieh
Parham Hendifar
Patrick Maloney
Jason C. Linger
LOWENSTEIN & WEATHERWAX LLP
weatherwax@lowensteinweatherwax.com
smith@lowensteinweatherwax.com
rose@lowensteinweatherwax.com
hsieh@lowensteinweatherwax.com
hendifar@lowensteinweatherwax.com
maloney@lowensteinweatherwax.com
linger@lowensteinweatherwax.com