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 No. 7,725,759

PETITIONER'S OPENSKY INDUSTRIES LLC's INITIAL BRIEF PURSUANT TO DIRECTOR'S ORDER (Paper No. 47)

REDACTED PUBLIC VERSION

Petitioner OpenSky Industries LLC ("OpenSky" or "Petitioner") hereby provides its brief in response to section C of the Order Setting Schedule for Director Review (Paper No. 47, dated July 7, 2022). The Director directed the parties to address the questions set forth at pages 7-9 of the Order; Opensky sets forth its responses using the Director's questions to identify each response.

I. Introductory Statement

Throughout this proceeding, VLSI has promoted a false narrative in which it portrayed itself as a victim of "harassment" or a "shakedown," when the truth is that VLSI sought to pay OpenSky to end this proceeding and to [redacted] through no prompting of OpenSky.

On August 6, 2021, counsel for VLSI (Nate Lowenstein) left a voicemail for counsel for OpenSky (Andrew Oliver) and requested that Mr. Oliver call him back. Mr. Lowenstein's call was made prior to any substantive filing by VLSI in this proceeding; VLSI's first substantive filing was not made until September 24, 2021. Counsel for VLSI and OpenSky spoke. Notably, VLSI suggested that OpenSky and VLSI settle the pending IPR petitions—the suggestion was not made by OpenSky. OpenSky and VLSI negotiated a "Confidential Discussions Agreement" ("NDA") and the parties signed that agreement on August 27 and August 28, 2021.

Pursuant to their NDA, OpenSky and VLSI spoke again [redacted]

[redacted] to dismiss the petitions for IPR. Mr. Oliver informed Mr. Lowenstein that [redacted]. Mr. Lowenstein suggested that OpenSky [redacted].

In an email dated September 10, 2021 to VLSI, OpenSky stated, "Thanks for the call last week. [redacted]." VLSI responded that [redacted] and suggested [redacted]"

Two weeks later, on September 24, 2021, VLSI filed its preliminary response. In that paper, VLSI referred to the underlying petition as a "shakedown", "harassment", and made "presumably in the hopes of receiving a payout." As noted above, OpenSky did not approach VLSI for any "shakedown", "harassment", or "payout." Instead, it was VLSI who approached OpenSky [redacted]. Yet VLSI was already deceptively rewriting the narrative in the form that VLSI preferred.

On December 23, 2021, the proceeding was instituted. On the same day, at approximately 11:40am Pacific time, OpenSky received a voicemail from VLSI,

suggesting that [redacted]. This, again, was [redacted]—not OpenSky. OpenSky initially refrained from contacting VLSI, because OpenSky hoped to collaborate with Intel. Again, it can be seen that VLSI sought [redacted], not that OpenSky was seeking any harassment or shakedown. OpenSky merely refused VLSI's initial advances.

The Monday after institution, Intel filed a joinder petition. Later, after it became apparent that Intel was not interested in collaborating due to Intel's stated fear of being deemed a "real party-in-interest", OpenSky reached out to VLSI on February 21, 2022, asking [redacted] The undersigned understands that VLSI's counsel and OpenSky's corporate counsel had a phone discussion on February 22, in which VLSI [redacted] with OpenSky's corporate counsel. (The undersigned did not participate in the February 22 telephone conversation.) Though the undersigned did not participate in the February 22 telephone conversation, the undersigned has come to understand that VLSI informed OpenSky's corporate counsel that [redacted]

[redacted].

On February 23, OpenSky's corporate counsel sent an email to VLSI in which he referred back to the February 22 telephone conversation and included "a construct for discussion purposes…." and noted, "[W]e propose a structure that builds on *your earlier proposal*…" (Exhibit 2055 (emphasis added)).

It should be apparent to all that the potential terms in this email built on [redacted] after VLSI had been pursuing OpenSky for more than six months, seeking to pay OpenSky to terminate the proceeding. Yet, because VLSI published the proposal to the board and the media and made allegations of fraud, extortion, and other false allegations, the public narrative has attempted to paint OpenSky as a party taking inappropriate actions. OpenSky has sought to comply with the requirements of the confidentiality agreement between OpenSky and VLSI and, thus, has not publicly responded to VLSI's false allegations.

The true inquiry should be into whether VLSI committed misconduct by making its settlement proposal and then misconstruing a response in hopes of obtaining rehearing, POP review, or Director review, all in violation of the parties' NDA. VLSI was successful in obtaining such review by painting its false narrative. It remains to be seen whether the Director will be deceived by VLSI's

false allegations.

(It is worth noting that if this proceeding results in invalidity, VLSI stands to lose a jury verdict approaching $700 million which may be increased to more than $1 billion if pre-judgment or post-judgment interest is applied; whereas OpenSky does not stand to gain or lose anything if invalidity is found in this proceeding.)

II. What actions the Director, and by delegation the Board, should take when faced with evidence of an abuse of process or conduct that otherwise thwarts, as opposed to advances, the goals of the Office and/or the AIA; and

OpenSky does not have knowledge or opinions regarding what actions would be appropriate when faced with such evidence or conduct which is absent in this proceeding.

To the extent that the Director is referring to taking action against VLSI for [redacted] and to which OpenSky responded by email dated February 23, OpenSky does not believe that engaging in preliminary discussions regarding potential settlement of an inter partes review constitutes abuse of process or conduct that thwarts the goals of the Office or AIA. Rather, the AIA directs the Director to prescribe regulations considering effects including "the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under" the AIA. 35 U.S.C. §316(b). It is well established that permitting parties to settle proceedings achieves both efficient administration and timely completion of proceedings.

To the extent that the Director is referring to taking action against OpenSky for considering [redacted] and responding by email dated February 23, OpenSky does not believe that any action that would discourage a petitioner from considering and responding to a patent owner's [redacted] would be consistent with the goals of the Office or the AIA. OpenSky's understanding is that both the Office and the AIA seek efficient administration and timely resolution of proceedings, per 35 U.S.C. §316(b). Thus, it is consistent with the goals of both the Office and the AIA to allow the parties to discuss settlement without interference, regardless of whether the patent owner makes a proposal that is onerous to the public or whether the petitioner responds to such a proposal. The Board already holds the statutory authority to maintain a proceeding even in view of a signed settlement by the parties by denying a motion to dismiss or terminate a proceeding. 35 U.S.C. §317(a) ("…the Office may terminate the review or proceed to a final written decision…"). Certainly, the undersigned and OpenSky fully intended to completely document and produce to the Board all terms of any settlement that ultimately might have been reached with VLSI, as required by the Board and 37 C.F.R. §42.74(b) for the Board's approval. Thus, a statutory mechanism already exists for determining whether to grant the parties' motion to dismiss or terminate an inter partes review, where a term within a signed settlement agreement may be disagreeable to the Board or the Director.

III. 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.

OpenSky does not have knowledge or opinions regarding how to assess conduct as potential abuse of process, which is absent from OpenSky's actions in this proceeding. Nor does OpenSky have knowledge or opinions regarding what conduct should be considered as potential abuse of process except to note that meritorious petitions should not be considered abuse of process; nor should the act of responding to [redacted] to settle a proceeding. The Office has encouraged settlement of proceedings to maintain efficiency and timeliness of decisions by the PTAB and should not now begin to discourage settlement discussions.

IV. 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 preliminarily notes that these questions are irrelevant to this proceeding, as there is no standing requirement to bring a petition for inter partes review, and that (with the exception of certain statutory time bars) any company may file a petition for inter partes review, regardless of when it was formed, its purposes, or its business. 35 U.S.C. §311(a) ("…a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review…");

see also Cuozzo Speed Technologies, LLC v. Lee, 136 S. Ct. 2131, 2143-44 (2016) ("Parties that initiate the proceeding need not have a concrete stake in the outcome…").

A. When was OpenSky formed?

OpenSky was formed on April 23, 2021. (Exhibit 1048 ¶ 4).

B. For what purpose?

A Nevada Limited Liability Company is not required to state a purpose on formation. Accordingly, OpenSky has not limited its business purpose.

C. What is the business of OpenSky?

A Nevada Limited Liability Company is not required to state a "business" on formation. Accordingly, OpenSky has not limited its "business."

D. Who are members of OpenSky?

[redacted]

E. Which other persons or entities have an interest in OpenSky or any of its activities including this proceeding? Explain.

No persons nor entities [redacted] have an interest in OpenSky or any of its activities including this proceeding. The explanation for this is that [redacted] as set forth above.

V. 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?

OpenSky has no relationship with VLSI Technology LLC or Intel Corporation outside of the roles that each has been assigned in the proceedings numbered IPR2021-01056, IPR2021-01064, and IPR2022-00645.

As noted above in section I, VLSI contacted OpenSky before VLSI made any substantive filing in this proceeding (i.e., on August 6, 2021) seeking to pay OpenSky to terminate the petition and again on the morning of the day that the proceeding was instituted (i.e., December 23, 2021) [redacted]. OpenSky engaged in brief discussions with Intel; after it became apparent to OpenSky that Intel was not interested in speaking with OpenSky, in February 2022, OpenSky opened discussions with VLSI and [redacted]. OpenSky responded to [redacted].

Aside from this, OpenSky and the parties have had numerous communications related to various procedural and substantive issues with respect to this proceeding and related proceedings. OpenSky did not have any communications with Intel prior to December 23, 2021. The communications related to substance and procedure in this proceeding would be unduly burdensome to log and are not relevant to the topics of the Director's review.

VI. 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.

Whether OpenSky infringes or has policy reasons for filing the Petition are both irrelevant as to this proceeding. There is no standing or policy requirement for seeking an inter partes review. 35 U.S.C. §311(a) ("…a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review…"); *see also Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131, 2143-44 (2016) ("Parties that initiate the proceeding need not have a concrete stake in the outcome…").

OpenSky has not attempted to perform an infringement analysis. OpenSky does not know what products were accused of infringement in the lawsuit that VLSI brought against Intel. However, in view of the exceedingly large amount of damages that were assessed against Intel, it appears likely that a large number of Intel products were accused of infringement. If OpenSky has a computer product that contains one of these Intel products that were found to infringe, it is possible that OpenSky could be accused of infringing the '759 patent, e.g., through "use" of the product per 35 U.S.C. §271(a).

OpenSky had a number of business and policy reasons for filing its Petition that include at least the following. OpenSky wanted to bring attention to the

problematic policy of discretionary denial of institution under the *Fintiv* case; OpenSky has accomplished that goal. Further, OpenSky felt that it was unjust that a plaintiff could secure a jury verdict exceeding $2 billion without a meaningful opportunity to challenge validity at either the USPTO or the district court. OpenSky was concerned about the impacts of large patent infringement verdicts in favor of non-practicing entities and against U.S. companies who provide many, many jobs.

VII. 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 evidence demonstrates abuse of process or conduct that thwarts the goals of the Office or AIA only by VLSI. No evidence demonstrates any such abuse by Intel or OpenSky.

First, VLSI notes that settlement discussions are not evidence. Specifically, the Patent Trial and Appeal Board Consolidated Trial Practice Guide – November 2019 states at page 8, "Admissibility of evidence is generally governed by the Federal Rules of Evidence." And Rule 408 of the Federal Rules of Evidence provides,

> Evidence of the following is not admissible — on behalf of any party — either to prove or disprove the validity or amount of a disputed claim or to impeach by a prior inconsistent statement or a contradiction:
> (1) furnishing, promising, or offering — or accepting, promising to accept,

> or offering to accept — a valuable consideration in compromising or attempting to compromise the claim; and
>
> (2) conduct or a statement made during compromise negotiations about the claim — except when offered in a criminal case and when the negotiations related to a claim by a public office in the exercise of its regulatory, investigative, or enforcement authority.

Fed. R. Evid. 408. Thus, the parties' discussions of potential settlement positions are not admissible evidence in this proceeding, unless the Director determines that the Board's trial practice guide is inapplicable.

If the Director determines that Fed. R. Evid. 408 does not apply and that discussions of potential settlement positions are admissible evidence, then the evidence demonstrates that OpenSky responded to [redacted] after VLSI had been seeking for more than six months to pay OpenSky to terminate the proceeding. The evidence further demonstrates no actionable terms or offers and that the parties were involved in the early stages of a negotiation without any concrete terms. Neither party could have accepted the other party's proposal at the stage of the February 23, 2022 email. The February 23 email contains no discussion of consideration and does not state that any potential terms are required or important. And the February 23 email does not make any statement or statements regarding the manner in which any action might be taken if an agreement was eventually reached through later discussions. One could

hypothesize about the order of various actions and fictionally invent a narrative that appeared nefarious just as easily as one could hypothesize an entirely innocent order of the various actions. But because the settlement discussions between the parties were in an early and inchoate stage, there is no basis to assign detail to vague potential terms.

As noted above, VLSI pursued OpenSky over the course of more than six months, seeking [redacted]. It was not OpenSky, but rather it was VLSI that offered [redacted]. It was not OpenSky, but rather it was VLSI that proposed [redacted].

VLSI did violate a confidentiality agreement between OpenSky and VLSI in a manner that was inconsistent with the goals of the Office and the AIA. VLSI likely knew that OpenSky would maintain confidentiality and maintain OpenSky's obligations under the agreement even in view of multiple breaches by VLSI. Now that the Director has ordered the parties to produce documents and explain what happened, OpenSky is able to (indeed, required to) set forth the facts in a manner that allows both sides of the discussion between OpenSky and VLSI to be considered.

VLSI's acts in violating a non-disclosure agreement ("NDA") by releasing only one portion of material protected by that NDA is both "abuse of process" and "conduct that thwarts" the goals of the Office and the AIA for efficient and timely resolution of proceedings. *See, e.g.,* 35 U.S.C. §316(b). Rather that telling the whole story, VLSI sought to release only one small portion of the discussion, couched in hyperbole and false accusations, in an attempt to have this proceeding terminated by the Board, by the POP panel, and ultimately by the Director. VLSI relied on this partial violation of the NDA to seek rehearing of the institution decision. VLSI also relied on this partial violation of the NDA with respect to the Director review. Both requests were contrary to the efficient administration and timely resolution of this proceeding. VLSI went so far as to seek indefinite delay of this proceeding based on VLSI's violation of the NDA in which it released partial information only. *See, e.g.,* Paper No. 51 p. 3 (noting that VLSI sought suspension or stay pending completion of Director Review). VLSI has also filed speculative, overbroad and unnecessary requests for the Director to undertake in camera review of the documents of both OpenSky and Intel. *See* Papers Nos. 62 and 63. Such requests do not promote either efficiency or timeliness, but instead ask the Director of the Office to divert time from other duties to review of irrelevant documents.

If – instead of releasing a self-serving subset of information along with

hyperbole, bluster and misstatements – VLSI had either honored the NDA or released a full set of relevant communications, the parties, the Board, the POP, and the Director could have avoided much time wasted in considering VLSI's improper requests to terminate this proceeding based on a settlement proposal that [redacted]. Instead, VLSI chose to abuse process and engage in conduct designed to thwart the goals of the Office and the AIA.

As further noted above, OpenSky and its counsel would have complied with 37 C.F.R. §42.74 and filed any settlement agreement with the Board, if any settlement agreement was ever reached. Any and all conditions of any such settlement would have been disclosed to the Board in connection with a motion to terminate under 35 U.S.C. §317. And the Board could have decided whether to proceed or terminate the proceeding. However, OpenSky never proceeded beyond very preliminary discussions with VLSI and never reached any verbal or written agreement to terminate this proceeding; nor were the parties even close to reaching any such agreement.

The evidence in the proceeding does not demonstrate any abuse of process or any conduct that thwarts the goals of the Office or the AIA by OpenSky or Intel, but the evidence does demonstrate such abuse and conduct by VLSI.

VIII. 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.

The basis for concluding that there are no other real parties in interest beyond OpenSky is that OpenSky acted entirely on its own and with its own funding in bringing its Petition. OpenSky did not have the support of any other entity.

No additional person nor entity should be considered as a potential real party in interest.

IX. 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.

No.

OpenSky engaged in early-stage settlement talks with VLSI and engaged in talks about a deeper collaboration with Intel. However, neither advanced beyond a very preliminary and inchoate stage.

OpenSky has not conditioned any action relating to this proceeding on payment or other consideration. Every action taken by OpenSky to-date has been of its own accord and without any payment or other consideration from Intel or VLSI.

To the extent that there is any uncertainty, OpenSky paid its expert witness

Dr. Jacob his full fee to prepare for and appear for deposition, as is plainly evidenced by the expert deposition transcript filed as Exhibit 2066 in this proceeding. In particular, the expert confirmed that he was being paid by Opensky. Exhibit 2066 p. 19:17-24. In addition to this, OpenSky had secured the agreement of Dr. Sylvia Hall-Ellis to testify; Dr. Hall-Ellis is a second expert witness whose declaration was submitted as Exhibit 1040 in this proceeding. However, VLSI neither noticed nor requested a deposition of Dr. Hall-Ellis.

Respectfully submitted,

Dated: August 18, 2022

By: */s Andrew T. Oliver/*

Andrew T. Oliver, Reg. No. 62,764

CERTIFICATE OF SERVICE

I hereby certify that on August 18, 2022, I caused a true and correct copy of the foregoing materials to be served via electronic mail on the following attorneys of record for Patent Owner and Petitioner Intel:

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