

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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Case IPR2021-01064\*  
Patent 7,725,759

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**PATENT OWNER'S REQUEST FOR RECONSIDERATION OF  
AND OBJECTIONS TO DIRECTOR'S OCTOBER 4, 2022 DECISION**

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\* Intel Corporation, which filed a petition in IPR2022-00366, has been joined as a party to this proceeding.

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All emphases are added, and all quotations cleaned up.

Patent owner VLSI Technology LLC (“VLSI”) requests reconsideration<sup>1</sup> of the “sanctions” issued by the October 4, 2022 decision on Director Review (Paper 102, “Decision”). Director review was granted to address VLSI’s request for relief from the abusive filing and pursuit of this case. But the “sanctions” promise no relief, and treat VLSI differently from other patent owners.

The Decision’s findings show—correctly—that this case was an abusive, unethical shakedown from the onset; that even the act of filing it was an abuse of process; that it was instituted on the basis of lies; and that such cases should not be granted institution. Yet the Decision then insists on treating VLSI, the victim who reported that abuse, worse than other patent owners. It denies the requested relief of termination of the case, and instead orders retroactive application, after the trial record is already complete, of a new test of how “compelling” the merits of the instituted grounds were *before* trial. It declines to terminate the case as to the abusive original petitioner, and even *elevates* the time-barred joined petitioner,

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<sup>1</sup> If no right to seek reconsideration is found, VLSI requests this filing be construed as objections to the Decision, similar to Petitioners’ “objections” filed to the Director’s prior orders, *e.g.*, Paper 54 (OpenSky’s “Notice Of Objections” re discovery order); Paper 69 (Intel’s “Objections” re in camera review), notwithstanding a lack of express authorization to file, *see* Paper 47, 12.

who seeks to exploit the first petitioner's abuse of process to collaterally attack a district court judgment, to now lead the attack. Rather than remedy the abuse of process, the Decision incentivizes and expands it. Lastly, the illogical procedure mandated by the Decision creates impermissible new risk of biasing the outcome.

Even the Decision itself recognizes the incongruity of what it is doing, conceding "that some may believe" it allows improper "benefit" from OpenSky's misconduct. That is exactly what it does. Rather than assuage concerns about abuse of patent owners in the IPR process, the Decision will raise new concerns that the balance is tilted against patent owners in IPR. This case was filed and pursued for entirely abusive purposes. VLSI should be granted its requested relief from that abuse. The case should be terminated.

## **I. BACKGROUND**

VLSI requested reconsideration by the Precedential Opinion Panel and the delegated PTAB panel of the decision to grant institution, Paper 20; Ex. 3002, and in connection with that request, "properly brought . . . to the Board's attention" abusive conduct committed by OpenSky Industries, who filed the petition in this case. Paper 102, 31 & n.13; Ex. 2055. "[A] sua sponte Director review of the Board's Institution Decision" was ordered (Paper 41, 2) "to examine and address VLSI's allegations of abuse of process by OpenSky" (Decision, 28). VLSI's requests for reconsideration were "dismissed in light of the Director review."

Paper 42, 2. After the Director ordered review, the delegated Board panel, on the Director's behalf, joined Intel as an understudy petitioner. Paper 43.

The Director ordered discovery and briefing directed to "allegations of abuse of process or conduct that otherwise thwarts, as opposed to advances, the goals of the Office and/or the AIA," including the conduct VLSI reported. Paper 47, 7-9.

On October 4, 2022, a Decision was entered on Director Review.

## **II. THE DECISION FINDS ABUSE OF PROCESS THROUGHOUT THE CASE, BUT WORSENS RATHER THAN REMEDIES ITS EFFECTS.**

### **A. The Decision Fails To Reconcile The Egregious Abusive Conduct Found In This Case With The Sanctions That It Orders.**

The Decision finds that OpenSky "abused the IPR process by filing this IPR" by improperly "cop[ying] a previously denied petition," and "engaged in abuse of process and unethical conduct" in its "pursu[it] [of] this matter."

Decision, 3, 42. It finds OpenSky committed "discovery misconduct, violation of an express order, abuse of the IPR process, and unethical conduct," "[e]ach" of which, "taken alone, constitutes sanctionable conduct." *Id.*, 3. Moreover, the Decision finds, "OpenSky did not file this case for its alleged purpose of testing patent quality or preserving the integrity of the patent system." *Id.*, 37. Rather, "the sole reason OpenSky filed the Petition was for the improper purpose of extracting money." *Id.* Therefore, this case was instituted on false premises, when the assigned Board panel in this case accepted OpenSky's statements of these

“alleged purpose[s]” as true, instead of false. *See* Paper 17 [Institution Decision], 10 (granting institution based on OpenSky’s purported “desire[] to improve patent quality and patent-system efficiency”), 11 (citing “the desire to improve patent quality”), 29-30 (concluding “that instituting review in this proceeding is in the interest of efficient administration of the Office and the integrity of the patent system”). In sum, the Director found that “OpenSky’s conduct has been an abuse of the IPR process, the patent system, and the Office,” *id.*, 43; and that “[t]aken together,” OpenSky’s conduct “warrants sanctions to the fullest extent of [the Director’s] power.” *Id.*, 3-4.

The Decision then proceeds to issue “sanctions” as a “remedy for abuse of process” in this case. *Id.*, 44. But the sanctions are *not* to the fullest extent of the Director’s power. They do not remedy the effects of the abuse nor do they afford VLSI the terminating sanctions necessary to address OpenSky’s abuse.

Instead, the Director orders as a “remedy” the following sanctions: (i) “that OpenSky is relegated to the silent understudy role in this proceeding,” (ii) “that Intel is elevated to an active party in the role of lead petitioner in this proceeding,” and (iii) “that the [delegated] 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 . . .



based on its determination.” *Id.*, 51.<sup>2</sup> These sanctions do not to grant VLSI a remedy for OpenSky’s abuse and are, in significant part, *adverse* to VLSI’s rights.

**B. The Decision Fails To Afford VLSI The Relief All Future Patent Owners Will Receive From Such Abuse Of Process.**

The Decision’s findings show that this case was a shakedown and an abuse of process from the start, that it was instituted based on lies, and that such cases should not be instituted. Yet it insists on treating VLSI, the victim who reported the abuse, worse than other patent owners and allows this abusive IPR to continue.

The Decision analyzes at length when abuse of the IPR process weighs against denial of institution. Decision, 36-44. It finds that “[s]eeking 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.” *Id.*, 44. That is precisely the abuse that the Decision found here. Yet, rather than “dismiss[] the petition,” apply adverse “judgment,” or terminate, sanctions well within the Director’s power, *see, e.g.*, 37 C.F.R. § 42.12(b)(8), the Decision declines to terminate the case, and

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<sup>2</sup> The Decision also orders briefing on whether OpenSky should have to pay VLSI “compensatory expenses.” *Id.* This possible further sanction, however, does not remedy this abusive case’s impairment of VLSI’s patent rights.

allowed it to proceed subject only to a new, retroactive “compelling-merits” test.

**C. Demoting OpenSky Is No Remedy And No Sanction From OpenSky’s Perspective.**

Demoting OpenSky to understudy petitioner grants VLSI no relief at all and, if anything, is *adverse* to VLSI. The Decision orders that OpenSky remain a party “for the duration of this proceeding,” “relegated to the silent understudy role.” *Id.*, 51. With the trial all but over, this sanction is inconsequential. The hearing is over. Paper 87 (hearing order). *Nothing* remains for OpenSky to do except await the final decision. And even if more did remain, it is no sanction from OpenSky’s perspective, in view of the Decision’s finding that OpenSky’s “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.” Decision, 42. To the extent keeping OpenSky a party may affect the case, that effect is adverse to VLSI. It may ensure trial will continue to decision, rather than restore the *status quo ante* before OpenSky’s abusive petition was filed.

**D. Ordering That Intel Remain A Party And Now Be Lead Petitioner Contradicts Both The Director’s Findings And The Statutory Bar.**

Intel is time-barred from filing an IPR, already had a chance to test validity in a jury trial, is an adjudicated infringer, and was allowed to become a party only because its motion to join OpenSky’s wrongfully-instituted, abusive case was granted. *See Facebook, Inc. v. Windy City Innovations, LLC*, 973 F.3d 1321, 1333

(Fed. Cir. 2020) (“the exception to the time bar offered by the joinder provision only applies if there is an instituted IPR”). The Decision fails to recognize that its own findings reinforce and confirm the reasons VLSI has already given (Papers 70, 90) why OpenSky’s abuse requires termination of this case as to all parties.

The Decision (at 24-25) finds that, “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.” These findings are highly relevant to whether anyone, least of all Intel, should be allowed to benefit from OpenSky’s abuse, since foremost among the “other entities” with incentive “to challenge the ’759 patent” is Intel, or any entity with incentive to aid Intel.

The Decision concludes that further discovery into this issue is unnecessary, and declines to conduct requested *in camera* review of pertinent documents, because “the evidence [already] exchanged . . . is sufficient to resolve this Director review.” *Id.*, 50. That means that whether Intel or an ally backed or funded OpenSky is *irrelevant*, even though OpenSky’s backers or funders remain unknown. Only dismissal could logically render that question irrelevant.

Finally, by elevating Intel from joined understudy to lead petitioner and demotion of OpenSky to understudy while keeping both as parties, the Decision

exceeds the Office’s authority as to the manner in which an already-instituted IPR proceeds following joinder of an otherwise time-barred party. This unprecedented reversal of roles, allowing a joined time-barred petitioner to supplant an existing petitioner who has not settled with the patent owner, renders this case indistinguishable from one where Intel is the original petitioner, thus violating the joinder exception to the 35 U.S.C. § 315(b) time bar—the exception to which is limited to “joinder” of parties who file petitions accompanied by joinder motions. Such a switcheroo would expand the joinder exception to allow the time-barred joinder petitioner to control any case it joins. Moreover, Intel itself was allowed to join based on its pledge to participate only as an understudy unless OpenSky is not a party. Paper 23, 15-16. The Decision improperly releases Intel from its pledge.

**E. The “Compelling-Merits” Test Cannot Be Applied Retroactively.**

The Decision reasons that dismissing the case “could be the appropriate remedy here or in future proceedings reflecting an abuse of process,” but declines to do so here despite the Director’s finding that the abuse of process here warrants sanctions “to the fullest extent of my power.” Decision, 3, 47. Instead, the Decision permits this case to continue “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.” *Id.*, 47. The Decision applies its new “compelling-merits” test retroactively to VLSI alone, unlawfully prejudicing VLSI

for its reliance on the standards existing at the time of institution.

The Decision confirms the application of the test here is “retroactive,” yet declines to find that it should so apply in any other case. Decision, 49 n.19. The Decision fails to justify singling VLSI out for the uniquely unfavorable treatment of a retroactive *sui generis* test as a “remedy for abuse of process” when Director review was ordered specifically to address “*VLSI’s allegations* of” abuse. *Id.*, 28.

The Decision requires the Panel to apply the “compelling-merits” test in the Director’s June 22, 2022 Memorandum to the pre-institution record, and to ignore the evidence VLSI developed at trial. *Id.*, 49-50. This retroactive application of the test is wrong. First, the panel in Intel’s prior IPRs, the panel here, and the Director have already considered the merits of these grounds at the institution stage without finding more than “question[able]” or “adequate” merits sufficient for the low institution standard. Decision, 6, 10; Paper 17, 20-21, 26-29; Paper 47, 6. The Office may not keep resolving almost the same question until it gets a different answer. *See* K. Davis, 4 *Administrative Law Treatise* § 219 (2d ed. 1983) (noting the “obvious principle that a controversy should be resolved once, not more than once.”). And worse, here “the [agency] ha[s] confronted the problem before, ha[s] established an explicit standard of conduct, and now attempts to punish conformity to that standard under a new standard subsequently adopted.” *Retail, Wholesale & Dep’t Store Union v. NLRB*, 466 F.2d 380, 391 (D.C. Cir. 1972).

American law has a deeply rooted presumption against retroactivity, and an agency lacks “power to promulgate retroactive rules unless that power is conveyed by Congress in express terms.” *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 208 (1988). Even if “retroactive application of” this test is in the Director’s power, it may “be applied retroactively to the parties in an ongoing adjudication” if “the parties before the agency are given notice and an opportunity to offer evidence bearing on the new standard, and the affected parties have not detrimentally relied on the established legal regime.” *Consol. Edison Co. v. FERC*, 315 F.3d 316, 323 (D.C. Cir. 2003). Here, there was no notice, the Order bars VLSI from “offer[ing] evidence bearing on the new standard,” and VLSI “detrimentally relied on” the prior “established legal regime” when it made its pre-institution record. *Id.*

In crafting its POPR, VLSI reasonably relied on Board precedent and standards at the time, which provided that abusive petitions may be discretionarily denied even if found to have superior merits. VLSI reasonably determined (i) its arguments for discretionary denial under that precedent were strong, and (ii) its arguments on the “request” limitations (which dominated litigation of the Shaffer grounds after institution) were best determined on a full record if institution was granted. VLSI therefore reasonably decided not to present all its merits arguments. That decision was all the more reasonable given that VLSI presented the same merits arguments in Intel’s prior IPR, and on that record, institution was denied,

based on a finding that, based on the pre-institution record, “the merits of the Petition do not outweigh the other *Fintiv* factors.” IPR2020-00106, Paper 17, 13.

Had VLSI known that the “compelling merits” test, under which such merits trump other factors for discretionary denial even for abusive petitions, would be applied here, VLSI would have presented a very different pre-institution record. VLSI would have focused on why the merits were *not* compelling, including, for example, presenting its “request” arguments, with accompanying expert evidence.

If the test were applied with these arguments in the record it is plainly not met. On the Shaffer grounds the principal argument on the “request” limitation, absent from the POPR, was critical at trial. *E.g.*, Paper 105, 17:8-15. And the Chen grounds were found only “question[able]” even at institution. Paper 17.

It cannot be argued that application of the test favors VLSI because the Director could alternatively simply have allowed the case to continue no matter what. As noted, the Director’s findings establish that this case was abusively filed and pursued, and instituted based on OpenSky’s lies. There is no reason for this abusive case to continue to a final decision no matter what.

**F. Ordering An Institution-Record “Compelling-Merits Analysis” Here Creates An Impermissible Risk Of Biasing The Result.**

Finally, requiring the panel, after the trial hearing, to apply this “compelling-merits” test, and then, *if* the merits are “compelling,” quickly render a final written decision on those same merits, creates an impermissible risk of biasing the result

against VLSI. The *same panel* is being asked to empty its mind of the complete trial record and decide if the merits are compelling, and, *if* it does, to almost immediately issue a final decision on those merits. The Director has delegated the institution-stage decision from herself to the same Panel who will render a final decision on the merits of the instituted grounds. For the same decisionmaker to render both of these decisions, in rapid succession, violates due process.

The Due Process Clause “ensur[es] that no person will be deprived of his interests in the absence of a proceeding in which he may present his case with assurance that the arbiter is not predisposed to find against him.” *Marshall v. Jerrico, Inc.*, 446 U.S. 238, 242 (1980). Recently, in *Williams v. Pennsylvania*, 136 S. Ct. 1899, 1911 (2016), the Supreme Court held that “[w]here a judge has had an earlier significant, personal involvement as a prosecutor in a critical decision in the defendant’s case, the risk of actual bias in the judicial proceeding rises to an unconstitutional level.” The fact that the judge “made *a ‘critical’ decision*” regarding whether the merits of the case meant that it should go *forward* gives rise to an unconstitutionally unacceptable “risk that he ‘would be so psychologically wedded’ to his previous decision that it would violate the Due Process Clause for him to decide” those merits. *Id.*, 1906, 1910.

Although the AIA’s text and structure explicitly separated responsibilities for institution and adjudication between the Director and the Board, the Director



has delegated the institution decision to the same panel of the Board that will ultimately decide the case. In *Ethicon Endo-Surgery, Inc. v. Covidien LP*, 812 F.3d 1023 (Fed. Cir. 2016), a divided panel affirmed that delegation under limited circumstances. The majority held that, on the facts, “the PTO’s assignment of the institution and final decisions to one panel of the Board d[id] not violate due process under governing Supreme Court precedent,” *id.*, 1029. However, *Ethicon* was decided five months before, and so did not have the benefit of, the Supreme Court’s decision in *Williams*, which calls into question much of *Ethicon*’s reasoning. And *Ethicon* does not apply to this case in any event, for it expressly limited its due process holding quoted above to cases “where, as here, there are no other separate procedural-fairness infirmities alleged.” *Ethicon*, 812 F.3d at 1029. Unlike in *Ethicon*, many “other separate procedural-fairness infirmities” exist in this case, as shown above. *Ethicon* simply does not apply.

Here, the Panel’s overlapping involvement in the initial decision and later decision is much greater. In the administrative context, “when review of an initial decision is mandated, the decisionmaker must be other than the one who made the decision under review.” *Withrow v. Larkin*, 421 U.S. 35, 58 n.25 (1975). When the same decisionmaker renders successive decisions in the same case, the decisions must be sufficiently *different* from one another that ruling for the opposite party in the second decision carries no suggestion that the decision maker

would “implicitly be admitting error in its prior finding.” *Id.* at 57. Thus, for example, *Withrow* found that courts may make a finding of “probable cause” early in a case and then permissibly rule on whether the allegations against the defendant have legal merit, because a mere finding of probable cause does not, as a practical matter, impermissibly bias a later rejection of the charges on the merits. *Id.*, 58. That is how *Ethicon* found that the Director’s delegation of institution to the same panel that will decide the merits passed muster under *Withrow*—by relying on the fact that the “reasonable likelihood” standard for institution is much lower than the standard for “later deciding the merits of [the] case.” *Ethicon*, 812 F.3d at 1030.

The “compelling-merits” determination erodes that distinction. It is *designed* to reduce the difference between the institution standard and final standards. *Decision*, 49; *compare* 35 U.S.C. § 316(e). Under this new test, the institution and final decisions are, aside from the different records, significantly closer to becoming the same decision. As a result, applying this new test here, and thus rendering the two decisions more similar, heightens the due process problems unless different panels decide the two decisions, because “the decisionmaker must be other than the one who made” the initial decision. *Withrow*, 421 U.S. at 58 n.25.

The “particular procedures” of this case reinforce that conclusion. *See Withrow*, 421 U.S. at 54. Here, the Panel, having already found sufficient merit to institute, and having presided over a trial, is required to empty its mind of the entire

trial record and decide whether the same grounds are “compelling,” and if they are, render a final merits decision under a similar standard just weeks later. This mind-bending procedure not only risks confusion, under *Williams* and *Withrow* it places the Panel in the “psychological[]” position (*Williams*, 136 S. Ct. at 1910) of being influenced by the possibility that upholding the claims in the final decision will “implicitly be admitting error in its prior finding” (*Withrow*, 421 U.S. at 57).

Moreover, this is “a defect ‘not amenable’ to harmless-error review.” *Williams*, 136 S. Ct. at 1909. Accordingly, applying the “compelling-merits” test here cannot be found to be “harmless” based upon a subsequent adverse final trial decision. Nor can the fact that the Director may review the final decision in this case. *Cf. Marshall*, 446 U.S. at 247 n.9 (because “[a] litigant... is entitled to a neutral and detached judge in the first instance,” “the availability of a trial *de novo* before an unbiased judge d[oes] not remove the constitutional infirmity in an original trial before one whose impartiality was impaired”).

In these circumstances, the Director’s order that the same Panel must apply the compelling-merits test based on the pre-institution record, then swiftly render a final decision on the merits of the same grounds, violates due process.

### **III. CONCLUSION**

The “sanctions” ordered by the Director Review Decision do not remedy the harm to VLSI from the abuse of process in this case, and should be reconsidered.

Date: October 13, 2022

Respectfully submitted,

/ Kenneth J. Weatherwax /

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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that the following documents were served by electronic service, by consent between the parties, on the date signed below:

**PATENT OWNER’S REQUEST FOR RECONSIDERATION OF  
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