

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

OPENSKY INDUSTRIES, LLC,
INTEL CORPORATION,
Petitioners,

v.

VLSI TECHNOLOGY LLC,
Patent Owner.

Case IPR2021-01064*
Patent 7,725,759

**PATENT OWNER'S BRIEF IN RESPONSE
TO DIRECTOR REVIEW ORDER**

~~CONTAINS CONFIDENTIAL PROTECTIVE ORDER MATERIAL~~
NON-CONFIDENTIAL REDACTED VERSION

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

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I. INTRODUCTION

This case raises the significant question of whether the Office should allow itself to be used to facilitate extortion. OpenSky formed in the wake of a substantial verdict to file IPRs challenging the patents that were the subject of that verdict. OpenSky faces no possible threat of infringement and, indeed, has no business at all aside from its IPRs. OpenSky told the Office it sought to protect the “integrity of the patent system” and denied VLSI’s allegations that it had a “nefarious intent” or sought a “payout.”

But OpenSky’s representations and denials were false. OpenSky played VLSI and Intel against each other, seeking tens of millions of dollars from VLSI, to settle the IPR, and from Intel, to pursue it. When both rejected OpenSky’s demands, OpenSky proposed to VLSI a “construct” wherein the parties would pretend to litigate the case while, in fact, working together to “defeat it,” including by refusing to pay OpenSky’s expert so he would not show up for his deposition, thereby leaving a potentially fatal evidentiary omission for any would-be joining parties. Ex. 2055. Incredibly, just two days after sending this proposal to VLSI, OpenSky again claimed to defend the “integrity of the patent system.” IPR2022-00645, Paper 2, 2-3. VLSI reported OpenSky’s misconduct to the Board.

Even then, OpenSky’s conduct did not improve. It sent an improper *ex parte* communication to the Director claiming that *its* proposal was *VLSI’s* proposal.

Ex. 3012. This is a lie and a serious breach of numerous Office rules. OpenSky also violated the Director's Orders with impunity, refusing to produce most internal documents or log its internal communications as thrice ordered.

OpenSky was formed for the purpose of using the IPR process as a vehicle for extortion. It has shown contempt for the Office, its rules, and the Director's Orders. OpenSky thus portends what is to follow if parties with no skin in the game are allowed to weaponize the IPR process for financial gain. Such harassment is a clear abuse of the system and plainly inconsistent with the goals of the Office and the AIA. Respectfully, the Director should make clear that IPRs are not to be used for extortion. Nor should OpenSky's abuse permit Intel to proceed with an otherwise time-barred challenge. Lest OpenSky's conduct become commonplace, this IPR should be terminated and the underlying institution and joinder decisions should be vacated. Such petitions should be denied to deter speculators from leveraging IPRs into financial windfalls.

II. INTERROGATORY RESPONSES.

- A. When was OpenSky formed? For what purpose? What is the business of OpenSky? Who are members of OpenSky? Which other persons or entities have an interest in OpenSky or any of its activities including this proceeding? Explain.**

OpenSky formed as a Nevada LLC on April 23, 2021. Exs. 2006, 1048, ¶ 4. Christopher Larocca claims to be its [REDACTED] and managing member, and the

████████████████████. Ex. 1048, ¶3, Ex. 2080, 9:13-15, 10:7-11:10, 19:17-23. Further discussion of potential unnamed parties is in Section II.E. Mr. Larocca formed OpenSky after he noticed the “very large verdict” in the VLSI/Intel trial. Ex. 2080, 12:10-16. OpenSky’s entire “business” is filing extortive IPRs against VLSI patents (*id.*, 11:6-12:16, 9:21-23) in the hope of receiving tens of millions of dollars from either VLSI or Intel. *See* Section II.B.

B. What is the relationship between OpenSky and each of the other parties? Other than communications already in the record, what communications have taken place between OpenSky and each of the other parties?

Relationship And Communications Between VLSI And OpenSky.

OpenSky and VLSI have no relationship outside of this proceeding. On August 30, 2021, at OpenSky’s request, VLSI and OpenSky entered into a confidentiality agreement to discuss settlement. Exs. 2081, 2082. On September 2, VLSI and OpenSky discussed potentially settling their dispute, but neither side exchanged a figure for financial payment. Ex. 2083. OpenSky indicated ██████████
████████████████████, without further elaboration.²

² The Director’s Order precludes the submission of new declaratory evidence. VLSI will submit declaratory evidence substantiating the telephonic communications between the parties if requested by the Director.

“OpenSky Email”), wherein OpenSky would pretend to litigate the case while working surreptitiously to sabotage it in exchange for a series of payments. Ex. 2055. OpenSky indicated that a “well-timed settlement” would “leave VLSI in a strong position” as “PQA would be joining the OpenSky trial in the state that OpenSky had left it.” *Id.* Further, “[i]f PQA were to join a trial where VLSI had already filed its patent owner response, and if a deposition of OpenSky’s expert witness had not occurred, PQA would be joining a trial with a potentially fatal evidentiary omission that PQA would be unable to remedy” as “[b]y that point, it would be too late for PQA to provide a deposition of the expert and VLSI would have a very strong objection to PQA’s reliance on expert testimony.” *Id.* In furtherance of this scheme, OpenSky proposed that the “[p]arties agree to work together to secure dismissal *or defeat* of [OpenSky’s] petition,” that “OpenSky agrees not to negotiate with Intel or PQA,” that VLSI “takes full three months to oppose PQA joinder,” that “OpenSky refuses to pay expert for time at deposition so expert does not appear for deposition,” and “[t]he day after VLSI files response, OpenSky and VLSI file motion to dismiss.” *Id.* In exchange, OpenSky proposed that it would receive a “[f]irst payment upon execution of agreement,” and a second payment if joinder is denied or “if joinder is granted *but claims affirmed* because of OpenSky’s refusal to produce witnesses.” *Id.* VLSI ceased discussions and reported OpenSky’s misconduct. Ex. 2094; IPR2022-00645, Paper 8, 1-6.

Relationship and Communications Between Intel and OpenSky.

OpenSky also repeatedly sought compensation from Intel. On December 23, just hours after institution, OpenSky wrote Intel’s outside counsel, stating: “VLSI has already reached out to OpenSky to discuss resolving the newly instituted IPR” and that “[w]hile *OpenSky remains open to discussing this matter with VLSI*, OpenSky would prefer to discuss the matter directly with Intel.” Exs. 2095, 2096 (OpenSky December 23 email seeking conference before “holiday season”).

OpenSky’s cash demands became more express. On January 7, OpenSky wrote: “we wanted to give Intel another opportunity to consider working with OpenSky before OpenSky moves *in a completely different direction*,” further stating that its petition “would negate the nearly \$700 million jury verdict award pending against Intel” and “we think it’s in Intel’s best interest *and the interests of its stockholders* to pursue discussions with OpenSky.” Ex. 2099, 2. OpenSky “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*,” and if Intel was “amenable to this path forward,” OpenSky and Intel would work together under a joint defense agreement to invalidate the patent. *Id.* Thus, if Intel paid a percentage of \$675 million, OpenSky would work with Intel. If it didn’t, OpenSky would “move[] in a completely different direction.” *Id.*

No deal was reached, but that did not stop OpenSky’s monetary demands.

OpenSky asked Intel to pay Dr. Jacob \$35,000 in exchange for Intel controlling deposition preparation. Exs. 2100, 2101. When Intel refused to pay, nine days later, OpenSky proposed to VLSI that “OpenSky refuses to pay expert for time at deposition so expert does not appear for deposition.” Ex. 2055, 2. This was a sharp departure from OpenSky’s assurance to Dr. Jacob three weeks earlier that he would be “fairly compensated for any time spent on this proceeding.” Ex. 2097.

Accepting Intel’s promise that “unless OpenSky’s participation terminates,” Intel would be an understudy (IPR2022-00366, Paper 4, 15), the Board joined Intel to this IPR (Paper 43, 15-16). Less than two weeks later, and though OpenSky’s participation had not terminated, Intel tried to become an “active participant” stating in a draft email to the Board, “*OpenSky requested compensation* [from Intel] for its prior work in the IPR *and requested additional remuneration as well*” and that OpenSky opposed Intel’s request “without compensation for OpenSky.” Ex. 2102. OpenSky responded that Intel’s conduct was “highly unethical” and threatened to “fil[e] a grievance with the OED based on Intel’s counsels’ involvement in attempting to intimidate your way into an active role ...” Ex. 2103. Intel confirmed it was “providing an accurate account of the parties’ past communications” and that OpenSky “suggested ... Intel could take over the IPR ... *but only if Intel compensated OpenSky.*” Ex. 2104.

After insisting upon preparing its reply (Exs. 2105-2107), OpenSky “offered

to let Intel write the reply on OpenSky's behalf *in exchange for remuneration and indemnity against any lawsuit brought by VLSI against OpenSky based on the IPR proceeding,*" but Intel declined to pay. Exs. 2108-2109. OpenSky filed the reply brief drafted by Intel. *See* Paper 49, 1.

- C. Could OpenSky be subject to claims of infringement of the '759 patent? Does OpenSky have development plans to create a product that could arguably infringe the '759 patent? Does OpenSky have a policy reason for filing the Petition that benefits the public at large beside any reasons articulated in the already-filed papers? Explain.**

OpenSky could not be subject to any claims of infringement and has no plans to create a product that could infringe the '759. OpenSky formed after the verdict and its only business is filing extortive IPR petitions. Contrary to any pretextual "policy reason" OpenSky may raise, OpenSky's *actual* motivation was to obtain tens of millions of dollars from VLSI or Intel. *See* Section II.B, *supra*.

- D. Does the evidence in this proceeding demonstrate an abuse of process or conduct that otherwise thwarts, as opposed to advances, the goals of the Office and/or the AIA and, if so, which evidence and how should that evidence be weighted and addressed?**

The record evidence overwhelmingly demonstrates that OpenSky abused the IPR process and that its conduct is diametrically opposed to the goals of the Office and the AIA. OpenSky brought extortive IPRs, seeking tens of millions of dollars from each of VLSI and Intel. OpenSky then proposed a "construct" wherein it

would sabotage its own petition for pay. OpenSky's monetary demands to Intel were similarly unceasing, often raised through threats that OpenSky would prosecute the matter in a halfhearted fashion unless Intel paid up to take over.

Rather than disclose its actual motivations, OpenSky claimed to be "protect[ing] the integrity of the patent system," falsely denying it had a "nefarious intent" or sought a "payout." Pet., 9; Paper 13, 5. Indeed, just two days after sending the OpenSky Email, OpenSky again claimed the very same motivation. IPR2022-00645, Paper 2, 2-3. OpenSky also falsely accused VLSI of being behind OpenSky's own scheme in an improper *ex parte* communication. Ex. 3012. OpenSky violated numerous Office rules. Section III.B.2. OpenSky's violations of the Director's Orders are a further abuse of process. Section III.B.3.

E. What is the basis for concluding that there are no other real parties in interest, beyond OpenSky (see Pet. 5)? Are there additional people or entities that should be considered as potential real parties in interest? Explain.

Though Mr. Larocca testified that he is OpenSky's ■■■ member (Section II.A), OpenSky objected that "compelling OpenSky to disclose member identities ... would violate their" constitutional rights. Paper 54, 6. This suggests either Mr. Larocca's testimony was false and/or OpenSky's objection is frivolous. The concern that OpenSky has failed to identify all interested parties is aggravated by its violation of the Director's Orders. *See* Section III.B.3. OpenSky's production

did not include any documents concerning Mr. Larocca's friend and business partner Michael Tomasulo, a patent litigation attorney who attended the VLSI/Intel trial in person. Exs. 2032-2041, Ex. 2080, 14:13-21. OpenSky represented that [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Intel should also be deemed an RPI, as the jury's infringement finding and damages award prompted OpenSky's challenge (Pet., 9) and OpenSky copied and refiled Intel's grounds and exhibits. *App. in Internet Time, LLC v. RPX Corp.*, 897 F.3d 1336, 1348-49 (Fed. Cir. 2018) (focus of RPI "inquiry is on the patentability of ... claims ... bearing in mind who will benefit ... from the redress that the chosen tribunal might provide"). Intel, who now claims a common interest privilege with OpenSky and has effectively taken over this case, is the true beneficiary of this petition. Under these circumstances, Intel should have been identified as an RPI, a finding that is further necessitated by OpenSky's discovery abuse. *See* Section III.B.3. This is further reason to terminate. 35 U.S.C. § 315(b).

- F. Did OpenSky ever condition any action relating to this proceeding, including but not limited to delaying, losing, not participating in, withdrawing from, or taking action that will influence any experts' participation in this proceeding, on payment or other consideration by Patent Owner or anyone else? Explain.**

OpenSky proposed conditioning multiple actions relating to this proceeding upon whether it would receive payment or other consideration. OpenSky sought \$ [REDACTED] million in exchange for not harming VLSI's patent. In the OpenSky Email, OpenSky proposed sabotaging its own case by refusing to pay its own expert. OpenSky also made numerous proposals to Intel wherein OpenSky would take a particular action in exchange for money including that it jointly litigate the case with Intel in exchange for Intel "pay[ing] to OpenSky success fees based on percentages of the [\$675 million] loss avoided by Intel ..." Ex. 2099; Section II.B.

III. THIS IPR SHOULD BE TERMINATED AND VOIDED *AB INITIO*.

The Director's Order asks the parties to address (1) what actions the Director/Board should take when faced with evidence of an abuse of process or conduct or conduct that otherwise thwarts, as opposed to advances, the goals of the Office and/or the AIA; and (2) how the Director/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, 7-8. The two cases before the Director reveal the disastrous consequences of allowing newly-formed entities, facing no threat of infringement, to challenge patents that are the subject of a damages verdict. The Director should find that IPRs filed in such circumstances should presumptively be denied institution or terminated, unless the petitioner can prove its filing is in good

faith and not for an improper purpose, *e.g.*, extortion. *See* Section III.A. Even in the absence of such a general rule, OpenSky’s conduct is demonstrably egregious and its IPR should be terminated and voided *ab initio*. *See* Section III.B-C.

A. Petitions Filed By Newly Formed Entities Against Patents That Are The Subject Of A Damages Verdict Should Presumptively Be Denied, Or Terminated If Instituted, Absent Compelling Proof They Were Filed In Good Faith And Not For Extortion.

Absent Director intervention, opportunities to uncover direct evidence of bad faith will likely be rare. However, a petition filed by a newly formed entity not accused of infringing the patent, in the wake of a significant verdict, raises significant concerns. During this time, the patent owner is particularly vulnerable, and IPRs can no longer serve as effective alternatives to litigation. Allowing review in these circumstances incentivizes gamesmanship and places the Office in the position of facilitating extortion and collateral attacks on verdicts.

That was not the AIA’s intent. IPRs were intended to provide ““quick and cost effective alternatives to litigation”” and to ““establish a more efficient and streamlined patent system that will improve patent quality[.]”” *WesternGeco LLC v. ION Geophysical Corp.*, 889 F.3d 1308, 1317 (Fed. Cir. 2018) (quoting H. REP. No. 112-98, 40, 48 (2011)). “Congress recognized the importance of protecting patent owners from patent challengers who could use the new administrative review procedures as ‘tools for harassment’” via ““repeated litigation and

administrative attacks on the validity of a patent.” *Id.* (quoting H. REP. NO. 112-98, 40). The Board too has recognized the AIA’s goals of avoiding repeated and harassing attacks on patents that may constitute an “abuse of the review process.” *General Plastic v. Canon*, IPR2016-01357, Paper 19, 16-17 (Sept. 6, 2017) (precedential). In accord, the AIA and the regulations prescribe sanctions for “abuse of process” or “any other improper use of the proceeding, such as to harass.” 35 U.S.C. § 316(a)(6); 37 C.F.R. § 42.12(a)(6)-(7). Congress further gave the Director “complete discretion to decide not to institute review.” *St. Regis v. Mylan Pharms.*, 896 F.3d. 1322, 1327 (Fed. Cir. 2018) (citation omitted).

The Director need not find express evidence of bad faith to terminate a proceeding where the circumstances, as here, irrefutably show that the petition was brought for an improper purpose. Indeed, this is precisely why Congress gave the Director complete discretion to deny petitions. The cases before the Director involving newly formed entities with no threat of infringement and no business other than IPRs challenging the patents that are the subject of a damages verdict, present a particularly clear instance where the petitioner’s motivations are suspect from the outset. Entities forming just after a verdict to challenge patents-at-issue should, at a minimum, bear the burden of proving they are acting in good faith, and such petitions should presumptively not be instituted. Unless these petitioners can prove they are acting in good faith, institution only invites gamesmanship and turns

the Office into a tool for harassment. In making this determination, the Board should not credit a petitioner's unsubstantiated, self-serving representations concerning, *e.g.*, the "integrity of the patent system."

Moreover, denying institution prevents otherwise time-barred parties from thwarting the purpose of the AIA by taking advantage of abusive petitions through joinder. For the same reason, institution decisions premised on abusive petitions should be vacated, thereby short-circuiting not only opportunistic conduct by time-barred petitioners but also the incentive for third parties to play those with actual skin in the game against each other. Simply terminating an abusive petitioner from an instituted proceeding would neither deter misconduct nor address the damage to the integrity of the Office or the harassment suffered by the patent owner.

B. OpenSky's Egregious Conduct Constitutes An Abuse Of Process And Thwarts The Goals Of the Office And The AIA.

Even in the absence of the aforementioned presumption, the record here shows that OpenSky's conduct constitutes a clear abuse of the IPR process and is contrary to the goals of the Office and the AIA. OpenSky has not only failed to substantiate a non-abusive justification for the highly suspect timing of its petition, but it also weaponized the IPR process and used it for purposes of extortion. For withdrawing an instituted petition threatening to undermine a verdict, OpenSky sought \$ [REDACTED] million from *VLSI*, indicating it would demand \$ [REDACTED] million had

both of its IPRs been instituted. OpenSky also proposed that *Intel* pay OpenSky a percentage of \$675 million as a “success fee” in exchange for working with Intel to defeat the patent, lest it settle with VLSI. OpenSky attempted to create a bidding war between VLSI and Intel in pursuit of what OpenSky called the “[REDACTED] [REDACTED].” See Section II.B.

After VLSI and Intel refused OpenSky’s demands, OpenSky proposed a “construct” wherein OpenSky would secretly work with VLSI to sabotage its own petition for pay. Ex. 2055. After VLSI reported OpenSky’s misconduct to the Board, OpenSky wrote an improper *ex parte* communication to the Director, falsely claiming that *its* proposal was *VLSI’s* proposal. Ex. 3012. When Intel joined, OpenSky made repeated pay-to-play demands for cash. Exs. 2099, 2104. OpenSky’s actions have always been dictated by what will cause VLSI or Intel to pay it the most money. Except insofar as it would further that goal, OpenSky has no interest in litigating this case. Now, with no remaining prospect of being paid, OpenSky has allowed Intel, an understudy, to become *de facto* lead counsel by preparing briefing and declarations that OpenSky files without substantive change.

OpenSky has abused the IPR process by bringing IPRs for an improper and harassing purpose, extortion, contrary to the goals of the Office and the AIA. It has violated numerous Office rules requiring a duty of candor and good faith to the Office, requiring that papers not contain falsehoods or be filed for an improper or

harassing purpose, and prohibiting *ex parte* communications. OpenSky also violated the Director's Orders by failing to produce or log responsive internal communications, thereby concealing the full extent of its misconduct.

1. OpenSky Filed an Extortive IPR Petition.

An IPR filed for extortive purposes—like OpenSky's—is plainly brought for an “improper” and “harassing” purpose (and if OpenSky's conduct does not rise to the level of an “improper” or “harassing” purpose, it is unclear what would). Ex. 2076 (“weaponiz[ing] the IPR process for [petitioner's] financial gain” is a “clear abuse[] of the IPR system.”). As discussed, where a new entity, facing no threat of infringement, forms in the wake of a verdict to file IPR petitions against patents supporting that verdict, the Board should have a strong presumption against institution unless the petitioner can prove a good-faith, non-extortive motivation.

2. OpenSky Violated Numerous Office Rules.

Even if its extortive purpose could be overlooked, OpenSky violated numerous Office rules, further confirming it has abused the IPR process and thwarted the Office's and AIA's goals. OpenSky consistently misrepresented its motives to the Office. Indeed, OpenSky repeated its “integrity of the patent system” mantra just two days after sending the OpenSky Email. Using IPRs for extortion and proposing a sham litigation is the antithesis of protecting the

“integrity of the patent system.” And when the OpenSky Email came to light, OpenSky lied, falsely claiming its proposal was VLSI’s. Ex. 3012.

OpenSky’s conduct is a serious violation of the Office’s rules. Parties “have a duty of candor and good faith to the Office.” 37 C.F.R. § 42.11(a). And, “[b]y presenting to the Office ... any paper, the party presenting such paper ... is certifying that ... [a]ll statements made therein of the party’s own knowledge are true ...” and that “[t]o the best of the party’s knowledge, information and belief, ... **[t]he paper is not being presented for any improper purpose, such as to harass someone** ...[and] [t]he allegations and other factual contentions have evidentiary support ...” 37 C.F.R. § 11.18(b)(1)-(2). Moreover, *ex parte* communications are forbidden. 37 C.F.R. § 42.5(d); 35 U.S.C § 6(a); 37 C.F.R. § 11.305(b) (similar).

An extortive IPR, by definition, is filed for an improper and harassing purpose. Moreover, by claiming to protect the “integrity of the patent system” and denying that it had a “nefarious intent” or sought a “payout” while trying to extort tens of millions of dollars, OpenSky violated its duty of candor and good faith towards the Office. Proposing to commit a fraud upon the Office, as in the OpenSky Email, is an utter evisceration of these duties.

OpenSky’s *ex parte* communication to the Director was also a serious violation, particularly as it was used to make a material, false accusation. OpenSky claimed the OpenSky Email “reflects **OpenSky’s understanding of**

VLSI's proposal to settle the proceeding, and does not suggest *that either VLSI who proposed the conduct or OpenSky who responded to the proposal* would actually reach an agreement or ultimately engage in any conduct.” Ex. 3012. This is a lie. VLSI did *not* propose that the parties pretend to litigate the case while OpenSky secretly worked with VLSI to sabotage it, nor did VLSI propose that OpenSky not pay its own expert so he would not show up at deposition. Indeed, this is clear from Ex. 2055 itself. On February 22, VLSI’s attorney wrote, “if OpenSky would like to make a proposal, we can consider it.” OpenSky responded “*we propose a structure that* builds upon your earlier proposal, *accounts for those joinder petitions*, and leaves VLSI in a very strong position,” continuing that “[w]e would prefer to work on the construct of a proposed deal and then discuss numbers,” before stating “*here is a construct* for discussion purposes ...” This was OpenSky’s proposal, not VLSI’s, and lying about it *ex parte* is a serious violation.

OpenSky’s violations are sanctionable. 37 C.F.R. § 42.12(a) (“The Board may impose a sanction against a party for misconduct, including: (1) Failure to comply with an applicable rule or order in the proceeding ... (3) Misrepresentation of a fact ... (6) Abuse of process; or (7) Any other improper use of the proceeding, including actions that harass”); 77 Fed. Reg. 48,612, 48,616 (Aug. 14, 2012) (“an *ex parte* communication may result in sanctions”); Paper 47, 9 (“The parties are instructed that sanctions may be considered for any misrepresentation ...”).

The OpenSky Email may itself have been an attempt to commit fraud upon the Office. “Fraud” or “fraudulent conduct” “may be established by a purposeful omission or failure to state a material fact, which omission or failure to state makes other statements misleading, and where the other elements of justifiable reliance and injury are established.” 37 C.F.R. § 11.1. Under OpenSky’s “construct,” the parties would pretend to litigate the IPR while secretly colluding to sabotage it. Thus, OpenSky proposed the parties “fail ... to state a material fact”— that the parties had secretly agreed to work together to defeat the petition—to the Board. The Board would have no reason to believe such a corrupt scheme had been entered into and, thus, would rely upon this omission. *See also, e.g.*, Ex. 2057, 3-4 (“Is what [OpenSky’s attorney] proposed ‘fraud’ in light of how the USPTO interprets the meaning of the term? In my legal opinion it seems to qualify.”).

3. OpenSky Has Violated The Director’s Orders With Contempt.

OpenSky also materially violated the Director’s Orders. The Scheduling Order made clear that (i) OpenSky had to produce seven categories of documents, “including without limitation documents maintained by officers, directors, employees, agents, experts, consultants, or outside counsel,” (ii) that the requests “shall be interpreted inclusively and broadly” to include many categories of documents, and (iii) that “[a]ny attempt to withhold evidence based on a narrow interpretation of the requests ... may ... be sanctionable.” Paper 47, 9-10. The

Order also provided that “[i]f evidence is withheld, that party shall maintain a privilege log of any responsive evidence that is withheld as privileged and shall exchange that privilege log on the date the documents are to be exchanged.” *Id.*,

11. Another order confirmed that documents and/or a log may not be withheld on the basis of the parties’ objections and reminded the parties “that they are required to comply with the full scope of the Scheduling Order, including its Mandated Discovery provisions,” and that “failure to comply,” including “[a]ny attempt to withhold evidence based on a narrow interpretation of the requests,” “may be sanctionable.” Paper 52, 4; Paper 51, 3.

OpenSky, however, did not comply with these orders. OpenSky appears to have only collected emails from its lead counsel in this case, Andrew Oliver, and not others, including Messrs. Larocca, Ivey, Joshi, or Tomasulo. OpenSky’s productions contain very few internal documents and none regarding its “business plan,” “funding,” or “future allocation of any of its profits” (category (ii)); and no “documents and communications relating to any real party in interest” (category (vi)). Paper 47, 9-10. Though OpenSky produced very few internal documents, it also failed to produce a privilege log entirely.

Indeed, in OpenSky’s Notice of Objections, OpenSky expressly refused to comply with the Order, stating, for example, that “[t]he Order’s requirement that OpenSky disclose member identities [category i]... via interrogatory response,

privilege log, or other documents” would “violat[e] OpenSky’s ... constitutional rights.” Paper 54, 5, 6 (Director’s Order “contravenes Congressional intent by demanding production of formation documents [category (i)], business plans and funding records [category (ii)], settlement discussions [categories (iii)-(iv)], and protected communications between a party and its lawyers and experts.”). Though the Director expressly and repeatedly reiterated these objections could not justify withholding or failing to log documents, OpenSky has nonetheless stood on its objections and refused to produce responsive documents or a privilege log, in violation of the orders. And these orders make clear that OpenSky’s withholding of documents and the failure to provide a log is sanctionable.

C. This IPR Should Be Terminated And Voided *Ab Initio*.

The Director should terminate this IPR and vacate the decision instituting it, as well as the decision joining Intel. OpenSky’s purpose is to use the IPR process for extortion, auctioning off whether to settle or pursue its IPR to the highest bidder. Filing an IPR and demanding tens of millions of dollars to drop it is an improper and harassing use of the IPR process. In pursuit of its goals, OpenSky misrepresented its motives, proposed a fraud on the Office, falsely claimed that its fraudulent proposal was VLSI’s, and violated the Director’s Orders by failing to produce responsive internal documents or a privilege log. This proceeding never should have been instituted and, as discussed above, permitting it to proceed will

invite copycat petitioners to create similarly problematic situations without making their extortion demands explicit.

While the full extent of OpenSky's misconduct is not publicly known, or known even to VLSI in view of OpenSky's failure to produce documents, OpenSky's conduct has been the subject of national public attention and unanimous scorn. Senators Tillis and Hirono recognized that OpenSky's petitions are "an apparent attempt to extort money from ... VLSI" and "[t]he motives behind these IPR petitions were suspect from the outset" and that "[a]ny doubt about OpenSky's motives was extinguished" based upon the OpenSky Email wherein "OpenSky's counsel proposed a scheme in which the company would actively work to undermine the IPR it brought—thereby protecting VLSI's patents from other challenges—in exchange for monetary payment." Ex. 2076, 1-2. The Senators' sentiments were shared by respected analysts, who have condemned OpenSky's conduct. Exs. 2057; 2058; 2059 (OpenSky Email is a "huge black eye for the agency," and "*[t]he PTAB would be wise to terminate the Open Sky proceedings as a sanction*"); 2060 ("OpenSky's conduct puts the legal profession in a bad light. ... [t]he content of the [OpenSky Email] offends the senses"). When the OpenSky Email was shown to OpenSky's own expert in deposition, he was shocked, proclaiming "[o]h, my God. It's like I got dragged into a Hollywood gangster movie," "I don't know whether to be horrified or what," "if this is real, I

won't be working with OpenSky ever again,” and “this is shocking. Holy moly. ... Is this even legal?” Ex. 2066, 24:13-26:6.

This is egregious conduct and deserves the strictest sanctions. The Office's rules make clear that the Director may issue terminating sanctions for misconduct. 37 C.F.R. §§ 11.18(c)(5) (Director may “[t]erminat[e] the proceedings in the Office” where a party submits a paper for “any improper purpose, such as to harass someone” or misrepresents facts); 11.18(b)(2)(i), (iii), (iv); 42.12(b)(8) (sanctions may include “dismissal of the petition”). The Office must repudiate the institution of these extortive IPRs by terminating them and vacating the institution and joinder decisions. As discussed above, anything short of termination and vacatur will motivate future opportunistic petitioners to strategically file abusive “lottery-ticket petitions” without saying the quiet part out loud. The incentives to leverage post-verdict petitions as tools to extort patent owners and accused infringers are simply too great, and future opportunistic filers will avoid creating written records of their misconduct and harassment. Thus, termination and vacatur not only fall within the Director's sanction authority, but they are also prudent policy.

This case should end. Indeed, it never should have begun. Look at the morass this case has become, the chaos, the demands for tens of millions of dollars, secretive proposals to sabotage cases for pay, the disregard of and contempt for orders, the refusals to produce discovery or disclose OpenSky's actual motives, the

seven IPRs filed against the VLSI patents after prevailing at trial. Absent vacatur rendering this proceeding void *ab initio*, the extraordinary misconduct committed by OpenSky and PQA will become the default, severely harming the reputation of the Office. No injustice would be suffered by termination and vacatur here. Had OpenSky revealed its actual motives and purpose—that it sought to extort VLSI for tens of millions of dollars—there is little chance this IPR would have been instituted in the first place. OpenSky’s IPR should not be allowed to continue.

Nor should Intel be allowed to take advantage of OpenSky’s misconduct at VLSI’s expense. Intel was long-time barred and its validity defense was unanimously rejected (Ex. 1027, 5) after Intel forfeited its right to present its IPR defenses to the jury (Ex. 2004). On April 21, 2022, the Court entered a Final Judgment providing, “[j]udgment is entered against defendant Intel on its counterclaim of invalidity of the asserted claims of the ’759 Patent.” Ex. 2110. And, where the Board has found an IPR was improperly instituted, as the Director should so find here, it has consistently terminated that IPR as to any otherwise time-barred joined party. *I.M.L. SLU v. WAG Acquisition, LLC*, IPR2016-01658, Paper 46, 3, 5 (Feb. 27, 2018) (“having vacated the [institution decision], we necessarily also vacate the grant of [the joinder party’s] Motion for Joinder ...”); *Mylan Pharma Inc. v. Horizon Pharma USA, Inc.*, IPR2017-01995, Paper 71, 12-13 (Mar. 17, 2019) (“Because § 315(a) barred us from instituting this proceeding,

we also lacked, authority to join [the joined party] as a petitioner to this proceeding.”); *Intel Corp., v. Alacritech, Inc.*, IPR2018-00234, Paper 66, 23 (June 4, 2019) (“because we vacate our [institution] decision ...and terminate this proceeding, there is no instituted review to which [the joined] petitions could have been properly joined ...”); *Sling TV, LLC v. Realtime Adaptive Streaming, LLC*, IPR2018-01331, Paper 39, 8 (Jan. 17, 2020) (similar), *appeal dismissed*, No. 20-01596 (Fed. Cir. Mar. 15, 2021). Permitting Intel to step into OpenSky’s shoes will only encourage future opportunists to collude with otherwise time-barred parties to enjoy a second bite at the apple after money changes hands in secret.

The Director should confirm the Office will not tolerate entities abusing the IPR process. A clear signal should be sent that IPRs are not to be brought for purposes of extortion—and if they are, they will not be instituted—and if they are instituted under false pretenses, they will be terminated. Moreover, to allow this extortive IPR to continue would be to punish the victim. OpenSky’s scheme led to seven IPRs being brought after VLSI prevailed at trial and Intel’s validity defense was rejected. This proceeding was rotten from its inception and deserves to be terminated and rendered void *ab initio*.

IV. CONCLUSION.

The Director should terminate this IPR and vacate the institution and joinder decisions.

Respectfully submitted,

Dated: August 18, 2022

/ Babak Redjaian /
Babak Redjaian, Reg. No. 42,096
IRELL & MANELLA LLP

CERTIFICATE OF SERVICE

I hereby certify that, pursuant to 37 C.F.R. § 42.6(e) and with the agreement of counsel for Petitioner, a true and correct copy of **PATENT OWNER'S BRIEF IN RESPONSE TO DIRECTOR REVIEW ORDER (REDACTED)** is being served electronically on August 19, 2022, to the persons below:

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Dated: August 19, 2022

By: / Colette Woo /