

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,
INTEL CORPORATION,
Petitioners,

v.

VLSI TECHNOLOGY LLC,
Patent Owner.

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

AMICUS BRIEF OF RAMZI KHALIL MAALOUF
SUBMITTED IN RESPONSE TO ORDER SETTING SCHEDULE FOR
DIRECTOR REVIEW (PAPER 47)

I. Identity and Interest of *Amicus Curiae*, and Introduction

My name is Ramzi Khalil Maalouf and I am a United States inventor, engineer, and patent owner.¹ I submit this *amicus curiae* brief to suggest a pathway forward for the Director to fulfil her statutory obligation to regulate against “abuse of process” in IPRs. A current rule (37 CFR 42.12(a)(6)) states that the Board “may” sanction abuse of process. We need to fix this Rule because it is wrong.

The statutory authorization for this Rule states that the Director “shall prescribe regulations” “prescribing sanctions” for “abuse of process”—no exceptions, no discretion. 35 U.S.C. § 316(a)(6). The ambivalent word “may” in Rule 42.12(a)(6) is wrong and has always been wrong because it should be “shall.” Litigation conduct like that under review here has festered and metastasized at the Board, because of prior rulemaking pulling punches and overlooking the statutory command. That can change now, for the betterment of the patent system, through conventional interim agency rulemaking (followed by notice-and-comment rulemaking) spurred by the abominable facts of this case.

I have spent most of my 40-year career in the engineer, design, and construction industries. Over the course of my experience, I have been issued 14 U.S. Patents – including, U.S. Patent No. 9,503,627 (the ’627 patent) entitled

¹ Though I am assisted by *pro bono* counsel who will sign and file this brief, I have asked to keep its content in the first person as much as possible.

“Handle for handheld terminal.” The ’627 patent is particularly relevant here as it has been the subject of an *inter partes* review proceeding in which I represented myself *pro se* (IPR2020-00483).

In the ’483 IPR, Microsoft, Inc. – a trillion-dollar company – sought to invalidate some claims of my ’627 patent, even though Microsoft and I had never been in conflict: I never accused it or any part of its supply chain of infringement, nor ever communicated with it on my patents at all. Microsoft stated on the record that its reason for bringing its IPR against me was to help its Chinese strategic business partner, Xiaomi, whom I had once sued but against whom I had no pending case. *See e.g.*, IPR2020-00483, Paper 1, at 9-10. Regardless, the Board, fully aware that no controversy existed between me and Microsoft, instituted the IPR. *See e.g.*, IPR2020-00483, Paper 11, at 15-16. Unfortunately, Microsoft was successful before the PTAB (including fending off my meritorious arguments for discretionary denial), and I am now in the process of appealing the Final Written Decision to the Federal Circuit.

Given the parallels between VLSI’s IPR2021-01064, to which I am not a party, and IPR2020-00483, to which I am a party, I have an interest in this proceeding. I also am a co-plaintiff in a Texas federal lawsuit seeking to review the USPTO Director’s failure until now to promulgate regulations on discretionary denial of IPR proceedings (now on appeal to the Fifth Circuit), Case No. 2:21-cv-

00047-JRG. Accordingly, I submit this *amicus* brief in response to Paper 47, Order Setting Schedule for Director Review (July 7, 2022) and in response to Paper 51, Order Denying Stay or Two-Month Extension and Granting Two-Week Extension (July 21, 2022).

In Paper 47, Director Vidal “permitted and encouraged” *amici curiae* briefs on two issues:

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.

Paper 47 at 7-8. Director Vidal further stated that these issues are (1) important to “the Office in fulfilling its mission, which includes curbing behavior that may thwart that mission” and (2) important to “the patent community at large.” *Id.*, at 8. As a member of the patent community, I wholly agree. Then, in Paper 51, Director Vidal extended the deadline for *amici curiae* briefs to August 18, 2022. I timely submit this brief, accordingly.²

² No party or its counsel authored, made, or will make monetary contributions intended to fund the preparation or submission of this brief.

II. 35 U.S.C. §316(b) Provides the Director the Statutory Authority to Protect the Integrity of the Patent Office.

35 U.S.C. §316(b) (“considerations”) states that:

In prescribing regulations under the section, the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.

Accordingly, Director Vidal has the authority to protect the integrity of the Patent Office.³ The Director’s Rule 42.12(a)(6) gives the Board unexplained discretion to issue a sanction against a process-abusing party. Rule 42.12(b) specifies a menu of eight possible sanctions, including dismissal of a petition.

The question then is how to properly use that authority to protect the integrity of the Patent Office. The follow-on question is how to correct the incomplete rulemaking from the past. Congress left much discretion to the Director in how to run her AIA trial operations, but no discretion when a proven abuse of process exists. There *must* be a sanction in such cases. The Rule needs a rewrite.

³ 35 U.S.C. §316(a)(6) (“regulations”) further states that “[t]he Director shall prescribe regulations – prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or unnecessary increase the cost of the proceeding.”

III. The Tort of Abuse of Process Provides Readymade Direction for the USPTO

Congress did not legislate the term “abuse of process” in a vacuum when commanding the Director to regulate AIA trial sanctions. All 50 states have a tort of abuse of process. The general principle of the tort of abuse of process is “[o]ne who uses a legal process, whether criminal or civil, against another primarily to accomplish a purpose for which it is not designed, is subject to liability to the other for harm caused by the abuse of process.” RESTATEMENT (SECOND) OF TORTS, §682. In layman’s terms, abuse of process “involves the misuse of legal process(es) for an ulterior purpose.” https://www.law.cornell.edu/wex/abuse_of_process. The general elements of the tort of abuse of process are:

- (1) “the use of an illegal or improper use of process;”
- (2) “an ulterior motive or improper purpose;” and “in some jurisdictions,”
- (3) “harm to a litigant.”

Id. A review of specific states shows a consistent understanding. *See e.g.*, 20 Dorsaneo, Texas Litigation Guide § 332.110 (2022) (“The elements of a claim for abuse of process are: (1) the defendant’s illegal, improper, or perverted use of a legal process that is not warranted or authorized by the process (2) with an ulterior motive, and (3) damage resulting from the misuse of the process resulting from seizure of property or wrongful interference with the plaintiff’s person.”); 1 Maine Tort Law § 3.06 (2020) (“The Court has identified the elements of an abuse of process case:

‘That a defendant: (i) initiated or used a court document or process in a manner not proper in the regular conduct of proceedings, (ii) with the existence of an ulterior motive, and (iii) resulting in damage to the plaintiff.’”) (internal citations omitted).

Further, the Federal Circuit recognizes that the Board has already applied sanctions to one fact pattern showing abuse of process. *See e.g., In re Vivint, Inc.*, 14 F.4th 1342, 1350 (2021) (“The Patent Office did not decide the questions of patentability raised in the [IPR] petition. Instead, it found [Petitioner’s] serial filing to amount to an abuse of process and, therefore, refused to address the merits of the patentability arguments.”). *Vivint* related to IPR2016-01091, where the Board denied institution of a third petition by the same petitioner on the same patent because “[a]llowing similar, serial challenges to the same patent, by the same petitioner, risks harassment of patent owners and frustration of Congress’s intent in enacting the Leahy-Smith America Invents Act.” Paper 11 at 12 (internal citations omitted).

Crucially, the legislative history of the America Invents Act explains the true purpose of post-grant review such as IPR. It provides that:

The Committee recognizes the importance of quiet title to patent owners to ensure continued investment resources. While this amendment is intended to remove current disincentives to current administrative processes, *the changes made by it are not to be used as tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent. Doing so would frustrate the purpose of the section as providing quick and cost-effective alternatives to litigation.* Further, such activity would divert resources from the research and development of inventions. *As such, the Committee intends for the USPTO to*

address potential abuses and current inefficiencies under its expanded procedural authority.

H.R. Rep. No. 112-98 Part 1, at 48 (2011) (emphasis added). Congress’s intent for post-grant proceedings to be “quick and cost-effective alternatives to litigation” shows Congress’s understanding that parties to post-grant proceedings would, alternatively, be parties to Article III litigations (potential or actual). Said differently, Congress intended that parties to a post-grant proceeding be *adverse* parties who would otherwise – in the absence of post-grant proceedings – put their dispute to federal litigation once it ripens.

Unfortunately, this has not been the case in practice. The Board has historically turned a blind eye to fact patterns that categorically show petitioners using IPR process for primarily ulterior purposes. For example, countless post-grant proceedings have gone forward where:

- (1) There was no legal adversity, but a petitioner filed a petition to curry goodwill with a business relation (my experience);
- (2) There was no legal adversity, but a petitioner acted as a shell for an adverse entity whose procedural rights to file a petition has lapsed, or otherwise seems to use IPR for extortion purposes (VLSI’s apparent experience); or

- (3) There was no legal adversity, but a for-profit company signed up “subscribers” for whom the company would file post-grant petitions to burden patent owners (several examples are well-known).⁴

The Director and the Board do not need to search for implied or inherent legal authority to sanction abuse of process. Congress placed it into the IPR-establishing statute. 35 U.S.C. § 316(a)(6). The authority exists now (and always has) to prevent the foregoing catastrophic fact patterns that have weaponized IPRs. If anything, the Board has erred in the past to abrogate its duties and tolerate such abuses as a matter of so-called discretion, when this aspect of the statute permits none. The time has come to fix 37 CFR 42.12(a)(6). The Director should change the word “may” to the word “shall.” Other changes would make sense, as discussed in the next section.

IV. Mechanism for Application - Formal Notice and Comment Rulemaking After Interim Rulemaking

To avoid these pitfalls, conform to Congressional commands, and end the ongoing harassment of patent owners, the Director should mandate that the Board review post-grant proceeding petitions for abuse of process. If the Board determines

⁴ Some might argue that a separate purpose of IPR is to open a perpetual hunting season against any and every patent, in furtherance of the general public interest against the enforcement of “invalid” patents. The legislative history does not support this argument, which if true would read out the possibility of *any* filed IPR constituting an abuse of process. Words of a statute should not be interpreted as superfluous. Congress indeed preserved *ex parte* reexamination to serve this purpose: a post-grant review mechanism that any person may invoke, even anonymously, whether or not inter-party adversity exists.

that a petitioner is abusing the process, the petition should be denied or, if trial was instituted, be dismissed.

To establish the procedure for abuse of process denials and dismissals, the Director should issue interim rules now that remain in effect until proper notice and comment rulemaking – as required by the Administrative Procedure Act – is undertaken. The Director has the power to promulgate interim rules immediately, without notice and comment, based on good cause. 5 U.S.C. § 553(b); *see* CRS Report R44356, *The Good Cause Exception to Notice and Comment Rulemaking: Judicial Review of Agency Action*.

The Director's interim rules can command the Board to follow the readymade framework of the tort of abuse of process, which will be easy to implement. With the interim rules, the Director can (and should) implement formal notice and comment, to lead to a final notice-and-comment rule after potential alterations in view of such comments. The Board need only evaluate two elements (not three, since Congress's mandate to sanction abuse of process means that damages and harm are presumed):

- (1) Is the Petitioner using the post-grant proceedings process because of its own or a corporate-family entity's legal adversity over a potential or actual patent infringement claim, and not to avoid a statutory bar of another party? and

- (2) Does the Petitioner have an ulterior motive in filing its petition, different from its own or a family-company's freedom to operate?

Note that prong (1) does not impose a new Article III standing requirement, since a party with no case or controversy might still use IPR within the scope of its purpose (*e.g.*, a company has drawing-board plans to enter a market, but no communications have passed between it and the patent owner). Conversely, it will commonly be the case that a party who is abusing process does not have Article III standing.

To facilitate such denials or dismissals, the Director's corrected Rule could adopt (through immediate interim, followed by notice-and-comment, rulemaking) motions to dismiss petitions for abuse of process – akin to Rule 12(b) motions filed before district courts. A respondent could file a motion to dismiss in place of or with a preliminary response. Pre-institution discovery can be requested and allowed. If the Director (herself or through her Board delegee), after evaluating the briefing, determines that there is abuse of process, no discretion exists—the petition would be denied. If the Director (herself or through her Board delegee), after evaluating the briefing, determines that there is no abuse of process or a fact question exists, the respondent can then file a preliminary response on the merits of the petition and other discretionary institution factors. Such corrected Rule should make clear that the issue may arise and be briefed at any stage of IPR, including post-appeal, prior to issuance of the Director's Certificate.

V. Conclusion

For too long, too many IPRs have gone forward without legal adversity between petitioner and respondent. Ulterior motives were permitted, sometimes even encouraged. VLSI's case presents this issue in sharp relief and should prompt the Director's interim rulemaking authority to correct 37 CFR 42.12(a)(6). The interim rule may then apply to the present matter. *Amicus curiae* Ramzi Khalil Maalouf respectfully encourages the Director to generate IPR sanctions procedures in line with Congress's mandate to sanction abuse of process (without exception). Following interim rulemaking, the notice-and-comment rulemaking phase should begin, to preserve full compliance with the APA.

Dated: August 16, 2022

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

I HEREBY CERTIFY that the foregoing filing complies with the Director's Orders (Papers 47 and 51):

- (1) limiting *amicus curiae* briefs to the policy issues identified in Paper 47;
- (2) limiting *amicus curiae* briefs to no more than twenty-five (25) pages;
- (3) setting the deadline for *amicus curiae* briefs as August 18, 2022.

/s/ Robert P. Greenspoon

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been submitted to Director_PTABDecision_Review@uspto.gov, as instructed in Paper 47, and served on attorneys of record for both Petitioners and Patent Owner.

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