

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 CORPORATION¹
Petitioners,

v.

VLSI TECHNOLOGY LLC,
Patent Owner.

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

**PETITIONER INTEL CORPORATION'S OPENING BRIEF
REGARDING DIRECTOR REVIEW**

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

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I. INTRODUCTION

The patent-at-issue in this proceeding (“the ’759 patent”) sits at the center of an attempted “get rich quick” scheme developed by Fortress Investment Group LLC (“Fortress”), a multi-billion-dollar hedge fund owned by Japanese holding company Softbank Group Corp. (“Softbank”). Fortress launched that scheme in 2016 when it formed shell entity VLSI Technology LLC (“VLSI”) solely to acquire low-value, largely never-used patents and assert them in serial litigations against Petitioner Intel Corporation (“Intel”)—all in an effort to secure a massive money payout from Intel.

Indeed, across five district court actions that it has filed to date against Intel in three different states, VLSI has sought a staggering amount of more than **\$20 billion** in damages. This campaign has included the ’759 patent, which VLSI: (1) acquired along with the rest of the ’759 patent family and more than 170 other patent families for an average of about \$200,000 per family; (2) accused Intel of infringing in a lawsuit filed just 3 months after VLSI acquired the patent; and (3) has now used to obtain a jury verdict awarding \$675 million in damages against Intel—i.e., more than 3,300 times the amount it paid per patent family.

Intel initially sought to defend itself against this Fortress-backed onslaught, in part, by filing timely IPR petitions challenging the ’759 patent. But the Board denied institution of those petitions solely on *Fintiv* grounds in reliance on a district court trial date that VLSI obtained through venue gamesmanship and that ultimately was

delayed multiple months (and even then did not result in a final judgment until more than two years after Intel filed its IPR petitions). The Board later instituted a nearly identical IPR petition filed by Petitioner OpenSky Industries, LLC (“OpenSky”) and subsequently granted Intel’s request to join that instituted proceeding. The Director has now affirmed the merits of the Board’s decision to institute OpenSky’s petition, but has asked the parties to address certain questions related to VLSI’s allegation that OpenSky has engaged in abuse of process with respect to this IPR proceeding.

As a threshold matter, the Director should reject any request from VLSI to terminate IPR proceedings related to the ’759 patent. In view of this Office’s mandate under the America Invents Act (AIA) to use the IPR process “to improve patent quality and restore confidence in the presumption of validity that comes with issued patents,” the Director (and Board) should *rarely* terminate a meritorious IPR petition, even when a petitioner engages in abuse of process. Invalid patents will otherwise remain in the system, which could undermine the patent system and significantly harm innovators and the public, contrary to the Office’s mission.

Here, the record does not even come close to justifying invocation of that rare exception, including because the merits of the underlying IPR petition are strong, as the Director recently confirmed. In addition, OpenSky’s accused conduct has nothing to do with the merits, co-petitioner Intel had no role in the filing of OpenSky’s petition or in the accused conduct, and the Board itself has previously

confirmed that an IPR should not be terminated just because a petitioner lacks “competitive interest” in the challenged patent or sought review of the patent solely for “economic motive” (even where the petitioner may have misrepresented its motive). This proceeding should therefore proceed on its merits.

The Board can instead consider whether lesser proportionate sanctions are warranted by applying the existing process and test that the Board has used for addressing potential sanctions (which considers the scope of accused conduct, harm to the moving party, and the proportionality of possible sanctions). If in applying those factors the Director decides to impose sanctions, they should be implemented in a way that does not affect the Board’s ability to issue a final decision on the merits under the existing IPR schedule. Indeed, delaying resolution of the merits would only further reward VLSI for its own conduct relating to the ’759 patent and help Fortress continue its broader quest to convert a host of invalid, never-used patents into windfall “lottery tickets” against Intel.

II. BACKGROUND

A. Fortress’s Patent Monetization Scheme

In 2016, Fortress developed a scheme with semiconductor manufacturer NXP Semiconductor (“NXP”) to monetize a set of NXP patents by transferring them to VLSI, a non-practicing entity that Fortress formed just days before the first patent transfer. Ex. 1501 ¶¶156-65. This monetization scheme is not focused on

meritorious patent infringement actions. Instead, it is an attempt to convert low value NXP patents (most never used by anyone, including NXP) into lottery tickets—by forcing Intel to make a massive settlement payout or face the risk posed by serial litigations that VLSI has filed against Intel in multiple jurisdictions, where VLSI is demanding billions in damages in each proceeding. *Id.* ¶¶166, 168.² Fortress’s strategy is based on its own publicly stated view that court cases can result in a grant of “oversized awards” in the technology sector that “stem from the sheer complexity of interoperable components and systems sold as part of functional units, if not integrated devices.” Ex. 1503 ¶34.³

² Fortress has implemented its scheme through a complex maze of shell companies that VLSI has refused to identify publicly, causing the Delaware district court to recently stay an action brought by VLSI against Intel until VLSI identifies all parties with an interest in VLSI. *See* Ex. 1502.

³ Beyond the cases that VLSI has filed against Intel, Fortress has also funded other patent assertion entities and arranged for patents to be placed with Fortress-created LLCs in dozens of other federal district court cases. *E.g.*, Ex. 1503 ¶¶33, 55-144. Through this arrangement (in which often underfunded entities are the named parties and patent holders), Fortress has largely shielded itself from counterclaims and the disclosure and discovery obligations imposed on parties and patentees.

Specifically, VLSI has acquired more than 170 patent families from NXP for a total of \$35 million—an average of approximately \$200,000 per patent family. Ex. 1501 ¶168; Ex. 1504 at 196-97. As detailed below, VLSI has asserted 21 of those patents against Intel (including the '759 patent) and has collectively sought more than \$20 billion in damages—an average of about \$1 billion per asserted patent. Ex. 1501 ¶¶166-70. For nearly all these patents, it has been undisputed that nobody has ever used the patent, including NXP or any other prior owner, and that VLSI itself has made no use of the patent other than to sue Intel. *E.g.*, Ex. 1505 at 1580.

Seeking to further maximize the risk to Intel, Fortress's scheme also has involved spreading VLSI's allegations of patent infringement across multiple different actions filed against Intel in Texas, Delaware, and California. As discussed below, this effort included dismissing cases in one venue to seek a specific jurisdiction and a specific judge that would set quick initial trial dates in patent cases, and then using those early trial dates to successfully oppose Intel IPRs based on *Fintiv* grounds (even where, like here, the trial date eventually slipped multiple months and an additional year passed before final judgment entered), thereby preventing Intel from fully defending itself by obtaining Board review of the merits.

VLSI has also used a repeat team of experts to advance Fortress's self-proclaimed effort to leverage "the sheer complexity" of the technology at issue into an "oversized award." For example, VLSI's technical expert for the '759 patent, Dr.

Thomas Conte, has been hired by VLSI to offer supposed expert opinions concerning at least 15 other patents asserted against Intel. *E.g.*, Ex. 1506; Ex. 1507; Ex. 1508. Likewise, VLSI has advanced its remarkable damages claims across its many cases by repeatedly using the same damages expert, Dr. Ryan Sullivan—who calculated his billions of dollars of damage claims using a wholly unreliable, made-for-litigation framework that has never been validated, published, or used by anyone, except by Dr. Sullivan in these litigations. Ex. 1509 at 6-12; Ex. 1510 at 6-10.

B. The Board’s Denial Of Intel’s Original ’759 IPR Petitions

Within a few months of acquiring the ’759 patent, VLSI filed an action in Delaware accusing Intel of infringing that patent. But VLSI voluntarily dismissed the case after the Delaware court indicated that it may consolidate that case with the other Delaware action VLSI had filed against Intel. Ex. 1511 at 4-5. Later that same day, VLSI filed the ’759 patent action (along with two other cases) against Intel in Waco, Texas, where the cases were guaranteed to get assigned to Judge Albright, who had recently joined the bench and publicly promised to move patent cases very quickly to trial. Ex. 1512; Ex. 1511 at 4-5; Ex. 1513. Judge Albright originally set all three cases for trial on the same day in October 2020, even though VLSI was seeking separate trials in each of the three cases. Ex. 1514 at 6.

In the Texas action it filed just months after acquiring the ’759 patent, VLSI remarkably claimed that the value of the ’759 patent had skyrocketed to \$831

million—despite the fact that VLSI had just purchased the patent for a tiny fraction of that amount, and the patent (which issued in 2010) has never been used in a product by anyone, including any of its owners, and was never licensed to anyone by NXP. Ex. 1505 at 288, 301-02, 428-36, 567, 694-95, 1580, 1596-97.

After VLSI initiated litigation, Intel filed timely IPR petitions challenging asserted claims of the '759 patent, and VLSI opposed institution, in part, based on the gap between the then-scheduled trial date in the Texas action and the expected deadline for final written decisions in the IPR proceedings. *Intel Corp. v. VLSI Tech. LLC*, IPR2020-00106, Papers 3, 7; *Intel Corp. v. VLSI Tech. LLC*, IPR2020-00498, Papers 4, 10. The Board accepted VLSI's self-created venue-based timing argument and denied institution solely on *Fintiv* grounds. IPR2020-00106, Paper 17 at 4-13 (PTAB May 5, 2020); IPR2020-00498, Paper 16 at 4-11 (PTAB Aug. 19, 2020).

C. The Jury Verdict And Final Judgment In The Texas Action For The '759 Patent

In Texas, trial did not occur on the schedule that VLSI successfully leveraged to oppose Intel's IPR petitions, but instead occurred multiple months later in 2021. Despite the technical nature of the case involving two patents and VLSI's massive damages claim, the court only allotted 15 hours for each side to present its entire case. In its verdict, the jury found that Intel infringed the '759 patent only under the doctrine of equivalents and awarded VLSI \$675 million for that patent. Ex. 1027 at 3, 6. The jury was not asked to assess the validity of the asserted '759 patent claims

based on the grounds raised in Intel's original IPR petitions; Intel instead relied on product prior art that it could not have raised in an IPR. *Id.* at 5. Final judgment did not enter until April 2022, which was more than one year after the trial and more than two years after Intel had filed its timely IPR petitions. Ex. 1515.

D. The Board's Institution Of OpenSky's IPR Petition And Intel's '759 Joinder IPR Petition

In June 2021, OpenSky filed an IPR petition challenging claims of the '759 patent based on the same grounds set forth in Intel's original IPR petitions. Paper 2. In December 2021, the Board instituted the OpenSky IPR proceeding over VLSI's opposition. Paper 17. VLSI then requested rehearing and precedential opinion panel review in another attempt to avoid Board consideration of the merits. Paper 20.

One business day after the Board instituted review of OpenSky's IPR petition, Intel filed an IPR petition in which it challenged the same '759 claims based on the same prior art and grounds set forth in the instituted OpenSky IPR. IPR2022-00366, Paper 3. Intel also filed a motion to join the OpenSky IPR proceeding. *Id.*, Paper 4. Over VLSI's objections, the Board instituted Intel's IPR joinder petition and granted Intel's joinder motion. *Id.*, Paper 14. In doing so, the Board concluded that Intel "has shown a reasonable likelihood of prevailing with respect to at least one claim" and that institution "is in the interest of efficient administration of the Office and the integrity of the patent system." *Id.* at 19. The Board also declined to exercise its discretion to deny institution after finding that "[j]oinder ... will result in the just,

speedy, and inexpensive resolution of [Intel’s] challenge.” *Id.* at 5-20.

E. The Director Review Orders

On June 7, 2022, the Director ordered a “sua sponte Director review of the Board’s [decision to institute OpenSky’s IPR].” Paper 41 at 2.⁴ And on July 7, 2022, the Director issued an order finding “no error in the Board’s decision to institute review of [OpenSky’s] meritorious [IPR] Petition,” agreeing with the “Board’s determination that OpenSky demonstrated a reasonable likelihood of prevailing as to at least one challenged claim,” and “discern[ing] no error in the Board’s findings and determinations with respect to its analysis of the *Fintiv* and *General Plastic* factors.” Paper 47 at 6-7 & n.4.

The Director also ordered the parties to address the following “questions of first impression as to what action the Director, and by delegation the Board, should take when addressing allegations of abuse of process or conduct that otherwise thwarts, as opposed to advances, the goals of the Office and/or the AIA”:

1. What actions the Director, and by delegation the Board, should take when faced with evidence of an abuse of process or conduct

⁴ On the same day, the Precedential Opinion Panel (“POP”) dismissed VLSI’s requests for rehearing and precedential opinion panel review. Paper 42. The POP also later denied VLSI’s request for POP review of the Board’s decision to institute Intel’s IPR and join Intel as a petitioner to this case. Paper 53.

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. at 7-8.

III. INTEL'S INTERROGATORY RESPONSES

The Director's July 7 Order also required the parties to address six interrogatories in their briefing. *Id.* at 8-9. Intel's responses are set forth below.

Responses to Interrogatories a, b, c (portions), e, and f: In these interrogatories, the Director asked questions about Intel's knowledge concerning: (1) OpenSky's formation, business, and members, and any person or entity with an interest in OpenSky or its activities, including any "other real parties in interest, beyond OpenSky"; (2) any relationship between OpenSky and the parties to this proceeding; and (3) any communications between OpenSky and any party to this proceeding, including those conditioning "any action relating to this proceeding," such as to "influence any experts' participation in this proceeding" based "on payment or other consideration by Patent Owner or anyone else." Paper 47 at 8-9. Intel responds as follows:

1. Intel had never heard of, and knew nothing about, OpenSky before OpenSky filed its petition in this IPR. Based on public information, Intel has since

learned that OpenSky is a Nevada LLC formed on April 23, 2021 by managing member Christopher M. Larocca. Ex. 2006 at 1-2; Ex. 1048 at 1. Further, although Intel remains unaware of the “purpose” of OpenSky’s formation or of any “policy reason” behind OpenSky’s decision to file its ’759 IPR petition, OpenSky has stated in this proceeding that “[u]pon hearing of a huge verdict and that Intel’s [original IPR] petition was denied without the Board or court ever considering unpatentability, OpenSky felt that patent system integrity demanded consideration of the prior art.” Paper 13 at 5. Intel has no other knowledge concerning OpenSky’s formation, business, members, or those holding an interest in OpenSky. Intel is not a real party in interest with respect to OpenSky’s IPR petition, and Intel is unaware of anyone else who should be considered as a potential real party in interest.

2. Beyond their joint status as petitioners in this IPR proceeding, Intel has no formal or informal relationship with OpenSky, as OpenSky itself has confirmed. Paper 13 at 7, 9 (OpenSky stating that “Intel and OpenSky are unrelated”). Intel also has no interest in OpenSky and has not provided OpenSky with any funding.

3. Intel never communicated with OpenSky until OpenSky’s counsel contacted Intel via email on December 23, 2021—after OpenSky’s IPR petition had been instituted. Ex. 1518; Ex. 1519. OpenSky’s counsel Christopher Ivey stated at the time that “VLSI has already reached out to OpenSky to discuss resolving the newly instituted IPR,” but that “[w]hile OpenSky remains open to discussing this

matter with VLSI, OpenSky would prefer to discuss the matter directly with Intel.” Ex. 1518. In later phone conversations, Mr. Ivey informed counsel for Intel that VLSI had reached out to OpenSky multiple times to try to settle, but that OpenSky wanted Intel to make an offer to acquire OpenSky. Intel rejected OpenSky’s request and stated that it would not make OpenSky any monetary offer, including to avoid any potential risk of becoming a real-party-in-interest in OpenSky’s IPR. Ex. 1520.

Mr. Ivey later followed up with Intel to assert that “real parties in interest will not be considered after institution,” and he further “propose[d] a collaboration between Intel and OpenSky in which Intel would pay to OpenSky success fees based on percentages of the loss avoided by Intel to be agreed upon between the parties.” Ex. 1521. Intel again rejected OpenSky’s invitation for a collaboration or payment.⁵

Through VLSI’s filings in this proceeding, Intel has learned that, in February 2022, Mr. Ivey emailed VLSI’s counsel to propose a settlement with VLSI that apparently built on an earlier proposal from VLSI. Ex. 2055. Among other things,

⁵ OpenSky also asked if Intel wanted to prepare declarant Dr. Bruce Jacob for his deposition in this proceeding (which was scheduled to occur before Intel was joined). Intel declined OpenSky’s offer and did not prepare Dr. Jacob for his deposition in the OpenSky IPR proceeding, which occurred before Intel was joined. Ex. 2071 at 14:5-18:14.

OpenSky offered to work with VLSI “to secure dismissal or defeat of the petition,” to not “negotiate with Intel or PQA,” and to “refuse[] to pay [its declarant] expert for time at deposition so [the] expert does not appear for [his] deposition.” *Id.* at 1-2. Although OpenSky conditioned these actions on payment from VLSI, it appears that VLSI did not accept and that OpenSky did not take any of the proposed actions. In May 2022, VLSI’s counsel informed Intel that VLSI was contemplating bringing a legal action against OpenSky because “OpenSky’s IPR petitions contained material falsehoods and were brought maliciously for the improper purpose of attempting to coerce VLSI to make a monetary payment to OpenSky.” Ex. 1522.

In June 2022—after Intel was joined to this proceeding—Intel emailed OpenSky to set up a call to discuss Intel’s involvement as an understudy. Ex. 1523. During subsequent phone conversations, OpenSky’s counsel indicated that OpenSky had budgetary constraints and might not depose VLSI’s expert or file the petitioner’s reply, and instead may just rely on its initial filings. Ex. 1524. At that time, OpenSky also requested compensation in exchange for Intel taking the lead in the IPR, but Intel declined to pay OpenSky any money. *Id.*

Given OpenSky’s representations that it may not depose VLSI’s expert or file the petitioners’ reply, Intel told OpenSky that it would ask the Board for permission to take an active role and ensure zealous prosecution of the IPR. *Id.* But in a later communication, OpenSky represented that it would zealously prosecute the IPR,

including by deposing VLSI's expert and filing a petitioner's reply. Ex. 1525. As a result of those representations, Intel did not seek Board intervention. Ex. 1526.

On July 8, 2022, OpenSky again told Intel that OpenSky may not have the resources to prepare a thorough petitioner's reply and asked Intel for money in exchange for the right to draft the brief. Ex. 1527; Ex. 1528. Intel again declined to pay OpenSky. Ex. 1527. But to ensure zealous advocacy, Intel offered to generate a first draft of the petitioner's reply, which OpenSky later accepted. Ex. 1529.

Response to Interrogatory c (remaining portion): The Director has asked about OpenSky's potential liability for patent infringement claims, including any OpenSky "development plans to create a product that could arguably infringe the '759 patent." Paper 47 at 8. Intel states that it is unaware of any actual or planned OpenSky products or any basis by which OpenSky could infringe the '759 patent.

Response to Interrogatory d: In this interrogatory, the Director asks whether "the evidence in this proceeding demonstrate[s] an abuse of process or conduct that otherwise thwarts ... the goals of the Office and/or the AIA and, if so, which evidence and how should that evidence be weighted and addressed." Paper 47 at 8. Although Intel is not aware of the specific reasons for OpenSky's formation beyond its statements in this proceeding, as discussed more fully below, the mere formation of an entity to file an IPR, and the mere act of filing of an IPR (even by someone who cannot be accused of infringing the challenged patent), alone do not warrant

sanctions. Because Intel does not have complete information concerning other conduct potentially at issue, including arising out of OpenSky's interactions with VLSI, Intel cannot presently conclude if OpenSky engaged in conduct contrary to the goals of the Office and/or AIA.

As also discussed further below, however, the conduct of which Intel is aware, which is wholly unrelated to the merits of this IPR and did not involve Intel, does not come close to justifying VLSI's unfounded request to terminate this proceeding without a final decision on the merits. That extreme result would thwart the goals of the Office and AIA by allowing VLSI to shield from review the challenged claims that the Board and Director have already found are reasonably likely to be invalid.

Further, to determine what lesser proportional sanctions, if any, might be warranted to meet the goals of the Office and/or AIA, the Board can apply its existing procedures for handling potentially sanctionable conduct without delaying resolution of the IPR on the merits. That result would address any conduct deemed worthy of sanctions, while still ensuring that Intel has a full and fair opportunity to challenge the patentability of the '759 patent—as part of its response to Fortress's broader attempt to use high-volume, high-risk damage demands to convert low-value, never-used patents into high-yield junk bonds for its hedge fund portfolio.

IV. INTEL'S RESPONSE TO THE DIRECTOR'S TWO QUESTIONS

As noted above, the Director has asked the parties to address (1) what actions

the Board should take when faced with evidence of abuse of process arising from an IPR proceeding, and (2) how the Board should assess IPR-related conduct to determine if it constitutes an abuse of process. Intel's responses are set forth below.

A. Consistent With The Goals Of The Office And AIA, The Director Should Reject VLSI's Request For The Extreme Sanction Of Termination, And Instead Should Allow The Board To Continue Addressing The Merits Of This Instituted IPR.

VLSI has suggested that the Board should terminate this IPR in its entirety. Paper 20 at 1-2, 5-10; Ex. 3002. But termination should not even be considered here for multiple reasons.

First, allowing the IPR to proceed to a final resolution on the merits is consistent with the statutory purpose of IPRs, which under the AIA are intended “to improve and ensure patent quality by providing ‘quick and cost-effective alternatives to litigation’ for challenging issued patents.” Paper 47 at 6 (quoting H.R. Rep. No. 112-98, pt. 1, at 48 (2011)); *see id.* at 6-7 (citing S. Rep. No. 110-259, at 20 (2011)); *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 272 (2016) (noting the AIA gave “the Patent Office significant power to revisit and revise earlier patent grants” “to ‘improve patent quality and restore confidence in the presumption of validity that comes with issued patents’” (quoting H.R. Rep. No. 112-98, pt. 1, at 45, 48)).

Thus, even if a participant engages in improper conduct, reaching the merits of an otherwise proper IPR will “protect[] ‘the public’s paramount interest in seeing that patent monopolies are kept within their legitimate scope.’” *See Oil States*

Energy Servs., LLC v. Green's Energy Grp., LLC, 138 S. Ct. 1365, 1374 (2018) (quoting *Cuozzo*, 579 U.S. at 279-80). By contrast, terminating an otherwise meritorious IPR on account of improper conduct unrelated to the merits would mean that invalid patents will be left in the system to the significant potential detriment of innovators and the public, thereby thwarting the goals of the Office and the AIA.

In fact, the Board has previously rejected requests to terminate and/or not institute an IPR proceeding, even where a petitioner was accused of engaging in improper conduct with respect to the proceeding—in part because the accused conduct did not affect the merits of the IPR. *See Coalition for Affordable Drugs VI, LLC v. Celgene Corp.*, IPR2015-01092, Paper 19 at 3-5 (PTAB Sept. 25, 2015) (rejecting request to terminate IPR based on claims a petitioner falsely identified its “motive” for filing the IPR where “Patent Owner does not allege that Petitioner filed a non-meritorious patentability challenge”); *Coalition for Affordable Drugs II LLC v. NPS Pharms., Inc.*, IPR2015-01093, Paper 26 at 28-30 (PTAB Oct. 23, 2015) (instituting IPR petition over patent owner’s claim the petition was filed for an “improper purpose” where there was no allegation that the petitioner “filed a non-meritorious patentability challenge that amounts to abuse”).⁶

⁶ Addressing the merits is also consistent with the handling of sanctionable conduct by federal courts, which typically only dismiss actions as a sanction of “last resort.”

The same result should apply here. As noted above, the Director has “agree[d] with the Board’s determination that OpenSky demonstrated a reasonable likelihood of prevailing as to at least one challenged claim,” Paper 47 at 6 n.4, and VLSI has not identified any way in which OpenSky’s conduct supposedly undermines the merits of this proceeding—because it does not. Thus, any request by VLSI to terminate should be rejected for this reason alone.

Second, the IPR statutory framework expressly contemplates the Board issuing a final written decision on the merits, even if a petitioner is terminated. 35 U.S.C. § 317(a) (providing that, even “[i]f no petitioner remains in the inter partes review, the Office may ... proceed to a final written decision under section 318(a)”). And here, Intel is a properly joined party that has not engaged in any abusive conduct and stands ready to continue addressing the merits in the ongoing IPR proceeding,

See, e.g., Davis v. Miller, 571 F.3d 1058, 1061 (10th Cir. 2009) (“We have long held that dismissal of an action with prejudice is a drastic sanction that should be employed only as a last resort.”); *Genentech, Inc. v. U.S. Int’l Trade Comm’n*, 122 F.3d 1409, 1423 (Fed. Cir. 1997) (“Because dismissal is universally recognized as a sanction of last resort, courts are required, before imposing that sanction, to consider fully all the surrounding circumstances, such as the degree of culpability, the amount of prejudice, and the availability of less drastic sanctions.”).

regardless of what happens to OpenSky.⁷

In sum, consistent with Board precedent and the IPR statute, a meritorious IPR petition rarely should be terminated, including when a petitioner allegedly engaged in abuse of process—especially where, as here, the alleged wrongdoing does not relate to the merits and the proceeding involves another petitioner not involved in the accused conduct. VLSI cannot come close to meeting its high burden to show this case falls within that narrow, rare exception.

B. The Board Should Assess Whether Lesser Proportional Sanctions Are Appropriate By Applying The Board’s Current Procedures And Test For Addressing Sanctions.

To assess whether other (i.e., non-termination) sanctions might be warranted due to alleged abuse of conduct arising in the context of an IPR proceeding, the Board can apply the same process and three-factor test that it has previously applied in connection with sanctions requests. *See R.J. Reynolds Vapor Co. v. Fontem Holdings I B.V.*, IPR2017-01318, Paper 16 at 5 (PTAB Aug. 6, 2018); 37 C.F.R. § 42.12 (explaining that “[t]he Board may impose a sanction against a party for misconduct, including ... [a]buse of process”).

⁷ VLSI has questioned Intel’s relationship with OpenSky. IPR2022-00366, Paper 8 at 14. But as confirmed in Intel’s interrogatory answers above, Intel and OpenSky have no relationship beyond their joint status as petitioners, *see supra* pp. 10-11.

Specifically, as a procedural matter, the Board requires a party seeking sanctions to first obtain permission to file a motion for sanctions, which the Board should allow only upon strong evidence of potential wrongdoing. *See Kofax, Inc. v. Uniloc USA, Inc.*, IPR2015-01207, Paper 7 at 18 (PTAB Dec. 2, 2015) (rejecting request for sanctions where patent owner “did not seek authorization to file a motion for sanctions, in violation of [the] Rules”); *see also* 37 C.F.R. § 42.20(a) (“Relief, other than a petition requesting the institution of a trial, must be requested in the form of a motion.”). This threshold step and heightened demand for proof is needed because, as the Board has recognized, “[t]he imposition of sanctions ... is not a routine event” and “[t]he bar for authorizing a motion of sanctions is generally high.” *See ClearOne, Inc. v. Shure Acquisition Holding, Inc.*, IPR2019-00683, Paper 95 at 4 (PTAB Nov. 2, 2020); *see also* 37 C.F.R. § 42.12 (authorizing Board to “impose a sanction against a party for misconduct”).

If the Board allows a party to move for sanctions, that motion should be addressed separately from the merits of the pending IPR proceeding, such that the merits portion of the proceeding is not stayed or otherwise delayed while the sanctions motion is addressed. In that separate process, the Board can assess the conduct at issue (via additional discovery if needed) and determine what, if any, sanctions are warranted by applying the following three-factor test the Board has previously applied: “(i) whether a party has performed conduct that warrants

sanctions; (ii) whether the moving party has suffered harm from that conduct; and (iii) whether the sanctions requested are proportionate to the harm suffered by the moving party.” *R.J. Reynolds*, IPR2017-01318, Paper 16 at 5; *see Apple Inc. v. California Inst. of Tech.*, IPR2017-00219, Paper 76 at 22-23 (PTAB Dec. 27, 2018).

1. Factor 1: Whether a Party Has Performed Conduct That Warrants Sanctions

In assessing whether any abuse of process related to an IPR proceeding warrants sanctions, the Board should consider the totality of the accused conduct, including whether it affects the merits underlying the IPR. If it does not affect the merits, that should weigh in favor of a lesser sanction (or no sanction depending on the overall circumstances).

For example, the Board has previously rejected a request for sanctions where a petitioner with “no competitive interest in the patents” was accused of prosecuting an IPR solely for “economic motive,” and for misrepresenting that motive in its IPR filings—in part because the Board found that the conduct at issue did not involve the merits. *See Coalition for Affordable Drugs VI*, IPR2015-01092, Paper 19 at 3-5 (denying sanctions based on claims that petitioner sought to profit from IPR and “has no competitive interest in the patents they challenge or the technology covered by the patents” because the AIA “allows a person who is not the owner of a patent to file a petition with the Office to institute an *inter partes* review of the patent” and “an economic motive for challenging a patent claim does not itself raise abuse of

process issues”).

Here, VLSI’s accusations concerning OpenSky also do not go to or otherwise affect the merits of the IPR. VLSI instead claims that OpenSky was formed, and has since engaged in conduct, “solely to extract a payoff.” Paper 20 at 8. However, the AIA specifically contemplates that anyone other than the patent owner can file an IPR, *see* 35 U.S.C. § 311(a), and as the Board has found, “an economic motive for challenging a patent claim does not itself raise abuse of process issues,” even for IPR petitioners with “no competitive interest” in the challenged patent, *Coalition for Affordable Drugs VI*, IPR2015-01092, Paper 19 at 3-5; *see also Mangrove Partners Master Fund, Ltd. v. VirnetX Inc.*, IPR2015-01047, Paper 11 at 9 (PTAB Oct. 7, 2015) (“[A]n economic motive for challenging a patent claim does not itself raise abuse of process issues.”). That said, Intel does not have complete information concerning OpenSky’s conduct, and thus cannot presently conclude if the totality of OpenSky’s conduct warrants sanctions.

2. Factor 2: Whether the Moving Party Has Suffered Harm From That Conduct

In assessing whether sanctions are warranted in an IPR proceeding, the Board should consider whether the moving party has suffered unfair prejudice due to the alleged abuse of process. In the case of a patent owner, because all owners risk having their challenged patent claims deemed invalid in an IPR, that risk alone cannot be the type of “unfair” prejudice relevant to this factor.

Here, VLSI has not identified any harm to it from OpenSky's accused conduct beyond having to defend the validity of the '759 challenged claims. Moreover, to the extent VLSI later identifies any supposed unfair prejudice, any such claim should be weighed against VLSI's own conduct. Indeed, it was VLSI who successfully opposed Intel's original IPR petitions under *Fintiv* after manipulating venue by (1) dismissing its '759 patent claims initially filed in Delaware (after receiving an indication that the court may consolidate with another Delaware case), (2) re-filing its claims in Waco, where it knew the case would be assigned to Judge Albright and given an early initial trial date, and (3) leveraging that early Texas trial date to secure discretionary denial of Intel's petitions (even though the original trial date later slipped multiple months and final judgment did not enter until more than two years after Intel filed its petitions). *See supra* pp. 6-8.⁸ Without that conduct from VLSI, Intel's original petitions would have been instituted, and OpenSky would likely not

⁸ The Director's recent *Fintiv* reform diminishes the likelihood of future parties engaging in similar behavior. Ex. 1516. Likewise, new procedures that Chief Judge Garcia recently instituted in the Western District of Texas for patent cases filed in Waco (which are now randomly assigned to one of twelve judges, and not just to Judge Albright), make it far less likely that parties will be able to manipulate venue and generate a quick trial date in the manner VLSI did here. Ex. 1517.

even be involved in this IPR proceeding at all.

3. Factor 3: Whether Sanctions Requested Are Proportionate to the Harm Suffered by the Moving Party

As explained above, any request from VLSI to terminate this meritorious IPR should be rejected as wildly disproportionate to any harm that VLSI might claim to have suffered as a result of OpenSky's conduct. *See supra* pp. 16-19. At the same time, however, because Intel does not have complete knowledge of the conduct at issue or of VLSI's alleged harm, Intel is unable to determine whether some lesser sanction might be proportionate under the circumstances.

Lesser sanctions that the Director can consider for abuse of process arising in an IPR proceeding include: (1) terminating the party who engaged in the improper conduct, while allowing the IPR proceeding to continue to a final decision on the merits; (2) to the extent the party engaging in improper conduct was the lead petitioner, demoting the sanctioned party to an understudy role; or (3) one or more of the other sanctions expressly contemplated by the Board's existing rules, *see* 37 C.F.R. § 42.12 (listing possible sanctions as including "holding facts to have been established," "excluding evidence," awarding "expenses, including attorney fees," "expunging or precluding a party from filing a paper," and "precluding a party from presenting or contesting a particular issue" or "from requesting, obtaining, or opposing discovery"); *see also* 37 C.F.R. § 11.22 (authorizing the PTO's Office of Enrollment and Discipline to "investigate possible grounds for discipline").

At the very least, however, if the Director imposes any sanctions, they should be implemented in a way that does not delay the Board's ability to reach a final decision on the merits for this IPR proceeding.

V. CONCLUSION

The Director should reject any attempt by VLSI to leverage OpenSky's accused conduct into an escape route that avoids review of the challenged '759 patent claims on the merits. That result would only help VLSI in its ongoing effort to secure a \$675 million windfall—based on patent claims that the Director agrees are reasonably likely unpatentable and based on conduct having nothing to do with the merits—and thus would “thwart[], as opposed to advance[], the goals of the Office and/or the AIA.”

To determine whether a lesser proportional sanction for OpenSky might be warranted, the Director should apply the Board's existing sanctions procedures to the record. If the Director concludes that sanctions are warranted based on that record, it should reject any attempt by VLSI to implement those sanctions in a manner that would delay the Board's ability to issue a final written decision on the merits. Any delay in this proceeding would only serve to further advance Fortress's scheme to use the threat of never-ending assertions of low-value patents to hold Intel hostage for tens of billions of dollars. That too would “thwart[], as opposed to advance[], the goals of the Office and/or the AIA.”

Dated: August 18, 2022

Respectfully Submitted,

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**Table of Exhibits for Petitioner Intel Corporation's
Opening Brief Regarding Director Review in IPR2021-01064**

Exhibit	Description
1501	Public Version of Intel Corporation's Second Amended Answer, Defenses, and Counterclaims to VLSI Technology LLC's Complaint for Patent Infringement, <i>VLSI Technology LLC v. Intel Corp.</i> , C.A. No. 18-966-CFC, Dkt. 732 (D. Del. July 20, 2021) (Excerpted)
1502	Memorandum Order, <i>VLSI Technology LLC v. Intel Corp.</i> , C.A. No. 18-966-CFC, Dkt. 975 (D. Del. Aug. 1, 2022)
1503	Redacted Version of Second Amended Complaint, <i>Intel Corp. v. Fortress Investment Group, LLC</i> , Case No. 3:19-cv-07651-EMC, Dkt. 236 (N.D. Cal. Mar. 8, 2021) (Excerpted)
1504	Excerpt of Public Transcript of Trial Proceedings on April 25, 2022, <i>VLSI Technology LLC v. Intel Corp.</i> , Case No. 1:19-cv-00977, Dkt. 633 (W.D. Tex. May 2, 2022)
1505	Excerpts of Public Transcripts of Trial Proceedings Held on February 22-24, 2021, and March 1, 2021 in <i>VLSI Technology LLC v. Intel Corp.</i> , Case No. 6:21-cv-00057 with Dkt. Nos. 565, 566, 567, 570 (W.D. Tex.)
1506	Declaration of Professor Thomas M. Conte in Support of Plaintiff VLSI Technology LLC's Responsive Claim Construction Brief, <i>VLSI Technology LLC v. Intel Corp.</i> , Case 1:19-cv-00977-ADA, Dkt. 85-1 (W.D. Tex. Nov. 18, 2019)
1507	Declaration of Dr. Thomas M. Conte in Support of Plaintiff VLSI Technology LLC's Opening Claim Construction Brief, <i>VLSI Technology LLC v. Intel Corp.</i> , C.A. No. 18-966-CFC, Dkt. 229-2 Ex. 19 (JA-761-802) (D. Del. Aug. 19, 2019)
1508	Declaration of Prof. Thomas M. Conte in Support of VLSI Technology LLC's Opening Claim Construction Brief, <i>VLSI Technology LLC v. Intel Corp.</i> , No. 5:17-cv-05671-BLF, Dkt. 145 (N.D. Cal. Aug. 30, 2018)
1509	Redacted Version of Defendant Intel Corporation's Rule 59 Motion for a New Trial, <i>VLSI Technology LLC v. Intel Corp.</i> , Case No. 6:21-cv-00057-ADA, Dkt. 602 (W.D. Tex. Apr. 22, 2021)
1510	Redacted Version of Defendant Intel Corporation's Opposed Renewed <i>Daubert</i> Motion to Exclude and Strike the Opinions and Testimony of Ryan Sullivan, Ph.D, <i>VLSI Technology LLC v. Intel</i>

	<i>Corp.</i> , Case No. 6:21-cv-00299-ADA, Dkt. 550 (W.D. Tex. Apr. 22, 2021)
1511	Defendant Intel Corporation's Motion to Transfer Venue Under 28 U.S.C. § 1404(a), <i>VLSI Technology LLC v. Intel Corp.</i> , Case No. 6:19-cv-00254-ADA, Dkt. 24 (W.D. Tex. May 20, 2019)
1512	VLSI Technology LLC's Complaint for Patent Infringement, <i>VLSI Technology LLC v. Intel Corp.</i> , Case No. 6:19-cv-00254, Dkt. 1 (W.D. Tex. Apr. 11, 2019)
1513	David Lisch & David G. Henry, <i>The Newest 'Rocket-Docket': Waco, Texas</i> , IPWatchdog, https://www.ipwatchdog.com/2019/02/18/newest-patent-rocket-docket-waco-texas/id=106453/ (Feb. 18, 2019)
1514	Agreed Scheduling Order, <i>VLSI Technology LLC v. Intel Corp.</i> , Case No. 6:19-cv-00254-ADA, Dkt. 71 (W.D. Tex. Sept. 9, 2019)
1515	Public Version of Final Judgment, <i>VLSI Technology LLC v. Intel Corp.</i> , Case No. 6:21-cv-00057-ADA, Dkt. 701 (W.D. Tex. May 10, 2022)
1516	Memorandum from USPTO Director Katherine K. Vidal to Members of the Patent Trial and Appeal Board Regarding Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation (June 21, 2022)
1517	Chief Judge Orlando L. Garcia's Order Assigning the Business of the Court as It Relates to Patent Cases (W.D. Tex. July 25, 2022)
1518	Email from Christopher D. Ivey to William Lee and Joseph Mueller, Dated December 23, 2021
1519	Email from Matthew Hulse to Andrew Oliver, Dated December 24, 2021
1520	Email from Christopher D. Ivey to Joshua Stern, Dated December 27, 2021
1521	Email from Christopher D. Ivey to Joshua Stern, Dated January 7, 2022
1522	Letter from Jeffrey A. Lamken to Benjamin S. Fernandez and David L. Cavanaugh Regarding Preservation Notice to Intel Corporation, Dated May 20, 2022
1523	Email from Ben Fernandez to Andrew Oliver and Vinay Joshi, Dated June 15, 2022
1524	Email from Steven J. Horn to Andrew Oliver, Dated June 21, 2022
1525	Email from Andrew Oliver to Steven J. Horn, Dated June 22, 2022
1526	Email from Steven J. Horn to Andrew Oliver, Dated June 23, 2022

1527	Email from Ben Fernandez to Andrew Oliver, Dated July 8, 2022
1528	Email from Andrew Oliver to Ben Fernandez, Dated July 8, 2022
1529	Email from Andrew Oliver to Ben Fernandez, Dated July 9, 2022

CERTIFICATE OF SERVICE

I hereby certify that on August 18, 2022, I caused a true and correct copy of the foregoing materials:

- Petitioner Intel Corporation's Opening Brief Regarding Director Review
- Exhibits 1501-1529

to be served via electronic mail on the following correspondents of record as listed in Petitioner OpenSky's and Patent Owner VLSI's Mandatory Notices:

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