

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,  
Petitioners,

v.

VLSI TECHNOLOGY LLC,  
Patent Owner.

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IPR2021-01229<sup>1</sup>  
Patent 7,523,373 B2

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Before KATHERINE K. VIDAL, *Under Secretary of Commerce for Intellectual  
Property and Director of the United States Patent and Trademark Office.*

ORDER  
*Setting Schedule for Director Review*

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<sup>1</sup> Intel Corporation (“Intel”), which filed a petition in IPR2022-00479, has been joined as a party to this proceeding. Paper 30.

## I. INTRODUCTION

On January 26, 2022, the Patent Trial and Appeal Board (“Board”) issued a Decision granting institution of an *inter partes* review of claims 1–16 (“challenged claims”) of U.S. Patent No. 7,523,373 B2 (“the ’373 patent”), as Patent Quality Assurance, LLC (“PQA”) requested. Paper 10 (“Institution Decision”). VLSI Technology LLC (“Patent Owner”) subsequently filed a rehearing request and a request for Precedential Opinion Panel (“POP”) review. *See* Paper 13 (“Req. Reh’g”); Ex. 3001. On June 6, 2022, the Board joined Intel as a Petitioner in this case. Paper 30. I initiated Director review of the Board’s Institution Decision on June 7, 2022. Paper 31. Concurrent with my Order, the POP dismissed the rehearing and POP review requests. Paper 32.

In accordance with United States Patent and Trademark (“USPTO” or “Office”) policies, this Order identifies the issues subject to review and sets forth the schedule for the Director review process. *See* Paper 31; *Interim process for Director review*<sup>2</sup> §§10 (encouraging focused issues), 11 (“Responsive or amicus briefing may only be submitted if requested by the Director.”), 22 (“If Director review of an institution decision is initiated sua sponte by the Director, the parties to the proceeding will be given notice and may be given an opportunity for briefing. The public also will be notified and the Director may request amicus briefing.”).

## II. BACKGROUND

In November 2019, Intel filed a petition for *inter partes* review challenging claims of the ’373 patent in IPR2020-00158. IPR2020-00158, Paper 3.

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

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Considering the factors set forth in the Board’s precedential decision in *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (precedential (“the *Fintiv* factors”)), the Board exercised discretion to deny institution of the proceeding, based on the advanced state of litigation concerning the ’373 patent, then pending in the United States District Court for the Western District of Texas. IPR2020-00158, Paper 16. Intel requested POP review of the Board’s decision, which was denied. IPR2020-00158, Papers 18, 19. The district court cases concluded on March 2, 2021, with a jury verdict finding Intel infringed the ’373 patent and U.S. Patent No. 7,725,759 B2 (“the ’759 patent”). Paper 7, 5. The jury awarded Patent Owner \$2.175 billion in damages, \$1.5 billion of which was attributable to infringement of the ’373 patent. Ex. 1031, 6; *VLSI Tech. LLC v. Intel Corp.*, Case No. 6:19-cv-00254-ADA (consolidated as 19-cv-00977) (W.D. Tex.). *Id.*

On June 7, 2021, OpenSky Industries, LLC (“OpenSky”) filed a petition for *inter partes* review challenging claims of the ’373 patent in IPR2021-01056. IPR2021-01056, Paper 2. The petition in IPR2021-01056 was supported by the declaration of Dr. Adit Singh. *See id.* at 5–6, 22. In determining whether to institute the proceeding, the Board found that Dr. Singh was not available for cross-examination because of an exclusive arrangement between Dr. Singh and PQA. IPR2021-01056, Paper 18, 5 (citing IPR2021-01229, Paper 1, 4–5; Ex. 1034). The Board determined that because Dr. Singh was unavailable for cross-examination, Dr. Singh’s declaration was likely to be excluded as hearsay. *See id.* at 4–9. Without Dr. Singh’s testimony, the Board determined that OpenSky was unlikely to meet its burden to show unpatentability of at least one challenged claim. *See id.* at 6–7, 9. Consequently, the Board denied institution of the petition in IPR2021-01056. *Id.* at 9–10.

On July 7, 2021, PQA filed the Petition for *inter partes* review in this proceeding, challenging claims 1–16 of the '373 patent. Paper 1 (“Petition” or “Pet.”).<sup>3</sup> In its Petition, PQA argued that the Board should not exercise discretion to deny institution under 35 U.S.C. §§ 314(a) or 325(d). Pet. 2–50. In addressing discretionary denial, PQA argued that:

[b]ecause no examiner, court, or other tribunal has evaluated the '373 patent's validity in view of the grounds presented herein, review is necessary to instill confidence in the integrity of the patent system and to ensure that innovative U.S. companies (and their consumers) are not unfairly taxed by entities asserting invalid patents.

*Id.* at 2–3; *see also* Paper 8 (Prelim. Reply), 3 (“*Fintiv* is relevant when another proceeding has determined, or may determine, invalidity issues impacting the IPR. No invalidity issue was (or can now be) determined in *VLSI*, so there is no other relevant proceeding. PO identifies no institution denial based on a different proceeding in which *no* invalidity issue was adjudicated or pending at the time of denial. The complete absence of overlap between this Petition and the *VLSI* case warrants rejection of PO's *NHK/Fintiv*-based arguments.”).

Patent Owner filed a Preliminary Response on October 27, 2021, explaining that this was the third *inter partes* review petition filed against the '373 patent. Paper 7, 1 (noting discretionary denial of Intel's petition in IPR2020-00158 and OpenSky's filing of the petition in IPR2021-01056). Patent Owner argued that this Petition should be denied, alleging that after the widely-reported verdict finding that Intel infringed the '759 and '373 patents, PQA “formed in South Dakota to file the present petition.” *Id.* at 1 (citation omitted). Patent Owner argued that “PQA's

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<sup>3</sup> PQA also filed a petition for *inter partes* review in IPR2022-00480, challenging claims 1, 14, 17, 18, 21, 22, and 24 of the '759 patent and seeking joinder to instituted IPR2021-01064. IPR2022-00480, Papers 2, 3.

only apparent activity to date is filing an IPR against VLSI.” *Id.* at 6. Patent Owner also noted that “PQA’s petition copies the Intel Petition (and, thus, its petition is substantially identical to OpenSky’s as well) and relies on declarations from Intel declarants Dr. Singh and Dr. Hall-Ellis.”<sup>4</sup> *Id.*

In this proceeding, the Board reviewed the evidence and arguments in the Petition, Preliminary Response, Preliminary Reply, and Preliminary Sur-reply, and instituted the requested *inter partes* review. Institution Decision 24. Specifically, the Board found that the *Fintiv* factors did not weigh in favor of discretionary denial in large part because the district court jury trial did not resolve the issues presented in this proceeding. *Id.* at 6–7. The Board was not persuaded that “prevailing in litigation against one party should insulate a patent owner from challenge by a different party based on grounds that were not resolved in the litigation.” *Id.* at 7. The Board also disagreed with Patent Owner’s arguments that institution should be denied because the Petition presents the same challenges as the prior Intel petition, namely, because the Board did not reach the merits of the prior Intel petition. *Id.* at 7, 9–10 (relying on factors set forth in *General Plastic Industrial Co., Ltd. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19 (Sept. 6, 2017) (precedential) (“the *General Plastic*” factors).

Following the Board’s Institution Decision in this case, Patent Owner filed a request for rehearing and for POP review. In the rehearing request, Patent Owner argued that “[t]he Board should not permit entities formed after the verdict and facing no infringement threat to treat these proceedings as leverage to extract

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<sup>4</sup> Such practice has become known as “copycat” petition practice and, to date, has not been held to be improper any more than copying claims to invoke interference proceedings.

ransom payments in exchange for withdrawing abusive attacks.” Req. Reh’g 1, 6–8. Patent Owner argued that such a proceeding advances no valid public interest and “fail[s] to weigh the overarching interests of fairness to the parties and the integrity of the patent system.” *Id.* at 2, 9–10.

As noted above, I initiated Director review of the Board’s Institution Decision on June 7, 2022. Paper 31. Concurrent with my Order, the POP dismissed the rehearing and POP review requests. Paper 32. On June 6, 2022, the Board joined Intel as a Petitioner in this case. Paper 30.

### III. DISCUSSION

#### A. The Board’s Institution Decision

On this record, I discern no error in the Board’s decision to institute review of a meritorious Petition where the challenged patent was previously litigated in district court and was the subject of previous *inter partes* review proceedings, which were not instituted based on *Fintiv*.<sup>5</sup> As the Institution Decision explains, the challenges presented here have not yet been adjudicated, either by the Board or in district court. Institution Decision 6–11.

In the Leahy-Smith America Invents Act (“AIA”), Congress established post-grant proceedings, including *inter partes* review, post-grant review, and covered business method review proceedings, to improve and ensure patent quality by providing “quick and cost-effective alternatives to litigation” for challenging issued patents. H.R. Rep. No. 112–98, pt. 1, at 48 (2011); *see also* S. Rep. No. 110–259, at 20 (2011) (explaining that the “post-grant review system . . . will

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<sup>5</sup> I have reviewed the parties’ pre-institution papers concerning the merits and I agree with the Board’s determination that PQA demonstrated a reasonable likelihood of prevailing as to at least one challenged claim. Institution Decision 13–24.

give third parties a quick, inexpensive, and reliable alternative to district court litigation to resolve questions of patent validity”). Congress granted the Office “significant power to revisit and revise earlier patent grants” as a mechanism “to improve patent quality and restore confidence in the presumption of validity that comes with issued patents.” *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 272 (2016) (quoting H.R. Rep. No. 112-98, pt. 1, at 45, 48). Given those objectives, compelling, meritorious challenges will proceed at the Board even where district court litigation is proceeding in parallel. *See Discretionary Denial Guidance* 3–5.

I further discern no error in the Board’s findings and determinations with respect to its analysis of the *Fintiv* or *General Plastic* factors. Institution Decision 5–11. Accordingly, in this Director review proceeding, no further briefing is permitted as to the merits of the unpatentability challenges as it pertains to institution, or the *Fintiv* or *General Plastic* factors.

#### B. Issues of First Impression

When abuse has been demonstrated, the Board retains discretion to, *inter alia*, deny institution of AIA proceedings or terminate instituted trials. Although I agree with the Board that the Petition should not have been discretionarily denied under the Board’s currently established discretionary policies, that leaves 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.

#### C. Scope of Director Review

As noted above, this proceeding presents issues of first impression. It also involves issues of particular importance to the Office, the United States innovation economy, and the patent community. In particular, the following issues are relevant:

1. 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
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.

Because of the importance of these issues to the Office in fulfilling its mission, which includes curbing behavior that may thwart that mission, and because of the importance to the patent community at large, the parties shall address these issues in their briefing, including through new arguments and non-declaratory evidence. Additionally, *amici curiae* are permitted and encouraged to submit briefing on these issues, as set forth below. Any briefing by *amici curiae* in this case will be considered submitted in IPR2021-01064.

In addition, the parties' briefing shall address the following additional interrogatories and shall cite supporting documentary evidence:

- a. When was PQA formed? For what purpose? What is the business of PQA? Who are members of PQA? Which other persons or entities have an interest in PQA or any of its activities including this proceeding? Explain.
- b. What is the relationship between PQA and each of the other parties? Other than communications already in the record, what communications have taken place between PQA and each of the other parties?
- c. Could PQA be subject to claims of infringement of the '373 patent? Does PQA have development plans to create a product that could arguably infringe the '373 patent? Does PQA have a policy reason for filing the Petition that benefits the public at large beside any reasons articulated in the already-filed papers? Explain.
- 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?

- e. What is the basis for concluding that there are no other real parties in interest, beyond PQA (*see* Pet. 75)? Are there additional people or entities that should be considered as potential real parties in interest? Explain.
- f. Did PQA 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.

The parties are instructed that sanctions may be considered for any misrepresentation, exaggeration, or over-statement as to the facts or law made in the parties' briefing. *See, e.g.*, 37 C.F.R. §§ 11.19(a), 11.101 *et seq.*, 42.11.

#### IV. MANDATED DISCOVERY

In order to allow all parties to answer the questions set forth above, the parties shall exchange the following information, including electronically stored information, by July 21, 2022. Any exchanged information may be relied upon in the parties' briefs, and only information that is relied upon may be filed as an exhibit along with the party's brief.

PQA shall provide to other parties to this proceeding:

- i. all documents filed with state, federal, and/or other governmental regulatory entities related to the formation of PQA and any communications related to the same or to the formation of PQA;
- ii. all documents relating to PQA's business plan including its funding, its potential revenue, and the future allocation of any of its profits;
- iii. all documents and communications relating to the filing, settlement, or potential termination of this proceeding, or experts in this proceeding, not already of record in the proceeding;
- iv. all documents and communications relating to the filing, settlement,

or termination of any other *inter partes* review proceeding concerning the '373 patent, not already of record in the proceeding;

- v. all documents and communications with Dr. Adit Singh relating to his retention by PQA, including any agreements with him;
- vi. all documents and communications relating to any real party in interest and decisions made to list or not list any person or entity as a real party in interest; and
- vii. all communications with any named party relating to the filing, settlement, or potential termination of this proceeding.

Patent Owner also shall provide to other parties to this proceeding all documents responsive or relevant to i–vii above.

Likewise, Intel shall provide to other parties to this proceeding all documents responsive or relevant to i–vii above. Intel also shall provide all communications with PQA (including its attorneys or agents) relating to this or any other *inter partes* review of or litigation related to the '373 patent, created or exchanged prior to the January 26, 2022 institution date of this proceeding.

These obligations extend to all documents within the possession, custody, or control of PQA, Intel, and Patent Owner, including without limitation documents maintained by officers, directors, employees, agents, experts, consultants, or outside counsel. The requests above shall be interpreted inclusively and broadly to include text messages, voice mail messages, calendar entries, and any other communications or documents. Any attempt to withhold evidence based on a narrow interpretation of the requests will be reviewed in conjunction with any other subject conduct and may, alone or in combination with other conduct, be sanctionable.

The parties shall exchange the aforementioned evidence with all other parties, subject to the Modified Default Protective Order in this proceeding, unless a good faith claim of attorney-client privilege, work product doctrine, or any other

applicable privilege or immunity exists in which case the evidence may be withheld from production. *See* Paper 36. Documents should not be excluded on the basis that they were created during the course of district court litigation or Board proceedings. If 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.

Within one week of receiving a privilege log, a receiving party may identify any documents they believe the Director should review in camera. Within one week of such identification, the party providing the privilege log must file those documents to the Office, submitted as “Board Only” within the PTAB E2E system.<sup>6</sup>

## V. BRIEFING AND SCHEDULE

Any evidence cited in a party’s brief shall be referenced by existing exhibit number or shall be entered into the record. *See Interim process for Director review* § 7 (“The Director will not consider new evidence or arguments not part of the official record. Parties should also generally avoid citing cases not cited in the official record. Exceptions are issues of first impression or issues involving intervening changes in the law or USPTO procedures, guidance, or decisions.”). Only evidence that is relied upon may be filed as an exhibit along with a party’s brief.

New declaratory evidence is not permitted. The parties may submit evidence under seal if necessary. The parties shall file a motion to seal accompanied by the Modified Default Protective Order as necessary. *See*

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<sup>6</sup> The Office does not consider a party to waive any applicable privilege by providing allegedly privileged documents to the Office for in camera review, when filed as “Board Only.”

Paper 36.

PQA, Intel, and Patent Owner are authorized to submit initial briefing, limited to the policy issues and questions identified above, of no more than twenty-five (25) pages, due on August 4, 2022.

Additionally, *amici curiae* are authorized to submit a brief to Director\_PTABDecision\_Review@uspto.gov, limited to the policy issues identified above, of no more than twenty-five (25) pages and due on August 4, 2022. Amici are not authorized to submit evidence. The Board will enter the *amicus curiae* briefs into the record.

PQA, Intel, and Patent Owner are further authorized to file responsive briefing of no more than twenty-five (25) pages, due on August 18, 2022. The parties also may respond to the *amicus curiae* briefing in their responsive briefs.

No further briefing is authorized at this time.

Oral argument may be authorized for this proceeding. If so, I will issue a Hearing Order in due course setting forth the date, time, and location for an oral hearing.

As noted in the Order initiating Director review, the *inter partes* review is not stayed and will proceed according to the schedule stipulated to by the parties. See Paper 31, 3.

## VI. ORDER

Accordingly, based on the foregoing, it is:

ORDERED that the Board's Decision Instituting *Inter Partes* Review (Paper 10) is submitted for Director review on the policy issues, interrogatories, and schedule identified above;

FURTHER ORDERED that PQA, Intel, and Patent Owner shall exchange evidence as identified above and on the schedule identified above; and

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FURTHER ORDERED that, if a party must contact the Office related to this Director review proceeding, they do so by email to Director\_PTABDecision\_Review@uspto.gov.

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