

UNITED STATES PATENT AND TRADEMARK OFFICE

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

OPENSKY INDUSTRIES, LLC,
PATENT QUALITY ASSURANCE, LLC, and
INTEL CORPORATION,
Petitioners,

v.

VLSI TECHNOLOGY LLC,
Patent Owner.

IPR2021-01064
U.S. Patent No. 7,725,759 B2

IPR2021-01229
U.S. Patent No. 7,523,373 B2

**AMICUS BRIEF OF
AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION
IN SUPPORT OF NEITHER PARTY REGARDING
ORDER SETTING SCHEDULE FOR DIRECTOR REVIEW**

I. Interest of Amicus Curiae¹

The American Intellectual Property Law Association (“AIPLA”) is a national bar association of approximately 7,000 members who are primarily practitioners engaged in private or corporate practice, in government service, and in the academic community. AIPLA members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, trade secret, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. Our mission includes helping establish and maintain fair and effective laws and policies that stimulate and reward invention while balancing the public’s interest in healthy competition, reasonable costs, and basic fairness.

II. Introduction

AIPLA appreciates the opportunity to present its views in response to the July 7, 2022, Director’s Order Setting Schedule for Director Review in the

¹ This brief was not authored, in whole or in part, by counsel to a party. AIPLA believes that (1) no member of its Board or Amicus Committee who voted to file this brief, or any attorney in the law firm or corporation of such a member, represents a party to the proceeding in this matter; and (2) no representative of any party to this proceeding participated in the authorship of this brief.

respective cases captioned above. (IPR2021-01064, Paper 47; IPR2021-01229, Paper 35.)

These cases present facts that appear to be unique after nearly a decade of Patent Trial and Appeal Board (“PTAB”) practice. Accordingly, this rare circumstance should not justify making motions for sanctions or requests for Director Review a regular practice before the PTAB. AIPLA respectfully submits that the Office’s PTAB decision review procedures, as implemented in these proceedings, adequately address such rare instances of alleged abuse of process or conduct that would otherwise thwart the goals of the Office and/or the post-grant proceedings under the America Invents Act (“AIA”). AIPLA further respectfully urges caution in the adoption of additional policies and procedures for the review of such alleged conduct that may inadvertently implicate appropriate litigation conduct, leading to an influx of requests for Director review of such conduct. The Director should adopt policies that minimize expenses incurred in ordinary cases, while deterring occasional bad-faith conduct by sanctioning such conduct when it is found.

III. Background

A jury in the Western District of Texas found that Intel Corporation (“Intel”) infringed the two patents at issue (the ’759 and ’373 patents). The jury awarded \$2.175 billion in damages to Patent Owner VLSI Technology LLC (“VLSI”). Intel had previously filed IPR petitions asserting invalidity of the ’759 and ’373 patents.

See IPR2020-00106 and -00498 (challenging '759); IPR2020-00158 (challenging '373). Those petitions were denied under the PTAB's *Fintiv* precedent, in view of the parallel district court litigation. See *Intel Corp. v. VLSI Tech. LLC*, case IPR2020-00106, paper 22 (PTAB Dec. 10, 2020) (decision denying rehearing of institution decision); *Intel Corp. v. VLSI Tech. LLC*, case IPR2020-00498, paper 21 (PTAB Dec. 18, 2020) (same); *Intel Corp. v. VLSI Tech. LLC*, case IPR2020-00158, paper 20 (PTAB Dec. 16, 2020) (same). Intel was free to and did raise in the district court the grounds Intel asserted in its IPR petitions. At trial, however, Intel abandoned its invalidity defenses to the '373 patent and presented a different invalidity defense to the '759 patent. The jury found the '759 patent not invalid and found that Intel infringed both patents.

After the district court's verdict, Petitioners OpenSky Industries, LLC ("OpenSky") and Patent Quality Assurance, LLC ("PQA") filed virtually identical versions of Intel's IPR petitions, challenging the '759 and '373 patents. See IPR2021-01056 (OpenSky, '373), -01064 (OpenSky, '759), -01229 (PQA, '373). The PTAB instituted trial in the subject IPR2021-01064 and IPR2021-01229 proceedings, and VLSI subsequently filed motions for Precedential Opinion Panel ("POP") Review.

Intel and PQA filed separate virtually identical petitions challenging the '759 patent, along with motions to join OpenSky's IPR2021-01064. See *Intel Corp. v.*

VLSI Tech. LLC, case IPR2022-00366, paper 14 (PTAB June 8, 2022) (granting institution and joinder); *Patent Quality Assurance, LLC v. VLSI Tech. LLC*, IPR2022-00480, paper 3 (PTAB Jan. 24, 2022) (motion for joinder). PQA subsequently moved to dismiss its petition and motion for joinder in IPR2022-00480. *See* IPR2022-00480, paper 13 (PTAB July 25, 2022).

Intel and OpenSky also filed separate virtually identical petitions challenging the '373 patent, along with motions to join PQA's IPR2021-01229. *See Intel Corp. v. VLSI Tech. LLC*, IPR2022-00479, paper 13 (PTAB June 6, 2022) (granting institution and motion for joinder); *OpenSky Inds., LLC v. VLSI Tech. LLC*, case IPR2022-00645, paper 4 (PTAB Feb. 25, 2022) (OpenSky's motion for joinder). In opposing OpenSky's joinder motion, VLSI submitted evidence describing a scheme in which OpenSky would refuse to pay its expert so that the expert would not appear for deposition, creating a "fatal evidentiary omission [in IPR2021-01064] that PQA would be unable to remedy." IPR2022-00645, paper 8 at 1, Ex. 2029 (PTAB Mar. 2, 2022). OpenSky subsequently moved to dismiss its petition and motion for joinder in IPR2022-00645. *See* IPR2022-00645, paper 12 (PTAB July 27, 2022).

The Director has ordered Director Review in the IPR2021-01064 and IPR2021-01229 proceedings. (IPR2021-01064, paper 47; IPR2021-01229, paper 35.) The Director has further entered orders extending the relevant deadlines for briefing and discovery in each case (IPR2021-01064, paper 51; IPR2021-01229,

paper 38), and responding to objections to the discovery ordered in each case (IPR2021-01064, paper 52; IPR2021-01229, paper 39).

IV. Director Review Provides Adequate Procedures for Evaluating Alleged Abuse

In the rare instances that a party to a PTAB post-grant proceeding demonstrates, through the submission of record evidence, likelihood of an abuse of process or conduct that otherwise thwarts the goals of the Office and/or the AIA, Director review is an appropriate mechanism to review such alleged bad-faith conduct. The Director should be able to determine whether any conduct before the Office warrants sanctions.

The Director, not the Board by delegation, is in the best position to weigh the policy goals of the Office and the AIA and to determine whether conduct should be deterred or eliminated through sanctions imposed in a pending proceeding. Sanctions could include denial of institution, termination of trial, or other evidentiary or discovery sanctions. Issues of subjective intent and bad-faith behavior by parties are best handled by the Director.

To limit such review to cases that involve truly bad-faith conduct, Director Review may be ordered *sua sponte* by the Director or in the Director's discretion upon referral by the Board. In either case, the Director should make the ultimate decision after considering the policy goals of the Office and the AIA. The Board can assist the Director by identifying cases in which a threshold showing of bad-faith

conduct has been made. The Board has substantial experience with run-of-the-mill post-grant proceedings and interacts day-to-day with the parties. The Board's referral may be at the request of a party, provided the Board determines that the requesting party has made a threshold showing of bad-faith conduct. In these instances where a party requests review, the Board can use existing procedures to entertain such requests. By using a telephonic conference to screen the issues, the Board can manage its docket and discourage frivolous allegations of bad-faith conduct. If the Board determines briefing or the submission of evidence is warranted, this should neither delay the pending proceeding nor impose undue burden on either party. As discussed below, this procedure should be rare and should not be used to impose additional costs or delay in typical cases.

The Director Review procedure employed in the proceedings at issue here appropriately balances the interests of the public and all parties to post-grant proceedings. First, 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. The public interest is appropriately served by a review procedure that discourages conduct that constitutes an abuse of process or otherwise thwarts the goals of the Office and/or the AIA. Director review of such conduct allows for stable and predictable guidelines for acceptable and unacceptable conduct.

Second, parties suffering abuse have an interest in its correction in their pending proceedings. As set forth below, Director review enables correction of alleged abuses. In addition, a party accused of abuse has an interest in defending itself from allegations of abuse. Any process associated with such allegations of abuse should proceed without causing substantial delay in post-grant proceedings. As in the present proceedings, Director review of the Board's Institution Decisions should generally be performed without a stay of the proceedings. (IPR2021-01064, Paper 41, 3; IPR2021-01229, Paper 31, 3.)

Third, given the unique nature of each such rare circumstance, the Director is best suited to tailor discovery and briefing to substantiate or refute such allegations. The Director review orders in these cases focus on the unique information needed to resolve the issues raised. (IPR2021-01064, Paper 47, 8–12; IPR2021-01229, Paper 35, 8–12.) These orders enable the Director to determine the necessary facts while ensuring that allegations of abuse are not being raised lightly or simply to cause delay. In certain circumstances a stay might be warranted, for example, if the facts are undisputed, establish abuse of process or other improper conduct, and the only question is the nature of sanctions to be imposed. In these types of limited circumstances, AIPLA supports action by the Director to prevent undue prejudice or unneeded expense on the party suffering the abusive conduct. Due to the rarity of such conduct, and the lack of precedent in such circumstances, it would be premature

to develop a generalized methodology or procedures for assessing alleged bad-faith conduct beyond the Director review procedures already available.

In short, the Director should retain discretion to conduct review of alleged bad-faith conduct, *sua sponte* or upon referral by the Board, and should tailor each such review to the circumstances presented. This procedure should be rarely used.

V. Office Procedures Provide Adequate Mechanisms to Address Alleged Abuse

The Office already provides substantial procedures that the Director, the Board, or the Office of Enrollment and Discipline (“OED”) may take to address abuse of process or conduct that otherwise thwarts the goals of the Office and/or the AIA.

The Office has identified sanctionable conduct, including the following categories: abuse of discovery (37 C.F.R. § 41.12(a)(5)); abuse of process (*id.* § 41.12(a)(6)); or any other improper use of the proceeding, including actions that harass or cause unnecessary delay or an unnecessary increase in the cost of the proceeding (*id.* § 41.12(a)(7)). One task for the Director in the instant review is to assess whether Petitioners’ conduct violates one or more of these (or other) categories of sanctionable conduct. *See* 37 C.F.R. § 41.12(a). AIPLA supports the Director’s efforts to identify relevant facts by ordering discovery tailored to the circumstances of these cases. The Director is uniquely positioned to seek information that will assist in developing policy or in identifying sanctionable

conduct. Such discovery orders will likely streamline the Director review process by encouraging timely and full disclosure of information needed by the Director.

Another task, if the Director determines that abuse of process has occurred, is for the Director to fashion an appropriate remedy. The Director has recognized: “[w]hen abuse has been demonstrated, the Board retains discretion to, *inter alia*, deny institution of AIA proceedings or terminate instituted trials.” (IPR2021-01064, Paper 47, 7; IPR2021-01229, Paper 35, 7.) While the Board may have such discretion, the Director’s role in setting policy and precedent is paramount.

Existing remedies are adequate to curtail bad-faith conduct. These remedies may include denying institution of post-grant proceedings or terminating instituted trials. *See* 37 C.F.R. § 42.12(b)(8) (allowing entry of “Judgment in the trial or dismissal of the petition” as a sanction). In some circumstances, lesser sanctions, including evidentiary or discovery sanctions, may be appropriate. *See* 37 C.F.R. § 42.12(b)(1)–(7) (outlining other sanctions). The rules also permit the award of reasonable expenses, including attorney’s fees, incurred in filing a motion for sanctions. *See* 37 C.F.R. § 42.11(d)(2). The rarity of bad-faith conduct and/or abuse of process makes generalizing methodologies for the assessment of such conduct difficult.

In the rare circumstance that existing remedies are not adequate, and these behaviors become repeated, the OED is empowered to appropriately sanction

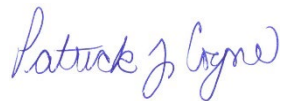
practitioners. Recognizing that vigorous advocacy is expected in all *inter partes* proceedings and that the bounds of procedure and practice may be uncertain in some instances, OED has the authority to prevent or curtail repeated abuses. Given these existing enforcement procedures, the Director need not determine at this time whether sanctions beyond those imposed in the pending proceeding are needed.

VI. Conclusion

AIPLA respectfully submits that the review and enforcement procedures currently employed by the Office are adequate to dissuade and remedy rare instances of abuse of process. Continued reliance on those procedures should prevent an unintended rise in the number of motions for sanctions under a new set of procedures.

Dated: August 4, 2022

Respectfully submitted,



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