

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE OFFICE OF THE UNDER SECRETARY OF COMMERCE
FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE

OPENSKY INDUSTRIES, LLC,
INTEL CORPORATION,
Petitioners,

v.

VLSI TECHNOLOGY LLC,
Patent Owner.

IPR2021-01064¹
Patent 7,725,759 B2

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

DECISION
Granting-in-Part Petitioner's Request on Rehearing
of Order Granting Motion for Fees

¹ Intel Corporation ("Intel"), which filed a petition in IPR2022-00366, has been joined as a party to this proceeding. Paper 43.

I. INTRODUCTION

On December 15, 2023, I issued an Order granting the Motion for Fees (Paper 130 (confidential); Paper 145 (public)) filed by Patent Owner (VLSI Technology LLC or “VLSI”). Paper 141 (“Order”) (confidential); *see also* Paper 147 (public). In the Order, I awarded VLSI attorney fees amounting to \$413,264.15 as compensation for the time spent addressing abusive behavior by Petitioner (OpenSky Industries, LLC or “OpenSky”) in this proceeding. Order 2–3.

On January 12, 2024, OpenSky timely filed a Request for Rehearing of the Order. Paper 146 (“Req. Reh’g”). OpenSky raises three issues in its Request for Rehearing. *Id.* at 1–2. First, OpenSky requests that the Director modify the Order to require that payment of the sanction is due after conclusion of all related appeals. *Id.* at 6–7. Second, OpenSky argues that I failed to properly address OpenSky’s hearsay challenge to Exhibit 2126. *Id.* at 2–4. Third, OpenSky argues that I awarded fees that were not incurred solely because of OpenSky’s alleged misconduct. *Id.* at 4–6.

I grant OpenSky’s request to modify the Order and require that the payment of the sanction is due after conclusion of all appeals related to this proceeding, as specified below. I deny OpenSky’s remaining requests for the reasons discussed below.

II. STANDARD OF REVIEW

A party dissatisfied with a Director Review decision may file a single request for rehearing without prior authorization. Revised Interim Director Review Process § 5.C.ii.² That party carries the burden of showing the

² Available at www.uspto.gov/patents/ptab/decisions/revised-interim-director-review-process (updated January 19, 2024).

Director Review decision should be modified. *Id.* “A request for rehearing of a Director Review decision is not an opportunity to raise new issues, reargue issues, or disagree with determinations by the Director. Instead, the rehearing request must specifically identify what matter the Director Review decision misapprehended or overlooked.” *Id.* (citing 37 C.F.R. § 42.71(d)).

III. ANALYSIS

A. The Sanction Must be Paid After the Conclusion of All Related Appeals

I previously required that, “within thirty (30) days of the date of [my] Order, OpenSky shall pay VLSI \$413,264.15 as a sanction.” Order 29. OpenSky contends that paying the sanction within 30 days of the Order may render moot an appeal of the sanction award. Req. Reh’g 6–7 (citing *RES-GA Cobblestone, LLC v. Blake Constr. & Dev., LLC*, 718 F.3d 1308, 1315 (11th Cir. 2013); *Johnson v. 27th Ave. Caraf, Inc.*, 9 F.4th 1300, 1316 (11th Cir. 2021)).

For the reasons argued by OpenSky, I modify my Order to require that OpenSky shall pay VLSI attorney fees amounting to \$413,264.15 within forty-five (45) days of the mandate issuance in Federal Circuit Appeal No. 2023-2158³, unless Supreme Court review is sought by OpenSky; if OpenSky seeks such review, the fee is then due thirty (30) days from final resolution of Supreme Court proceedings.

³ OpenSky’s notice of appeal arising from IPR2021-01064 was docketed by the Federal Circuit as Appeal No. 23-2159, and then consolidated with Appeal No. 23-2158, with the latter designated as the lead case. *VLSI Tech. LLC v. OpenSky Indust. LLC*, ECF No. 2 (Aug. 8, 2023).

B. OpenSky's Hearsay Argument was Previously Addressed

Exhibit 2126 is a summary table of billing entries that reflect work undertaken by VLSI in this proceeding, as associated with different types of activity, including, for example, preparing a Precedential Opinion Panel Request (“POP Request”), conducting settlement negotiations, drafting a Director Review brief, and so on. Ex. 2126 (“Billing Statement”); *see also* Exs. 2127–2129 (declarations in support). OpenSky contends that I “misapprehended and conflated two of OpenSky’s evidentiary objections to Exhibit 2126,” specifically, that Exhibit 2126 is (1) impermissible hearsay and (2) not relevant. Req. Reh’g 2–3 (citing Paper 137, 3–7).

OpenSky contends that I addressed its second objection (that Exhibit 2126 is not relevant), but did not address whether Exhibit 2126 is impermissible hearsay. Req. Reh’g 3. As to hearsay, OpenSky contends that it previously argued that the business record exception under Federal Rule of Evidence (“FRE”) 803(6) does not apply to Exhibit 2126. *Id.* (citing Paper 137, 8). For example, OpenSky previously argued that VLSI failed to show that Exhibit 2126 was contemporaneously made and kept in the regular course of business. *See* Paper 137, 4. On rehearing, OpenSky restates this argument and relies on additional precedent. *See* Req. Reh’g 3–4 (citing *United States v. Lemire*, 720 F.2d 1327, 1350 (D.C. Cir. 1983); *Wi-LAN Inc. v. Sharp Elecs. Corp.*, 992 F.3d 1366, 1372 (Fed. Cir. 2021)). In sum, OpenSky contends that the Order “makes no findings to establish that any hearsay exception, whether F.R.E. 803(6) for records of regularly conducted activities or any other, applies to Exhibit 2126.” *Id.* at 4.

I am not persuaded by OpenSky’s contention that I misapprehended the argument that Exhibit 2126 is hearsay. I previously determined that

Exhibit 2126 was not an after-the-fact reconstruction within the meaning of the cases upon which OpenSky relied. *See* Order 5–6. Similar billing statement summaries are routinely accepted when addressing attorney fee calculations. For example, in *National Association of Concerned Veterans v. Secretary of Defense*, the D.C. Circuit Court of Appeals approved of “detailed summaries *based on* contemporaneous time records indicating the work performed by each attorney for whom fees are sought.” *Nat’l Ass’n of Concerned Veterans v. Secretary of Defense*, 675 F.2d 1319, 1327 (D.C. Cir. 1982) (emphasis added) (*cited in* Order at 6); *see also* *Gagnon v. United Technisource, Inc.*, 607 F.3d 1036, 1044 (5th Cir. 2010) (holding that contemporaneous billing records are not required for an award of fees, “as long as the evidence produced is adequate to determine reasonable hours”).

Further, as I previously explained, the Billing Statement in Exhibit 2126 is based on contemporaneous billing records that are consistent with the business records exception to the hearsay rule provided by FRE 803, and the Billing Statement was made by someone with personal knowledge of the underlying billing entries. Order 5–6 (citing Ex. 2127 ¶ 19; Ex. 2128 ¶ 14; Ex. 2129 ¶ 3). I found that VLSI substantiated the billing record basis for Exhibit 2126 via multiple declarations.

VLSI’s counsel declare that the Billing Statement was prepared by the attesting counsel who “personally went through contemporaneous billing entries” of attorneys at two law firms and listed the appropriate records in the Billing Statement. VLSI’s counsel declare that the billing entries listed in the Billing Statement were cross-referenced with other contemporaneous records to ensure accuracy and responsiveness. As discussed below, VLSI’s counsel qualify as someone with knowledge of the billing entries.

Order 5 (citations omitted); *see* Order 9–11 (rejecting evidentiary challenges to the declarations supporting Exhibit 2126).

Thus, as previously explained in the Order, evidence supports the finding that the Billing Statement reflects law firm billing entries—records kept in the course of a regularly conducted activity of a business by law firms like those representing VLSI. *See, e.g.*, Ex. 2127 ¶ 19 (noting that the billing records were kept by the Lowenstein & Weatherwax LLP law firm “[t]hroughout the representation of VLSI” in these IPRs); Ex. 2128 ¶ 14 (same for the Irell & Manella LLP law firm). Accordingly, the Billing Statement is based upon billing records that are admissible under the business record exception to the hearsay rule.⁴ The Billing Statement is thus permissible as a summary of admissible evidence under FRE 1006. *See, e.g., Martin v. Funtime, Inc.*, 963 F.2d 110, 115–16 (6th Cir. 1992). For these same reasons, the facts here are consistent with the cases—*Wi-LAN* and *Lemire*—cited by OpenSky on rehearing.

More broadly, I do not agree with OpenSky’s contention that VLSI could only support its attorney fee request with the original billing records. OpenSky’s assertion that my Order (Paper 127, 13) required VLSI to submit original billing sheets is not correct. Paper 131, 5. I merely instructed VLSI to include “specific information” to substantiate the requested fees, without specifying form. Paper 127, 13. VLSI did that here. Significant discretion

⁴ Also relevant is *Bellflower Unified Sch. Dist. v. Arnold*, 586 F. Supp. 3d 1010, 1015 (C.D. Cal. 2022). The court there found that counsel’s billing statement, reflecting contemporaneous time records, was prepared during the ordinary course of business, qualifying the statement itself as a business record under FRE 803(6).

is afforded in determining the “nature and amount of proof necessary to determine the reasonableness” of attorney fee awards. *Ideal Elec. Sec. Co. v. Int’l Fid. Ins. Co.*, 129 F.3d 143, 152 (D.C. Cir. 1997). As explained in my original decision and here, Exhibit 2126 adequately and reliably substantiated VLSI’s requested fees.

These facts differ from those in *Entertainment Research Group, Inc. v. Genesis Creative Group, Inc.*, 122 F.3d 1211, 1232 (9th Cir. 1997). See Paper 131, 5. The appellate court there concluded that the district court should have required the requesting party to submit original billing sheets because the amount attributed to the recoverable activities in the submitted billing summary sheets was “so surprising” and “raised some suspicions.” 122 F.3d at 1231–32. Contrary to OpenSky’s argument (Paper 137, 4–5), I am not persuaded that the billing entries listed in the Billing Statement indicate a lack of trustworthiness or reasonableness, especially when accompanied by sworn declarations attesting to the source of that information. See Order 17–28. There was thus no need to require VLSI to file the underlying attorney billing records upon which Exhibit 2126 was based. OpenSky does not contend that it sought to examine the individual billing invoices underlying the Billing Statement, or that such information was withheld by VLSI.

Accordingly, I reject OpenSky’s rehearing argument that my Order requires modification.

C. OpenSky’s Argument as to VLSI’s Attorney Fees for Addressing Misconduct was Previously Addressed

OpenSky contends that I misapprehended the standard required to impose attorney fees, as set forth in *Goodyear Tire & Rubber Co. v. Haeger*,

specifically, that VLSI must show that its attorney fees were “incurred solely” because of OpenSky’s misconduct. Req. Reh’g 4–5 (citing 581 U.S. 101, 103–04 (2017)). OpenSky contends that the Order “never identifies specific misconduct by OpenSky and therefore never shows ‘but for’ causation linking that misconduct to the now-awarded fees.” *Id.* at 5 (citing Order, 16).

In its request, OpenSky identifies two specific attorney fees awards that it contends lack “but for” causation. Req. Reh’g 5–6. First, OpenSky argues that the attorney fee awards relating to VLSI’s POP Request are improper. *Id.* at 5. Second, OpenSky argues that the attorney fee awards for conduct dated between September 1, 2021 and January 18, 2022, relating to settlement negotiations, are improper. *Id.* at 6. OpenSky argues that the Order “does not explain how these time entries were caused solely by any particular misconduct by OpenSky.” *Id.*

I am not persuaded that I misapprehended or overlooked these issues. As an initial matter, OpenSky’s narrow reading of *Goodyear* ignores the Court’s decision. While *Goodyear* requires a causal link between fees incurred and misconduct, the Court explained that the fact-finder has “discretion and judgment” in assessing such a link. 581 U.S. at 109–110 (“The essential goal in shifting fees is to do rough justice, not to achieve auditing perfection.” (internal quotation marks omitted)). The fee Order adequately satisfies *Goodyear*’s requirement to explain the link between both the POP Request and settlement negotiations, and OpenSky’s sanctionable conduct. Order 19–21.

The Director Review process—initiated by VLSI’s POP Request—has focused on OpenSky’s misconduct throughout. In explaining why the

requested attorney fees associated with the POP Request are permissible, I found that the POP Request “raised issues relevant to Director Review of OpenSky’s misconduct.” Order 19–20 (citing Paper 41; Paper 47, 7–9). Specifically, the POP Request directly raised OpenSky’s abuse of process as an issue warranting review. *See* Paper 20, 5–10 (“OpenSky’s true purpose is an attempt to extract a payout while minimizing its expenses and burden to the fullest extent possible”).⁵ The POP Request also addressed OpenSky’s improper reliance on an expert witness that it had not engaged, or even contacted, prior to filing the IPR. *Id.* at 11–15. As I previously explained, OpenSky’s misconduct “does not comport with the purpose and legitimate goals of the AIA[,] and is an abuse of process.” Paper 102, 44; *see* Paper 127, 10 (reiterating that my conclusions regarding OpenSky’s abuse of process and related sanctions are “based on the totality of OpenSky’s conduct”). The POP Request deals with OpenSky’s abuses of process that form the basis for sanctions and falls within *Goodyear*’s standard for fees associated with that request. For this reason, I decline to further address

⁵ OpenSky misreads my statement that “I am imposing sanctions because of the manner in which OpenSky conducted itself after the Petition was filed, as explained further below” (Paper 127, 9) to suggest that OpenSky’s abuse of process and related sanctions are not based on anything relating to “filing the Petition.” Req. Reh’g. 5 n.2. As the sentence before the quoted text explains, I merely observed that any sanctions against OpenSky did not relate to whether it filed a meritorious IPR Petition. Paper 127, 9. My findings regarding OpenSky’s misconduct clearly included consideration of OpenSky’s entire body of conduct, including pre-filing. *Id.* at 10–11; *see* Paper 102, 43–44. Thus, the fact that the POP Request can be read to address actions relating to “filing the Petition” does not foreclose awarding POP Request-related expenses as a sanction for OpenSky’s misconduct.

OpenSky's attempt to reargue this issue and I deny OpenSky's request for rehearing.

I am also not persuaded by OpenSky's arguments as to the "settlement negotiations" prior to January 18, 2022. I previously held the disputed facts, including the contents of the settlement negotiations, as established against OpenSky because of their discovery misconduct. Paper 102, 27, 30 ("I draw an adverse inference and find that OpenSky initiated settlement negotiations."). And I found that the settlement negotiations, which began prior to January 2022, *culminated* in OpenSky's scheme to abuse the IPR process. *Id.* at 31. Accordingly, the attorney fees sought by VLSI would not have incurred absent OpenSky's misconduct, including those relating to the settlement negotiations prior to January 18, 2022. *See also* Order, 20–21. For this reason, I decline to further address OpenSky's attempt to reargue this issue and I deny OpenSky's request for rehearing.

IV. ORDER

Accordingly, based on the foregoing, it is:

ORDERED that Petitioner OpenSky's Request for Rehearing is granted-in-part to modify the Order Granting Motion for Fees (Paper 141) to require OpenSky shall pay VLSI attorney fees amounting to \$413,264.15 within forty-five (45) days of the mandate issuance in Federal Circuit Appeal No. 2023-2158⁶, unless Supreme Court review is sought by

⁶ OpenSky's notice of appeal arising from IPR2021-01064 was docketed by the Federal Circuit as Appeal No. 23-2159, and then consolidated with Appeal No. 23-2158, with the latter designated as the lead case. *VLSI Tech. LLC v. OpenSky Indust. LLC*, ECF No. 2 (Aug. 8, 2023).

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OpenSky; if OpenSky seeks such review, the fee is then due thirty (30) days from final resolution of Supreme Court proceedings; and

FURTHER ORDERED that the Request for Rehearing is denied as to the remaining issues.

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