

**UNITED STATES PATENT AND TRADEMARK OFFICE**

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

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PATENT QUALITY ASSURANCE, LLC,  
INTEL CORPORATION<sup>1</sup>  
Petitioners,

v.

VLSI TECHNOLOGY LLC,  
Patent Owner.

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

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

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<sup>1</sup> Intel Corporation, which filed a petition in IPR2022-00479, has been joined as a party to this proceeding.

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## I. INTRODUCTION

The patent-at-issue in this proceeding (“the ’373 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 the 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 ’373 patent, which VLSI: (1) acquired along with 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 4 months after VLSI acquired the patent; and (3) has now used to obtain a jury verdict awarding \$1.5 billion in damages against Intel—i.e., more than 7,500 times the amount it paid per patent family.

Intel initially sought to defend itself against this Fortress-backed onslaught, in part, by filing a timely IPR petition challenging the ’373 patent. But the Board denied institution of that petition 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 twenty-nine months after Intel filed its IPR petition). The Board later instituted a nearly identical IPR petition filed by Petitioner Patent Quality Assurance LLC (“PQA”) 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 PQA’s petition, but has asked the parties to address certain questions related to VLSI’s allegation that PQA 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 ’373 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, PQA’s accused conduct has nothing to do with the merits, co-petitioner Intel had no role in the filing of PQA’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 already uses 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 ’373 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.<sup>2</sup> 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.<sup>3</sup>

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<sup>2</sup> 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.

<sup>3</sup> 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



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 '373 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 choosing venue in a specific jurisdiction before 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-

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disclosure and discovery obligations imposed on parties and patentees.

proclaimed effort to leverage “the sheer complexity” of the technology at issue into an “oversized award.” For example, VLSI’s technical expert for the ’373 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 ’373 IPR Petition**

Less than five months after acquiring the ’373 patent, VLSI filed three patent infringement actions against Intel in the Western District of Texas, including one accusing Intel of infringing the ’373 patent. Ex. 1512. Despite having filed other actions in California and Delaware, VLSI chose to file these three actions 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 ’373 patent, VLSI

remarkably claimed that the value of the '373 patent had skyrocketed to \$1.61 billion—despite the fact that VLSI had just purchased the patent for a tiny fraction of that amount, and the patent (which issued in 2009) 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 367-68, 428-36, 567, 694-95, 1580, 1596-97.

After VLSI initiated litigation, Intel filed a timely IPR petition challenging claims of the '373 patent and VLSI opposed institution, in part, based on the gap between the then-scheduled October 2020 trial date in the Texas action and the expected deadline for final written decisions in the IPR proceeding. *Intel Corp. v. VLSI Tech. LLC*, IPR2020-00158, Papers 3, 8. The Board accepted VLSI's self-created venue-based timing argument and denied institution solely on *Fintiv* grounds. *Id.*, Paper 16 at 4-14 (PTAB May 20, 2020).

### **C. The Jury Verdict And Final Judgment In The Texas Action For The '373 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 '373 patent and awarded VLSI \$1.5 billion for that patent. Ex. 1031 at 2, 6. The jury was not asked to assess the validity of the asserted '373 patent claims. *Id.* Final judgment did not enter until

April 2022, which was more than one year after the trial and twenty-nine months after Intel had filed its timely IPR petition. Ex. 1515.

**D. The Board’s Institution of PQA’s IPR Petition And Intel’s ’373 Joinder IPR Petition**

In July 2021, PQA filed an IPR petition challenging claims of the ’373 patent based on the same grounds set forth in Intel’s original IPR petition. Paper 1. In January 2022, the Board instituted the PQA IPR proceeding over VLSI’s opposition. Paper 10. VLSI then requested rehearing and precedential opinion panel review in another attempt to avoid Board consideration of the merits. Paper 13.

The same day that the Board instituted review of PQA’s IPR petition, Intel filed an IPR petition in which it challenged claims of the ’373 patent based on the same prior art references and grounds set forth in the instituted PQA IPR. IPR2022-00479, Paper 3. Intel also filed a motion to join the PQA 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 13. 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 18. 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 4-19.

### **E. The Director Review Orders**

On June 7, 2022, the Director ordered a “sua sponte Director review of the Board’s” decision to institute PQA’s IPR. Paper 31.<sup>4</sup> And on July 7, 2022, the Director issued an order finding “no error in the Board’s decision to institute review of [PQA’s] meritorious [IPR] Petition,” agreeing with the “Board’s determination that PQA 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 35 at 6-7 & n.5.

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

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<sup>4</sup> On the same day, the Precedential Opinion Panel (“POP”) dismissed VLSI’s requests for rehearing and precedential opinion panel review. Paper 32. 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 40.

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) PQA's formation, business, and members, and any person or entity with an interest in PQA or its activities, including any "other real parties in interest, beyond PQA"; (2) any relationship between PQA and the parties to this proceeding; and (3) any communications between PQA 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 35 at 8-9. Intel responds as follows:

1. Intel had never heard of, and knew nothing about, PQA before PQA filed its petition in this IPR. Based on public information, Intel has since learned that PQA is a South Dakota LLC formed on June 14, 2021. Ex. 1032 at 2; Ex. 2009.

In this proceeding, PQA has represented that it “is owned and managed exclusively by its members,” and “[e]ach member ... is not employed by, does not work for, and is not affiliated with Intel ..., OpenSky Industries, LLC (‘OpenSky’) ..., or patent owner, VLSI[.]” Ex. 1032 at 2.

Further, although Intel remains unaware of the “purpose” of PQA’s formation or of any “policy reason” behind PQA’s decision to file its ’373 IPR petition, PQA has stated in this proceeding that its motive for filing its IPR petition “is to demonstrate unpatentability of the challenged claims, not money.” Paper 8 at 10; *see also* Ex. 1035.

Intel has no other knowledge concerning PQA’s formation, business, members, or those holding an interest in PQA. Intel is not a real party in interest with respect to PQA’s IPR petition, and Intel is unaware of anyone else who should be considered as a potential real party in interest.

2. Before Intel’s joinder petition was instituted, Intel had no relationship with PQA. Now, Intel and PQA are both petitioners in this action and they have a common interest since Intel was joined to this proceeding. Intel otherwise has no formal or informal relationship with PQA. Intel also has no interest in PQA and has not provided PQA with any funding, as PQA itself has confirmed. Ex. 1032 at 2-3 (PQA representing it “did not notify, discuss, or coordinate efforts on [its] petition for *inter partes* review with Intel, OpenSky, VLSI, or any other business entity” and

that PQA “did not receive funds from Intel, OpenSky, VLSI, or any other business entity to prepare to file [its] petition” and “is not being reimbursed by Intel, OpenSky, VLSI or any other business entity for expenses incurred in connection with preparation of filing of [its] petition for [IPR]”).

3. Intel never communicated with PQA until after PQA’s IPR petition was instituted on January 26, 2022. Intel has had certain communications with PQA since this IPR was instituted, but in none of those communications did PQA condition “any action relating to this proceeding” based “on payment or other consideration” by Intel. Indeed, PQA has never asked Intel to pay it any money. Since Intel was joined to this proceeding, Intel has had certain confidential communications with PQA regarding the strategy for invalidating the ’373 patent in this IPR. Intel understands that PQA and VLSI previously engaged in certain discussions (*e.g.*, Ex. 1035), but that PQA has since stipulated that “it will not request this IPR be terminated in exchange for compensation from Patent Owner VLSI.” Paper 26 at 1.

***Response to Interrogatory c (remaining portion):*** The Director has asked about PQA’s potential liability for patent infringement claims, including any PQA “development plans to create a product that could arguably infringe the ’373 patent.” Paper 35 at 8. Intel states that it is unaware of any actual or planned PQA products or any basis by which PQA could infringe the ’373 patent.



***Response to Interrogatory d:*** In this interrogatory, the Director asks whether “the evidence in this proceeding demonstrate[s] an abuse of process or 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 35 at 8-9. Although Intel is not aware of the specific reasons for PQA’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 PQA’s interactions with VLSI, Intel cannot presently conclude if PQA 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 '373 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 13 at 1-2, 6-12; Ex. 3001. 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 35 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”).<sup>5</sup>

The same result should apply here. As noted above, the Director has “agree[d] with the Board’s determination that PQA demonstrated a reasonable likelihood of prevailing as to at least one challenged claim,” Paper 35 at 6 n.5, and VLSI has not identified any way in which PQA’s conduct supposedly undermines the merits of this proceeding—because it does not. Thus, any request by VLSI to terminate this

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<sup>5</sup> 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.” *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.”).

proceeding 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, regardless of what happens to PQA.<sup>6</sup>

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 abuse of process does not relate to the merits and the proceeding involves another petitioner not involved in the accused conduct. VLSI cannot even come close to meeting its high burden to show this case falls within that narrow, rare exception.

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<sup>6</sup> VLSI has questioned Intel’s relationship with PQA. IPR2022-00479, Paper 8 at 14. But as confirmed in Intel’s interrogatory answers above, Intel and PQA have no relationship beyond their joint status as petitioners and as a result of their common interest since Intel was joined to this proceeding, *see supra* pp. 10-12.

**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 CFR § 42.12 (explaining that “[t]he Board may impose a sanction against a party for misconduct, including ... [a]buse of process”).

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 PQA also do not go to or otherwise affect the merits of the IPR. VLSI instead claims that PQA “faces no threat of infringement and formed post-Verdict solely to extract a payoff by challenging VLSI’s patent.” Paper 13 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 PQA’s conduct, and thus cannot presently conclude if PQA has engaged in other conduct that 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 PQA’s accused conduct beyond having to defend the validity of the ’373 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) filing its claims asserting the ’373 patent in Waco, where it knew the case would be assigned to Judge Albright and given an early initial trial date and (2) leveraging that early Texas trial date to secure discretionary denial of Intel’s petition (even though the original trial date later slipped multiple months and final judgment did not enter

until twenty-nine months after Intel filed its petition). *See supra* pp. 6-8.<sup>7</sup> Without that conduct from VLSI, Intel's original petitions would have been instituted, and PQA would likely not 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 PQA's conduct. *See supra* pp. 14-17. 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

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<sup>7</sup> 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.

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 PQA’s alleged motive for filing an IPR into an escape route that avoids review of the challenged ’373 claims on the merits. That result would only help VLSI in its ongoing effort to secure a \$1.5 billion windfall—based on patent claims that the Director agrees are reasonably likely unpatentable, and based on conduct having nothing to do with those 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 PQA 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."

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Respectfully Submitted,

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**Table of Exhibits for Petitioner Intel Corporation's  
Opening Brief Regarding Director Review in IPR2021-01229**

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, <a href="https://www.ipwatchdog.com/2019/02/18/newest-patent-rocket-docket-waco-texas/id=106453/">https://www.ipwatchdog.com/2019/02/18/newest-patent-rocket-docket-waco-texas/id=106453/</a> (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)

**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 1501-1517

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

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