

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.*

ORDER
Denying Request for Reconsideration

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

I. INTRODUCTION

On October 4, 2022, I issued a Director review decision determining that Petitioner OpenSky Industries, LLC (“OpenSky”) abused the *inter partes* review (“IPR”) process by filing an IPR in an attempt to extract payment from Patent Owner VLSI Technology LLC (“VLSI”) and/or joined Petitioner Intel, and expressing a willingness to abuse the process in order to do so. *OpenSky Industries, LLC v. VLSI Technology LLC*, IPR2021-01064, Paper 102, 3 (PTAB Oct. 4, 2022) (“Decision” or “Dec.”). I sanctioned OpenSky by precluding OpenSky from actively participating in the proceeding and temporarily elevated Intel — who properly joined the instituted petition during the one-month post-institution window permitted by 37 C.F.R. § 42.122(b) — to the role of lead petitioner in the proceeding. Dec. 47; *see also Intel Corp. v. VLSI Tech. LLC*, IPR2022-00366, Paper 14 (Institution and Joinder Decision), 17–19 (PTAB June 8, 2022). I also ordered OpenSky 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. Dec. 50–51. Moreover, I remanded the proceeding for the Board to determine whether OpenSky’s Petition, based on the record before institution, presented a “compelling, meritorious challenge.” *Id.* at 49–50. If so, I explained that the proceeding would continue. *Id.* at 50. If the Board determined that compelling merits did not exist, I explained that the proceeding shall be dismissed. *Id.*

On October 13, 2022, VLSI filed Patent Owner’s Request for Reconsideration of and Objections to Director’s October 4, 2022 Decision (“Request for Reconsideration” or “Req. Recon.”). Paper 106. The next day, the Board issued its decision on compelling merits. Paper 107. On

October 17, 2022, I ordered a *sua sponte* Director review of the Board's compelling merits decision because "I feel duty-bound to conduct an independent Director review of the compelling merits determination based on the unusual and complex nature of this case." Paper 108, 6. I also granted OpenSky's counsel's motion to withdraw from this proceeding. Paper 109, 6.

I have reviewed the Request for Reconsideration and the relevant papers. I deny the Request for Reconsideration for the reasons set forth below.

II. DISCUSSION

VLSI's Request for Reconsideration will be treated as a Request for Rehearing and subject to the same standards set forth in the USPTO's Interim Process for Director Review webpage,² which provides, in pertinent part:

Requests for rehearing [of] a Director review decision should be rare, and for focused purposes. A request for rehearing of a Director review decision is not an opportunity raise new issues, reargue issues, or to disagree with the determinations by the Director. Instead, if the requesting party has provided briefing for Director review, the rehearing request must demonstrate that the Director review decision was based upon a manifest error of law or fact. If the requesting party has not provided briefing for Director review, the rehearing request must specifically identify what matter the Director review decision misapprehended or overlooked. 37 C.F.R. § 42.71(d).

A party dissatisfied with a Director review decision may file a single request for rehearing without prior authorization, and that

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

party carries the burden of showing the Director review decision should be modified.

In its Request for Reconsideration, VLSI advances a number of arguments as to why it believes the Decision ordering the Board to apply the compelling merits standard in assessing whether to allow the IPR to proceed was improper. None of VLSI's arguments, which I step through below, satisfies VLSI's burden to establish that the Decision was based upon a manifest error of law or fact.

Turning to VLSI's request, *first*, VLSI argues that "this case was instituted on false premises" and that the sanctions levied "do not [] grant VLSI a remedy for OpenSky's abuse." Req. Recon. 3–5. As to the premises on which this case was instituted, the Board properly applied the test set forth by Congress, finding that "Petitioner has shown a reasonable likelihood of prevailing with respect to at least one claim." Paper 17, 29.

As to VLSI's complaint about the sanctions contained in the Decision, they were issued "to deter such conduct by OpenSky or others in the future." Paper 102, 4 (citing 37 C.F.R. § 42.11(d)(4)). Section 42.11(d)(4) specifically provides: "A sanction imposed under this rule must be limited to what suffices to deter repetition of the conduct or comparable conduct by others similarly situated and should be consistent with § 42.12." Though VLSI may benefit from a potential award of attorney fees, our rules do not compel additional sanctions to benefit VLSI or make it whole. VLSI's dissatisfaction with the sanctions I ordered does not demonstrate a manifest error of law or fact.

At its core, VLSI's argument is that the only appropriate "remedy" here is termination, and I understand that termination is the result that would most benefit VLSI. However, as my Decision explains, "the unique

dynamics of this case, coupled with the public interest in evaluating patent challenges with compelling merits” counseled against immediate termination. Paper 102, 47–49. As I explained, evaluating for “compelling merits” based on the institution-stage record struck the appropriate balance for these competing dynamics. That VLSI would have preferred a different result does not demonstrate error in the equitable remedies I provided in my Decision to directly address OpenSky’s abusive conduct.

VLSI also states that my Decision found “that OpenSky ‘abused the IPR process by filing this IPR’ by improperly ‘cop[ying] a previously denied petition.’” Req. Recon. 3. As I made clear in my Decision, the practice of filing a “copycat” petition “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.” Dec. 9 n.5. Indeed, because Intel’s original petition here had been denied based on the policy set forth in *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (precedential), and that denial was based on an aggressive and ultimately inaccurate trial date, there is nothing inherently wrong with the copycat petition itself. My findings as to misconduct relate to how that copycat petition was used including, importantly, OpenSky recycling an expert declaration without engaging the expert to testify in this case. *See* Dec. 42–43.

VLSI’s assertion that I erred because “the sanctions are *not* to the fullest extent of the Director’s power,” Req. Recon. 4, misunderstands the situation. I am not required to employ any particular sanction to address a particular situation. My Decision explains why I deemed the sanctions employed to be appropriate for this particular situation, and, conversely, why I considered other possible sanctions (such as immediate termination)

inappropriate. That VLSI would have made the policy choice to use a different sanction here does not demonstrate error in how I exercised my discretion.

Second, VLSI argues, without support, that it is being treated differently than future patent owners. Req. Recon. 5. VLSI also submits that “this case was . . . instituted based on lies.” *Id.* Again, this case was instituted based on the well-reasoned analysis of the Board and its finding that “Petitioner has shown a reasonable likelihood of prevailing with respect to at least one claim.” Paper 17, 29. VLSI’s argument here lacks merit.

Third, VLSI argues that demoting OpenSky is “no sanction from OpenSky’s perspective.” Req. Recon. 6. As discussed above, the lens through which I issued sanctions was 37 C.F.R. § 42.11(d)(4). I see no basis in VLSI’s arguments to revisit my decision to have OpenSky remain in the case while the USPTO and I assess other sanctions. Further, as discussed in my Decision, “[r]emoving OpenSky’s control of the IPR removes its ability to leverage that control for or against a particular party.” Dec. 47. This is indeed a sanction, as the record demonstrates OpenSky’s desire to profit from that leverage.

Fourth, VLSI lacks merit in its assertion that “ordering that Intel remain a party and now be lead petitioner contradicts both the Director’s findings and the statutory bar.” Req. Recon. 6 (emphasis omitted). VLSI relies on its own speculation that Intel engaged in misconduct. *Id.* at 7. As discussed in my Decision, “there is no evidence that Intel was complicit in OpenSky’s abuse.” Dec. 48. Further, as made clear above, Intel was not time-barred from joining the petition and the Board presently has no rules or policies that would remove a joined party after institution based on a post-

hoc analysis of the joinder decision. To the extent VLSI raises policy issues, policy considerations are being considered by the USPTO in parallel, but will not be applied in this decision or retroactively.

Fifth, VLSI argues that the compelling merits test cannot be applied retroactively “to VLSI alone, unlawfully prejudicing VLSI for its reliance on the standards existing at the time of institution.” Req. Recon. 8–9. It is unclear how holding the Petition to a higher standard (compelling merits versus reasonable likelihood of prevailing) prejudices VLSI. Contrary to VLSI’s argument, applying the reasonable likelihood standard at the time of institution resulted in an instituted trial by the Board. *See* Paper 17, 29–30. Ordering the Board to reconsider the Petition and the original institution decision under the compelling merits standard as a remedy for abuse of process provides VLSI with the possibility of terminating a previously instituted trial, to VLSI’s benefit.

Sixth, VLSI’s due process argument fares no better. Req. Recon. 11–15. VLSI alleges that due process is lacking because the Decision directs the same Board panel to consider both compelling merits at institution *and* to make a final determination of unpatentability to be issued in a Final Written Decision and “in rapid succession.” *Id.* I disagree. It is well established that the same Board panel may properly evaluate both institution — of which the compelling merits analysis is a part — and render a final written decision. The cases on which VLSI relies do not stand for the positions for which VLSI cites them.

VLSI relies on *Ethicon Endo-Surgery, Inc. v. Covidien LP*, 812 F.3d 1023 (Fed. Cir. 2016) and *Withrow v. Larkin*, 421 U.S. 35 (1975) (cited in *Ethicon*). Req. Recon. 13–15. *Ethicon* involved an appeal of an IPR

decision to the Federal Circuit in which Ethicon “challenged the final decision of the Board, arguing that the final decision should be set aside because it was made by the same panel that made the decision to institute inter partes review.” *Ethicon*, 812 F.3d at 1028. The Federal Circuit disagreed with Ethicon and concluded that “where, as here, there are no other separate procedural-fairness infirmities alleged, the PTO’s assignment of the institution and final decisions to one panel of the Board does not violate the due process under governing Supreme Court precedent.” *Id.* at 1029. The Federal Circuit made it clear that, “[i]n fact, ‘[t]he Supreme Court has never held a system of combined functions to be a violation of due process, and it has upheld several such systems.’” *Id.* (citation omitted).

The Federal Circuit also directly addressed the *Withrow* Supreme Court case on which VLSI relies, distinguishing the case as follows:

Here, combining the decision to institute with the final decision in a single panel is less problematic than the situation in *Withrow*. The Board first decides whether a petition demonstrates a likelihood of success on the merits, and, if it does, makes a decision to institute inter partes review. During the merits, the Board decides whether the petition actually succeeds. Both the decision to institute and the final decision are adjudicatory decisions and do not involve combining investigative and/or prosecutorial functions with an adjudicatory function. The inter partes review procedure is directly analogous to a district court determining whether there is “a likelihood of success on the merits” and then later deciding the merits of a case. . . . As *Withrow* also made clear, “pretrial involvements, such as issuing or denying a temporary restraining order or a preliminary injunction” do not “raise any constitutional barrier against the judge’s presiding” over the latter trial. *See Withrow*, 421 U.S. at 56.

Ethicon, 812 F.3d at 1030. The Federal Circuit acknowledged that, “as *Withrow* held, adjudicators are afforded a ‘presumption of honesty and integrity’ and even ‘exposure to evidence presented in nonadversary investigative procedures is insufficient to impugn the fairness of [adjudicators] at a later adversary hearing.’” *Id.* (quoting *Withrow*, 421 U.S. at 47, 55).

As the Court has also made clear, ‘opinions held by judges as a result of what they learned in earlier proceedings’ are ‘not subject to deprecatory characterization as ‘bias’ or ‘prejudice.’” *Id.* (quoting *Liteky v. U.S.*, 510 U.S. 540, 551, 114 S.Ct. 1147 (1994)). . . . To rise to the level of presenting actual bias, the challenger must show that an adjudicator is exposed to unofficial, ‘extrajudicial’ sources of information. *See Liteky v. U.S.*, 510 U.S. 554, 114 S.Ct. 1147.

Id. at 1030–1031. The Federal Circuit noted that there was no allegation of exposure to extra-judicial information and concluded that “[w]e see no due process concerns in combining the functions of initial decision and final disposition in the same Board panel.” *Ethicon*, 812 F.3d at 1030. Instead of supporting VLSI’s argument here, *Ethicon* and *Withrow* counsel against the finding VLSI seeks, and confirm that under any reasonable reading of those cases, due process was had.

VLSI’s representations about the import of *Williams v. Pennsylvania*, 136 S. Ct. 1899 (2016) are equally afield. VLSI asserts that:

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.

Req. Recon. 12 (quoting 136 S. Ct. at 1906, 1910). VLSI attempts to divorce the “critical decision” test from the facts of the case. *Williams*’ holding is limited to cases in which “a judge earlier had a significant, personal involvement as a prosecutor in a critical decision regarding the . . . case.” 136 S. Ct. at 1905. The Court explained that “[t]he due process guarantee that ‘no man can be a judge in his own case’ would have little substance if it did not disqualify a former prosecutor from sitting in judgement of a prosecution in which he or she had made a critical decision.” *Id.* at 1906. Contrary to VLSI’s representations, nothing in *Williams* suggests anything improper about a judge sitting in judgment of a case in which he or she previously made a critical decision.

Though VLSI seems to admit that *Ethicon* does not support its arguments, it states that *Williams* “calls into question much of *Ethicon*’s reasoning.” Paper 106, 13 (“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.”). As explained above, it does not.

For the reasons stated above, I deny VLSI’s request for reconsideration.

III. ORDER

It is hereby:

ORDERED that the Request for Reconsideration is DENIED.

IPR2021-01064
Patent 7,725,759 B2

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Patent 7,725,759 B2

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