



Patent Trial and Appeal Board
PRECEDENTIAL
Designated: 12/22/22

PUBLIC VERSION

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

PATENT QUALITY ASSURANCE, LLC,
INTEL CORPORATION,
Petitioners,

v.

VLSI TECHNOLOGY LLC,
Patent Owner.

IPR2021-01229¹
Patent 7,523,373 B2

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

DECISION

Determining Abuse of Process, Issuing Sanctions,
Ordering Petitioner Patent Quality Assurance, LLC to Show Cause, and
Lifting Stay

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

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I. INTRODUCTION

On January 26, 2022, the Patent Trial and Appeal Board (“PTAB” or “Board”) issued a Decision granting institution of an *inter partes* review (“IPR”) of claims 1–16 (“challenged claims”) of U.S. Patent No. 7,523,373 B2 (“the ’373 patent”), based on a Petition filed by Patent Quality Assurance, LLC (“PQA”). Paper 10 (“Institution Decision”). VLSI Technology LLC (“VLSI” or “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.

I explained that Director review would address questions of first impression as to what actions the Director, and by delegation the Board, should consider when addressing allegations of abuse of process or conduct that otherwise thwarts the goals of the United States Patent and Trademark Office (“USPTO” or “Office”) and/or the America Invents Act (“AIA”). Paper 35, 7. Due to the importance of the issues to the Office in fulfilling its mission, I ordered the parties to respond to interrogatories and to exchange information (“Mandated Discovery”) to assist me in evaluating these questions of first impression. *Id.* at 8–11; *see also* Paper 37.

For the reasons discussed in more detail below, I determine that PQA has engaged in discovery misconduct by failing to comply with my Order

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for interrogatories and Mandated Discovery. *See* Paper 35, 8–11. Failure to comply with an order is sanctionable. 37 C.F.R. § 42.12(a)(1).

Accordingly, when analyzing whether PQA’s conduct amounted to an abuse of process, I apply a negative inference and hold facts to have been established adverse to PQA. *See* 37 C.F.R. § 42.12(b)(1) (providing that sanctions may include “[a]n order holding facts to have been established in the proceeding”); Paper 35, 10 (“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.”); Paper 39, 3–4 (“As highlighted in the Scheduling Order, failure to comply with my Order may be sanctionable. . . . For example, and without limitation, sanctions may include ‘[a]n order holding facts to have been established in the proceeding.’”).

Based on the evidence of record, and the facts held to have been established, I determine that PQA, through its counsel, abused the IPR process including by advancing a misleading argument and a misrepresentation of fact by representing, in its Petition, that it had exclusively engaged Dr. Singh, a witness relied on by another party, OpenSky Industries, LLC (“OpenSky”), in a parallel proceeding,² and which representation it later qualified as *not* being an exclusive engagement. *See*

² OpenSky filed a Petition for *inter partes* review challenging claims 1–3, 5, 6, 9–11, and 13 of the ’373 patent in IPR2021-01056. IPR2021-01056, Paper 2. On December 23, 2021, the Board denied OpenSky’s petition challenging the claims of the ’373 patent. IPR2021-01056, Paper 18. *See* below, section II.B.

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Woods Servs., Inc. v. Disability Advocs., Inc., 342 F. Supp. 3d 592, 606 (E.D. Pa. 2018) (“The essence of an abuse of process claim is that proceedings are used for a purpose not intended by the law.”). In addition, I determine that PQA abused the IPR process by filing this IPR, and threatening to file another IPR petition seeking to join a related, instituted IPR by OpenSky, in an attempt to extract payment from VLSI. Though the behavior here may not be as egregious as that of OpenSky (*see* IPR2021-01064, Paper 102), based on adverse inferences drawn because PQA did not comply with my order for discovery, I find that PQA’s behavior, nonetheless, amounts to an abuse of process. PQA’s behavior in this proceeding, as inferred by the adverse inference, is entirely distinguishable from conventional settlement negotiations that take place in an adversarial proceeding. Each aspect of PQA’s conduct—discovery misconduct, violation of an express order, abuse of the IPR process, advancing a misleading argument, and a misrepresenting of fact—taken alone, constitutes sanctionable conduct. 37 C.F.R. § 42.12(a)(1)–(3), (6). Taken together, the behavior warrants sanctions. Not only are the sanctions imposed proportional to PQA’s improper conduct here, but they are necessary to deter such conduct by PQA and others in the future. *See* 37 C.F.R. § 42.11(d)(4).

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Given PQA's conduct, I dismiss PQA from this proceeding, subject to the Director, Board, and USPTO retaining jurisdiction over the issuance of sanctions. *See* 37 C.F.R. § 42.12(b)(6), (8).³

I also order PQA to show cause as to why it should not be ordered to pay compensatory damages to VLSI, including attorney fees, to compensate VLSI for its time and effort in this proceeding. I further order PQA to address the appropriate time period for which any fees should be assessed. *See* 37 C.F.R. § 42.12(b)(6) (providing that sanctions include "[a]n order providing for compensatory expenses, including attorney fees"). As set forth below, I order briefing from PQA and VLSI on this issue.

Lastly, as to the underlying proceeding, I also determine whether PQA's Petition, based only on the record before the Board prior to institution, presents a compelling, meritorious challenge. I recognize that the record in this proceeding has progressed through an oral hearing. Nevertheless, assessing compelling merits under the particular circumstances of this case balances competing interests. Specifically, it balances the interests of patent owners in having reliable patent rights with

³ My dismissal of PQA at this stage is not meant to suggest that PQA's actions were more egregious than OpenSky's. Instead, I initially kept OpenSky in the *OpenSky* proceeding, IPR2021-01064, because the issue before me was one of first impression and I needed additional time to determine the appropriate course of action under such extraordinary circumstances. Now having the benefit of considering that case and this one, I conclude that the best course is to dismiss both PQA and OpenSky from each respective proceeding. Accordingly, contemporaneously with this order, I am also issuing an order dismissing OpenSky from the *OpenSky* proceeding.

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the interests of the public in canceling unpatentable patent claims as needed, clearing the path for future innovation, and removing the tax on society caused by the litigation and licensing of clearly invalid patent claims.

I have reviewed the record before the Board prior to institution in this case. For the reasons articulated below, I find that the Petition meets the compelling merits standard as of the time of institution and on the record as it existed at that time. I therefore lift the stay in the underlying proceeding and permit this IPR to continue. I want to ensure any final decision after a trial in this proceeding benefits from our adversarial system, and that, should I take the Final Written Decision in this matter on Director Review, I will benefit from briefing on both sides of any issue I may consider at that time. With this in mind, and because compelling merits at the institution stage exist, I will not dismiss Intel from this proceeding.⁴ *See Penson v. Ohio*, 488 U.S. 75, 84 (1988) (“truth—as well as fairness—is best discovered by powerful statements on both sides of the question” (internal quotation omitted)).

II. BACKGROUND

The dispute over the challenged patent has a long and complex history, starting with VLSI’s complaint against Intel for infringing the ’373 patent, filed in the Waco Division of the United States District Court for the Western District of Texas on April 11, 2019. *VLSI Tech. LLC v. Intel Corp.*, Case No. 1-19-cv-00254-ADA (consolidated as 1-19-cv-00977) (W.D. Tex.).

⁴ Nor did Intel engage in the same discovery malfeasance as PQA.

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A. Intel's Prior Petitions and Litigation

After being sued by VLSI, Intel filed a petition for IPR, challenging claims of the '373 patent. IPR2020-00158, Paper 3. 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. IPR2020-00158, Paper 16, 14. In particular, the Board highlighted "the advanced stage of the Western District of Texas litigation, a currently scheduled trial date approximately seven months before the would-be deadline for a final written decision, and the overlap between the issues." *Id.* The Board did not address the merits of the Petition, other than determining "that the merits of the Petition do not outweigh the other *Fintiv* factors." *Id.* Notably, the Board issued this decision prior to the issuance of the June 21, 2022, Director's Memorandum ("Memorandum"),⁵, which clarifies that "the PTAB considers the merits of a petitioner's challenge when determining whether to institute a post-grant proceeding in view of parallel district court litigation" and that "compelling, meritorious challenges will be allowed to proceed at the PTAB even where district court litigation is proceeding in parallel." Memorandum at 4–5.

⁵ Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation (USPTO June 21, 2022), available at www.uspto.gov/sites/default/files/documents/interim_proc_discretionary_denials_aia_parallel_district_court_litigation_memo_20220621_.pdf.

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Intel requested POP review of the Board’s decision, which was denied. IPR2020-00158, Papers 18 and 19. The trial in the Western District of Texas was held in February 2021, months after the date that was presented to the Board for the discretionary denial analysis. *See* Ex. 1042; *cf.* Memorandum at 8 (“A court’s scheduled trial date [] is not by itself a good indicator of whether the district court trial will occur before the statutory deadline for a final written decision.”). The trial resulted in a jury verdict finding that Intel literally, but not willfully, infringed claims 1, 5, 6, 9, and 11 of the ’373 patent. Ex. 1031, 2–4. The jury awarded VLSI \$1.5 billion in damages for infringement of the ’373 patent.⁶ *Id.* at 6. Intel did not challenge, and the jury did not consider, the validity of the claims of the ’373 patent. Intel appealed to the Federal Circuit, and that appeal is currently pending as *VLSI Technology LLC v. Intel Corporation*, No. 22-1906 (Fed. Cir. June 15, 2022). The appeal will not resolve the invalidity issues pending before the Board.

⁶ The jury also found that Intel neither literally nor willfully infringed U.S. Patent No. 7,725,759 B2 (“the ’759 patent”), but did infringe claims 14, 17, 18 and 24 of that patent under the doctrine of equivalents. Ex. 1027, 2–4. The jury further found that Intel had not proven by clear and convincing evidence that claims 14, 17, 18, and 24 of the ’759 patent were invalid as anticipated. *Id.* at 5. The jury awarded VLSI \$675 million in damages for Intel’s infringement of the ’759 patent, bringing the total damages award to \$2.175 billion. Ex. 1031, 2–4. The ’759 patent is the subject of IPR2021-01064.

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B. OpenSky's Petition

PQA was not the first entity to file a petition for *inter partes* review of the '373 patent after the jury verdict was announced. One month earlier, OpenSky filed a Petition for *inter partes* review challenging claims 1–3, 5, 6, 9–11, and 13 of the '373 patent in IPR2021-01056. IPR2021-01056, Paper 2. OpenSky copied extensively from Intel's earlier petition. IPR2021-01056, Ex. 2016 (redline comparison of portions of the Petition with portions of Intel's petition in IPR2020-00158). OpenSky further refiled the declaration of Dr. Adit Singh prepared for Intel in IPR2020-00158, without Dr. Singh's knowledge and without engaging him. *See* IPR2021-01056, Paper 2; Exs. 1002, 2037.⁷ OpenSky's failure to engage Dr. Singh proved fatal to its petition. *See* IPR2021-01056, Paper 18, 9.

On December 23, 2021, the Board denied OpenSky's petition challenging the claims of the '373 patent. IPR2021-01056, Paper 18. The Board found "no indication that [OpenSky] ever spoke to Dr. Singh or attempted to retain him for this proceeding or secure his availability for cross examination before filing his declaration." *Id.* at 8. Instead, based on PQA's misrepresentations, the Board found that Dr. Singh had agreed to work exclusively for PQA (as discussed below), and OpenSky had not provided any factual support that Dr. Singh would be released from his

⁷ OpenSky also filed an identical copy of the declaration of Intel's other expert, Dr. Sylvia Hall-Ellis, without change. IPR2021-01056, Paper 17, 9; IPR2021-01056, Ex. 1027. Dr. Hall-Ellis is a librarian who had proffered testimony regarding the prior art status of certain references relied on in Intel's previous petitions. *See* IPR2021-01056, Ex. 1027.

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obligation to PQA so that he could be cross-examined about the content of his declaration. *Id.* at 9. The Board found that OpenSky “brought forth the testimony of an expert that [OpenSky] likely cannot produce for cross-examination and would likely be excluded.” *Id.* Accordingly, the Board concluded that OpenSky’s petition did not warrant institution. *Id.*

C. PQA’s Petition

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.”)⁸ Like OpenSky, PQA copied extensively from Intel’s earlier petition. Ex. 2016 (comparison of portions of the petition in this IPR with portions of Intel’s petition in IPR2020-00158). Again like OpenSky, PQA refiled Intel’s supporting declaration of Dr. Singh with minor changes. *See* Exs. 1002, 2022.⁹ Unlike OpenSky, however, PQA contacted Dr. Singh prior to filing its petition and retained Dr. Singh as an expert for this proceeding. *See* Exs. 1034; 2053, 9:5–9. The terms of Dr. Singh’s engagement agreement with PQA required that he “***will not accept new consulting engagements related to the Challenged Patent without prior written consent.***” Ex. 1034, 2 (emphasis in original). That agreement was executed just four days after OpenSky petitioned for review of the ’373

⁸ Unless otherwise indicated, Papers enumerated herein refer to Papers filed in IPR2021-01229 and “Petition” or “Pet.” refer to PQA’s Petition in IPR2021-01229.

⁹ Like OpenSky, PQA filed an identical copy of the declaration of Intel’s other expert, Dr. Hall-Ellis, without change. Paper 7, 6.

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patent, which relied on Dr. Singh’s nearly identical declaration. *Id.* at 3 (signed June 10, 2021).

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. 2–5. In addressing discretionary denial, PQA argued that:

the integrity of the patent system is at issue, as a jury recently found a well-known U.S. company (Intel Corporation) liable for infringement of the ’373 patent and awarded \$1.5 billion to Patent Owner—one of the top 5 largest infringement damage awards. . . . Because 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. As to OpenSky’s earlier-filed petition, PQA asserted that it “*exclusively* engaged Dr. Singh and Dr. Hall-Ellis to challenge the ’373 patent. Thus, OpenSky cannot present either expert for cross-examination as required.” *Id.* at 4 (emphasis in original). PQA thus argued that the Board should not discretionarily deny its Petition in favor of OpenSky’s defective petition. *See id.* at 5.

VLSI filed a Patent Owner 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 then-pending petition in IPR2021-01056). VLSI argued that this Petition should be denied, alleging that shortly after the jury verdict, OpenSky and PQA were formed solely to

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challenge the '373 patent with petitions that were largely copies of Intel's already rejected petition. *See id.* at 1–2.¹⁰ VLSI alleged that “[t]hough inspired by OpenSky’s filing but also trailing it, PQA wasted no time in throwing OpenSky under the bus, boasting that it, unlike OpenSky, actually retained the very same experts Intel used and that OpenSky’s declarations were mere hearsay.” *Id.* at 1–2.

In this proceeding, the Board reviewed the evidence and arguments in the Petition, Patent Owner Preliminary Response, Preliminary Reply, and Preliminary Sur-reply, and instituted the requested IPR on January 26, 2022. 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 unpatentability issues presented in this proceeding. *Id.* at 6–7. Because the Board did not reach the merits of the prior Intel petition, the Board disagreed with VLSI’s arguments that institution should be denied because the Petition presents the same challenges as the prior Intel petition. *Id.* at 7–13 (relying on factors set forth in *General Plastic Indus. Co., Ltd. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19 (Sept. 6, 2017) (precedential) (“the *General Plastic*” factors)); *see Code200, UAB v. Bright Data Ltd.*, IPR2022-00861, Paper 18, 5 (Aug. 23, 2022) (precedential) (“Where the first-filed petition under factor 1 was discretionarily denied or otherwise was not evaluated on the

¹⁰ Such practice has become known as “copycat” petition practice and, to date, has not been held to be improper. *See, e.g., Best Med. Int’l, Inc. v. Elekta Inc.*, 46 F.4th 1346, 1350 (Fed. Cir. 2022) (referring to “copycat” petition accompanied by motion for joinder).

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merits, factors 1–3 only weigh in favor of discretionary denial when there are ‘road-mapping’ concerns under factor 3 or other concerns under factor 2. . . . ‘[R]oad-mapping’ concerns are minimized when, as in this case, a petitioner files a later petition that raises unpatentability challenges substantially overlapping with those in the previously-filed petition and the later petition is not refined based on lessons learned from later developments.”). The Board also 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.

On February 8, 2022, VLSI sought to challenge the institution decision, filing requests for rehearing and for POP review. In the rehearing request, VLSI 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 ransom payments in exchange for withdrawing abusive attacks.” Req. Reh’g 1, 6–8. VLSI 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 1–2, 9–10.

D. Intel’s Motion for Joinder

Within a month of the Board instituting IPR in this proceeding, Intel timely filed its own Petition for IPR with a Motion for Joinder to this proceeding. Paper 30; IPR2022-00479, Papers 3 and 4. The Board joined Intel to this proceeding on June 6, 2022, determining that Intel’s Petition warranted institution and declining to discretionarily deny institution under

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35 U.S.C. §§ 314(a) and 325(d). Paper 30. In considering discretionary denial, the Board determined that:

[a]lthough Petitioner has directed this Petition to the same claims and relies on the same art as in its first petition, that the Board did not substantively address the merits of the prior Intel petitions, in our view, weighs against discretionary denial here. The district-court trial that led to the denial of its initial petitions is over and did not resolve the challenges presented here. Allowing Petitioner the opportunity to pursue a decision on the merits from the Board at this time—by joining PQA’s substantially identical petition—best balances the desires to improve patent quality and patent-system efficiency against the potential for abuse of the review process by repeated attacks on patents.

Id. at 9–10 (citing *General Plastic*, Paper 19 at 16–17). The Board correctly identified that the statute expressly provides an exception to the one-year time bar (set forth in 35 U.S.C. § 315(b)) for a request for joinder. *Id.* at 7, n.7, 18 (citing 35 U.S.C. § 315(b)) (“The time limitation set forth . . . shall not apply to a request for joinder under subsection (c)”). VLSI requested POP review of the Board’s decision to join Intel to the proceeding, and that request was denied. Papers 34 and 40.

On August 30, 2022, the Board authorized VLSI to file a Motion to Terminate Intel from the proceeding, setting forth VLSI’s arguments on res judicata. Paper 70, 2. The Board authorized Intel to file an opposition to the motion. *Id.* VLSI filed the Motion to Terminate on September 29, 2022. Paper 91. Intel filed its opposition on October 27, 2022. Paper 97. The Motion is pending.

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E. Director Review

As noted above, I ordered a *sua sponte* Director review of the Board’s institution decision in this proceeding on June 7, 2022. Paper 31.

Concurrent with my Order, the POP dismissed the rehearing and POP review requests. Paper 32. Because I did not yet have all the facts before me, I did not stay the underlying proceeding.

On July 7, 2022, I issued a Scheduling Order for the Director review. Paper 35. The Scheduling Order defined the scope of my review, as I determined that “this proceeding presents issues of first impression” and “involves issues of particular importance to the Office, the United States innovation economy, and the patent community.” *Id.* at 7–8. In particular, I identified the following issues as 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.

Id. I directed the parties to address these questions and to support their answers “in their briefing, including through new arguments and non-declaratory evidence.” *Id.* at 8. I also invited amici curiae briefing. *Id.*

To enable me to address those questions in the context of this review, my Scheduling Order also instructed the parties to answer interrogatories and exchange certain categories of information as Mandated Discovery. *Id.*

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at 8–11; 35 U.S.C. § 316(a)(5) (“The Director shall prescribe regulations setting forth standards and procedures for discovery of relevant evidence . . . otherwise necessary in the interest of justice.”). My interrogatories ordered the parties to address specific questions related to the “issues of particular importance” in this review. Paper 35, 8–9.

I ordered the Mandated Discovery “to allow all parties to answer the questions” (interrogatories) I set forth, and to give each party an opportunity to produce evidence supporting its position. *Id.* at 9–10. The Mandated Discovery included categories of documents relating to the formation and business of PQA, 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,” and “communications with any named party relating to the filing, settlement, or potential termination of this proceeding.” *Id.* My Scheduling Order warned “that sanctions may be considered for any misrepresentation, exaggeration, or over-statement as to the facts or law made in the parties’ briefing” (*id.* at 9), and that “[a]ny attempt to withhold evidence based on a narrow interpretation of the [discovery] requests will be reviewed in conjunction with any other subject conduct and may, alone or in combination with other conduct, be sanctionable.” *Id.* at 10.

On July 20, 2022, PQA submitted objections to the Mandated Discovery. Ex. 3004; *see also* Ex. 1039 (Petitioner’s objections to Director’s Orders, filed August 4, 2022). I address PQA’s specific objections below. PQA also stated that it “is willing to produce responsive third-party communications in its possession, custody, and control between

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PQA and OpenSky, VLSI, Intel, governmental entities, and Dr. Singh . . . if the Office provides written confirmation the Office will not consider PQA’s act of producing the Third-Party Documents as waiver of PQA’s objections to the Order.” Ex. 3004 (emphasis omitted). PQA’s email concluded with a listing of its preliminary objections regarding the interrogatories and discovery required in the Scheduling Order. *Id.*

On July 21, 2022, I extended the deadlines for the parties to exchange information and accordingly extended the briefing deadlines: as extended, parties’ initial briefs and briefs of amici curiae were due on August 18, 2022,¹¹ and the parties’ responsive briefs were due on September 1, 2022. Paper 37, 4. In the Order granting a two-week extension, I reminded the parties that “as set forth in the Scheduling Order, a party may lodge legitimate, lawful grounds for withholding documents, and shall maintain a privilege log of documents withheld.” *Id.*

¹¹ Fourteen amici curiae briefs have been entered into the record of this proceeding, from the following: American Intellectual Property Law Association (Paper 41) (“AIPLA”); Association of Amicus Counsel (Paper 57); Naples Roundtable (Paper 56) (“Naples”); Ramzi Khalil Maalouf (Paper 55) (“Maalouf”); Engine Advocacy et al. (Paper 54) (“Engine”); High Tech Inventors Alliance (Paper 53) (“HTIA”); Robert Armitage (Paper 42); Computer and Communications Industry Association (Paper 58) (“CCIA”); BSA | The Software Alliance (Paper 59) (“BSA”); The Alliance of U.S. Startups et al. (Paper 60) (“USIJ”); Hon. Paul R. Michel (Paper 61); Unified Patents et al. (Paper 62) (“Unified”); Public Interest Patent Law Institute (Paper 63) (“PIPLI”); and Centripetal Networks, Inc. (Paper 64) (“Centripetal”).

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On July 29, 2022, I issued a further Order addressing the scope of Mandated Discovery. Paper 39. I reminded the parties that “they are required to comply with the full scope of the Scheduling Order, including its Mandated Discovery provisions now due to be exchanged by August 4, 2022,” and “failure to comply with my Order may be sanctionable.” *Id.* at 3. I explained that potential sanctions may include, for example, “[a]n order holding facts to have been established in the proceeding.” *Id.* at 3–4 (quoting 37 C.F.R. § 42.12). The parties were further “reminded that legitimate, lawful grounds for withholding documents may be lodged and, if so, the party shall maintain a privilege log of documents withheld. No responsive document may be withheld without being included in such a privilege log.” *Id.* (internal citations omitted). Thus, I provided actual notice to the parties of specific sanctionable conduct and corresponding potential sanctions for such conduct, in addition to the constructive notice provided by the Office’s published regulations.

As discussed in detail below, PQA did not comply with the Mandated Discovery as ordered. *See* Paper 68, 15–20.¹² It produced a minimal number of documents to the other parties and provided wholly inadequate answers to my interrogatories. PQA produced a privilege log with 22 entries including work product relating to communications between PQA and Dr. Singh. Paper 43, 3; Ex. 1039, 1. In contrast, both VLSI and Intel produced responsive documents and detailed privilege logs, as ordered.

¹² Paper 68 is the nonconfidential version of VLSI’s Initial Brief in response to the Director review order; Paper 50 is the confidential version.

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III. FAILURE TO COMPLY

As explained above, I initiated Director review to answer questions of first impression related to the IPR process. Paper 35, 7. Before proceeding to those questions, however, I must address PQA's deficient responses to the discovery required in my Scheduling Order.

A. *PQA's Objections to Mandated Discovery*

The deadline for exchange of documents and communications contemplated by my Mandated Discovery order was August 4, 2022. Paper 34, 4. The deadline for the parties to submit briefs addressing the Director's interrogatories with supporting documentary evidence was August 18, 2022. *Id.*; Paper 35, 8–10. The parties were repeatedly warned that no documents may be withheld without being included in a privilege log, and that any attempt to withhold evidence may be sanctionable. Paper 35, 10; Paper 39, 4.

On July 20, 2022, PQA sent an email with objections to my Mandated Discovery. Ex. 3004. I noted PQA's objections and reminded the parties that "they are required to comply with the full scope of the Scheduling Order, including its Mandated Discovery provisions." Paper 39, 3. PQA filed more expansive objections on August 4, 2022. Ex. 1039. For the reasons set forth below, I find their objections have no merit.

First, PQA contends that "this Director Review exceeds the Director's authority and violates PQA's due process rights." Ex. 1039, 3. Specifically, PQA argues that the Director does not have the authority to review a panel's institution decision because the Supreme Court's decision in *United States v.*

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Arthrex modified 35 U.S.C. § 6(c) only with respect to final Board decisions. *Id.* (citing 141 S. Ct. 1970, 1987 (2021)). PQA’s interpretation does not comport with the Supreme Court’s view of the Director’s authority. For example, the Court held that “[t]he Constitution [] forbids the enforcement of statutory restrictions on the Director that insulate the decisions of APJs from his [or her] direction and supervision. To be clear, the Director need not review every decision of the PTAB. What matters is that the Director have the discretion to review decisions rendered by APJs.” 141 S. Ct. at 1988; *see also id.* at 1987 (“[T]his suit concerns only the Director’s ability to supervise APJs in adjudicating petitions for inter partes review.”). The Supreme Court thus sets forth broad discretionary power for the Director to elect to review APJ decisions, which also includes decisions on institution. Moreover, by statute, the Director determines whether to institute an IPR, and has discretion whether to do so. 35 U.S.C. § 314. Although the Director has delegated decisions on institution to the Board (37 C.F.R. § 42.4), the Director retains the power to review such decisions. Nothing in *Arthrex* or the AIA suggests otherwise. *See, e.g.*, 141 S. Ct. at 1989 (stating that “[b]ecause Congress has vested the Director with the ‘power and duties’ of the PTO, § 3(a)(1), the Director has the authority to provide for a means of reviewing PTAB decisions. *See also* §§ 3(a)(2)(A), 316(a)(4).”); *Medtronic, Inc. v. Robert Bosch Healthcare Sys., Inc.*, 839 F.3d 1382, 1385 (Fed. Cir. 2016) (“administrative agencies possess inherent authority to reconsider their decisions, subject to certain limitations, regardless of whether they possess explicit statutory authority to do so.”).

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Second, PQA contends that the Director's orders are *ultra vires* or otherwise prohibited because they subject PQA to undisclosed substantive and procedural standards and procedures under the threat of sanctions, and PQA has done nothing to warrant such action. Ex. 1039, 7–11 (citing Paper 31; Paper 35; Paper 39). The need for discovery into a potential abuse of process is based on the particular posture of this proceeding, where Patent Owner has argued that PQA was formed and filed its Petition only after a significant jury verdict for infringement. See Paper 35, 4, 5, 9. As the record demonstrates, PQA represented that it had “*exclusively* engaged” Dr. Singh, which was the basis for the Board's decision to deny institution in IPR2021-01056 involving Petitioner OpenSky. See Pet. 4 (emphasis in brief), IPR2021-01056 Paper 18, 5–9. Not only has PQA subsequently qualified this representation to state that Dr. Singh could be engaged by another entity with PQA's written consent,¹³ the very fact that PQA entered into that arrangement shows its intent to ensure that PQA, not OpenSky, would benefit monetarily from any arrangement with VLSI or Intel. My discovery orders provided PQA an opportunity to demonstrate that they had no intention of engaging in an abuse of process. PQA chose not to provide discovery that would allow me to resolve that question. My discovery orders also provided clear notice of the potential consequences for failing to

¹³ See Paper 67, 18. The underlying engagement agreement has been of record since the filing of Petitioner's Reply to the Preliminary Response. See Ex. 1034, 2 (engagement agreement).

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comply. Thus, the posture of this case warrants the sanctions stated in my orders.

Third, PQA contends that the Order¹⁴ exceeds the Office’s statutory and regulatory authority. Ex. 1039, 11. I addressed PQA’s arguments with respect to 35 U.S.C. § 6(c) above. PQA further contends that the Order exceeds the discovery permitted under 35 U.S.C. § 316(a)(5) and 37 C.F.R. § 42.51. *See id.* at 11. PQA’s argument on this point is not persuasive. 35 U.S.C. § 316(a)(5) provides that discovery may be sought where “necessary in the interest of justice,” which is at the heart of the inquiry as to whether PQA has abused the IPR process. And although 37 C.F.R. § 42.51 explicitly enumerates certain default categories of “limited” discovery, it also makes clear that “the Board may otherwise order” additional discovery when such discovery is “in the interest of justice,” as it is here. Furthermore, in general, it is within my purview to “determine a proper course of conduct in a proceeding for any situation not specifically covered by [the other regulations]” and to “enter non-final orders,” such as the Scheduling Order, “to administer the proceeding.” 37 C.F.R. § 42.5(a).

Fourth, PQA argues that the Scheduling Order is inconsistent with Board procedures governing non-routine discovery. Ex. 1039, 11–15. For example, PQA contends that there is no evidence “tending to show beyond speculation that in fact something useful will be uncovered.” *Id.* at 12 (quoting *Garmin Int’l, Inc. v. Cuozzo Speed Techs. LLC*, IPR2012-00001 (PTAB Mar. 5, 2013) (Paper 26) (precedential)). Again, while Board

¹⁴ PQA appears to be referring to Paper 35. *See* Ex. 1039, 1.

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procedures governing party conduct do not formally apply to my inquiry into process abuses, my Scheduling Order makes clear the basis for the ordered discovery here. The Scheduling Order explains that the discovery would permit the parties to answer the questions I identified as germane to my inquiry into the circumstances surrounding PQA’s formation and conduct—information that is uniquely in the parties’ (and specifically PQA’s) possession. Paper 35, 7–10; 37 C.F.R. § 42.11(a) (“Parties and individuals involved in the proceeding have a duty of candor and good faith to the Office during the course of a proceeding.”).

PQA’s argument that the Order is not “easily understandable” is also not persuasive. Ex. 1039, 13. No other party indicated that they had any issue understanding the Order, nor did they have issues complying. PQA’s argument that the discovery is overly burdensome (Ex. 1039, 13–14) fares no better—PQA could have sought to file a motion to revise the standing protective order “[f]orbidding . . . or [s]pecifying terms . . . for the disclosure or discovery” to alleviate that burden (37 C.F.R. § 42.54(a)(1)), or at least have requested a second extension if it could demonstrate an actual burden, but instead chose noncompliance.

PQA briefly argues that the Order violates its members’ constitutional rights by compelling PQA members to disclose their identities without evidence of wrongdoing or inaccurate mandatory notices. Ex. 1039, 15. PQA does not explain how complying with a discovery order results in a constitutional violation. Further, by choosing to file this IPR, PQA availed itself of my and the Board’s jurisdiction and opened itself to questions regarding its members and purpose, among others.

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PQA ends its objections with a series of similarly unpersuasive arguments. PQA suggests that the Order is inconsistent with the purposes of the AIA. Ex. 1039, 5–6. PQA also asserts that the Order contravenes congressional intent for “discovery in *inter partes* review proceedings to be limited in [both] scope and expense.” *Id.* at 15. However, PQA fails to acknowledge that, along with the goal of improving quality, “Congress recognized the importance of protecting patent owners from patent challengers who could use the new administrative review procedures as ‘tools for harassment.’” *WesternGeco LLC v. ION Geophysical Corp.*, 889 F.3d 1308, 1317 (Fed. Cir. 2018) (citing H. Rep. No. 112–98, at 48 (2011)). The Order sets forth discovery for this very purpose, to identify and address potential harassment in this proceeding.

PQA’s argument that the Order is inconsistent with the guidelines for Director review rests on its contention that “the Order does not identify any issue of first impression.” Ex. 1039, 16. PQA provides no citation for the claim that Director review is limited to issues of first impression. In any event, my Order indicated that the issues here are ones of first impression. *Id.* Finally, PQA contends that the Order would require it to waive privilege objections by disclosing privileged documents to a federal agency (*id.* at 17) (citing *In re Qwest Commc’ns Int’l Inc.*, 450 F.3d 1179, 1186 (10th Cir. 2006)), but avoiding such waiver while still proving sufficient indicia to test that privilege claim is the point of a fulsome privilege log, which PQA failed to submit.

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B. PQA's Failure to Comply with Mandatory Discovery and Interrogatories

PQA failed to comply with the discovery requirements set forth in the Scheduling Order by: (1) refusing to provide internal documents to the other parties in the proceeding, or instead, a privilege log listing privileged documents withheld for in camera review;¹⁵ and (2) failing to respond in good faith to the interrogatories, with adequate evidence. Paper 35, 8–10. Each of these failures to comply is independently sanctionable. *Id.* at 9–10.

1. PQA refused to produce confidential documents under seal, or a privilege log of internal documents that were not produced

As explained above, the deadline for the exchange of documents and communications was August 4, 2022. On August 11, 2022, VLSI requested in camera review, as to the production made by PQA. Paper 43. VLSI asserts that it:

cannot identify with specificity documents for in camera review as to the responsive documents . . . because PQA has (i) failed to produce internal documents; and (ii) failed to provide a meaningful privilege log, instead providing only a very limited work product redaction log in this matter, each in violation of the Director's Orders (*see* Papers 35, 37 and 39).

Id. at 1. VLSI asserts that “PQA produced 111 documents and a ‘privilege log’ consisting of only 22 entries. The first 21 entries correspond to redacted email chains between PQA and its technical expert, Dr. Adit Singh, and identify the basis for those redactions as ‘work product protection,’ but

¹⁵ PQA did log work product relating to its communications between PQA and Dr. Singh. Ex. 1039, 1.

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not attorney-client privilege.” *Id.* at 3 (internal footnote omitted). VLSI contends that “PQA’s August 4, 2022 log identifies no documents withheld for attorney-client privilege,” and instead, PQA acknowledges that it has not logged any communications between PQA and its attorneys. *Id.* at 4. VLSI argues that “despite the fact that the Director has expressly found that PQA’s objections are not a basis upon which to withhold documents or to not log, PQA has chosen to stand on its objections and withheld documents and a privilege log in violation of the Director’s express Orders.” *Id.* at 5–6 (citing Ex. 1039).

On August 18, 2022, PQA filed its initial brief in response to the Director review order. Paper 67.¹⁶

In its responsive brief, filed September 1, 2022, PQA asserts that it produced responsive documents, and that it has not willfully violated any order. Paper 77, 15–16. Instead, PQA asserts that VLSI violated my Orders because “VLSI did not produce or log any (i) internal communications of VLSI, Fortress Investment Group, and/or other VLSI affiliates, or (ii) communications solely among VLSI’s outside or in-house counsel.” *Id.* at 16. PQA further asserts that “VLSI’s allegations of non-compliance during the Director review are actions that occurred well after institution and thus do not impact the Institution Decision in this proceeding.” *Id.* at 17 (emphasis omitted). None of these arguments justify PQA’s failure to comply.

¹⁶ Paper 67 is the nonconfidential version of PQA’s Initial Brief in response to the Director review order; Paper 51 is the confidential version.

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PQA appears to admit that it did not produce or log any internal communications when it asserts that PQA and VLSI did the exact same thing. Paper 71, 15–16 (“VLSI did the *exact* same thing. VLSI only logged communications between VLSI in-house attorneys and outside counsel. VLSI did not produce or log any . . . internal communications . . .”) (emphasis omitted)). Having overruled PQA’s objections to discovery, I find that PQA did not comply with the Mandated Discovery, as required by the Scheduling Order. *See* Paper 35, 9–10.¹⁷

2. *PQA’s responses to the interrogatories are inadequate and lack evidentiary support*

In addition to its express refusal to comply with the Mandated Discovery, PQA failed to respond adequately to the interrogatories set forth in the Scheduling Order, which required the parties to respond with citation to supporting documentary evidence. Paper 35, 8. PQA’s initial brief purports to address the interrogatories listed in the Scheduling Order but fails to do so adequately. Paper 67, 8–18. For instance, PQA refers to a declaration of Joseph A. Uradnik, Ex. 1032, which was already of record. *See id.* As a result, many of the interrogatories remain unanswered or unsubstantiated by PQA.

For example, interrogatory (a) asked, among other things, for what purpose PQA was formed, what its business is, and who its members are? Paper 35, 8. To answer these questions, the Scheduling Order required PQA to provide the other parties with materials including communications related

¹⁷ I do not rule on the adequacy of VLSI’s discovery compliance at this time.

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to the formation of PQA and documents related to its business plan. *Id.* at 9. PQA responds by stating that the “initial authorized business of PQA is to challenge patent(s) to ensure patent quality.” Paper 67, 8. PQA refuses to disclose its members by stating that “PQA’s members are United States citizens, none of whom are employed by, work for, or are affiliated with Intel, OpenSky, or VLSI.” *Id.* (citing Ex. 1032 ¶ 6). PQA states that “[n]o other persons or entities beyond PQA’s members have an interest in PQA, its future revenues, profits, or obligations, or any of its activities including this proceeding.” *Id.* at 8–9 (citing Ex. 1032 ¶¶ 4, 5, 7–11).

This answer is not responsive. As an initial matter, this answer only makes an assertion as to who its members are not; it does not identify the members of PQA. *See* Paper 35, 8 (“Who are members of PQA?”). In addition, PQA does not answer the interrogatory seeking the purpose for which PQA was formed, nor does PQA provide any required supporting evidence that would allow me, VLSI, or Intel to verify that PQA’s business interest is limited to ensuring patent quality. *See* Paper 46, 10–11; Paper 68, 2–5.

Interrogatory (b) asked, “[o]ther than communications already in the record, what communications have taken place between PQA and each of the other parties?” Paper 35, 8. To answer this question, the Scheduling Order required PQA to provide the other parties with “all documents and communications relating to the filing, settlement, or potential termination of this proceeding, or experts in this proceeding, not already of record.” *Id.* at 9.

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PQA reports that after it filed its Petition, “VLSI contacted PQA to discuss settlement,” and PQA declined. Paper 67, 6. PQA also explains that VLSI contacted PQA again, after the Board instituted this proceeding. *Id.* at 7. PQA states that [REDACTED]
[REDACTED]. Paper 51, 9. PQA further reports that “[t]he parties did not agree to settlement before institution, and they have not discussed settlement since then.” *Id.* at 7; *see also id.* at 9 (responding to the interrogatory by, in part, referring to these communications).

PQA also states that since Intel’s joinder as a petitioner on June 6, 2022, PQA and Intel have had a common interest and have cooperated in the prosecution of the merits of the unpatentability of the ’373 patent, which is not part of the Director review, and that PQA has no other formal or informal relationship with Intel. *Id.* at 10.

PQA thus does not explain sufficiently the nature of its communications with VLSI in PQA’s opening brief.¹⁸ In its responsive brief, PQA goes into some further detail. Paper 77, 4–7; *see also* Paper 71 (confidential version), 4–7 (citing Exs. 2065 and [REDACTED]). In particular, [REDACTED]
[REDACTED]

¹⁸ According to VLSI, in the privilege log that PQA submitted to VLSI, “[t]he last entry lists several communications that appear to correspond to communications between PQA and VLSI that the log states are withheld based on only PQA’s “objections,” not privilege or work product protection, and that PQA’s email to the Board sent along with the August 4 production states “are documents VLSI has in its own possession.” Paper 43, 3 n.1 (citing Ex. 3015).

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[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

I find PQA's responses deficient and misleading. For example, [REDACTED]
[REDACTED] PQA's
briefing also was not fully responsive to the interrogatory question about its
dealings with VLSI, as VLSI correctly points out.¹⁹ Paper 76, 1, 7–8 (citing
Exs. 2064–2078). [REDACTED]

[REDACTED]

[REDACTED]. See Exs. 2075, 2076 ([REDACTED])

[REDACTED] Further, PQA did not
mention that PQA implied that [REDACTED]

¹⁹ VLSI alleges that PQA failed to produce communications between PQA
and Intel that are logged in a privilege log by Intel and that are not logged by
PQA. See Paper 76, 1. [REDACTED]

[REDACTED]
[REDACTED] Ex. 1518.

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[REDACTED] See Ex. 2069 ([REDACTED])
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Interrogatory (c) asked, “[c]ould PQA be subject to claims of infringement of the ’373 patent,” and “[d]oes PQA have a policy reason for filing the Petition that benefits the public at large beside any reasons articulated in the already-filed papers?” Paper 35, 8. PQA resists answering this question by arguing that an invalid patent cannot be infringed, that it does not wish to admit infringement, that infringement and validity are separate questions, and that the Intel products found to infringe are used by millions of people and businesses in the United States. Paper 67, 10–12. PQA argues that it has served a public interest by highlighting what it considers to be a problem with the Office’s *Fintiv* practice, that it has filed a meritorious petition, and that “the public interest in the validity of a patent is arguably at its highest when a U.S. company has been found to infringe and is liable for one of the biggest patent verdicts in history.” *Id.* at 12–14. PQA’s briefing was thus not responsive to the underlying question of infringement, i.e., the extent to which PQA participates in the market for products covered by the patents in question.

Interrogatory (d) asked, “[d]oes the evidence in this proceeding demonstrate an abuse of process . . . [and] if so, which evidence and how should that evidence be weighted and addressed?” Paper 35, 8–9. To

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answer this question, the Scheduling Order required PQA to provide the other parties with “all communications with any named party relating to the filing, settlement, or potential termination of this proceeding.” *Id.* at 9.

PQA responds that there is no abuse of process, but fails to provide supporting evidence. Paper 67, 14. Moreover, as discussed above, PQA intentionally omitted information [REDACTED]

[REDACTED] Apart from its own actions, PQA argues that the Board and Director confirmed the merits of PQA’s petition and that a meritorious petition should never be considered an abuse of process or contrary to the goals of the Office. *Id.* at 14 and n.2. PQA also argues that this proceeding will be the first adjudication—by any tribunal—of the validity of the ’373 patent, that PQA and Intel confirmed through document productions there is no hidden connection between Intel and PQA, and that PQA has vigorously prosecuted this IPR and [REDACTED]

[REDACTED] which is consistent with public policy favoring settlement negotiations. *Id.* at 14–15 (citing, e.g., Consolidated Trial Practice Guide (Nov. 2019) at 86). PQA’s briefing was thus non-responsive to this interrogatory question.

Interrogatory (e) asked, “[w]hat is the basis for concluding that there are no other real parties in interest, beyond PQA,” and “[a]re there additional people or entities that should be considered as potential real parties in interest?” Paper 35, 8–9. To answer this question, the Scheduling Order required PQA to provide the other parties with “all documents relating to PQA’s business plan including its funding, its potential revenue, and the future allocation of any of its profits.” *Id.* at 9. PQA’s response to this

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interrogatory essentially repeats its response to interrogatory (a) and relies on the Declaration of Joseph A. Uradnik (Ex. 1032). *See* Paper 67, 15–17. For reasons similar to those I gave regarding interrogatory (a), PQA’s answer is not responsive to interrogatory (e) and does not provide sufficient evidence to allow me to evaluate PQA’s answer.

Interrogatory (f) asked, “[d]id PQA ever condition any action relating to this proceeding . . . on payment or other consideration by Patent Owner or anyone else?” Paper 35, 9. [REDACTED]

[REDACTED] PQA essentially argues that it has never suggested delaying, losing, or not participating in the proceeding and never attempted to influence an expert not to participate in the proceeding. *See* Paper 67, 18. PQA states that while PQA’s engagement with Dr. Singh is “exclusive,” that provision may be waived on request. *Id.* (citing Ex. 1034). PQA states that since its engagement of Dr. Singh, no party (including OpenSky) has ever sought to engage him in connection with the ’373 patent, and thus PQA has never declined any such request. *Id.*

PQA’s answer in its initial brief (Paper 67) is misleading and not fully responsive to interrogatory (f). In particular, VLSI provides evidence that

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

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[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] Moreover, one aspect of [REDACTED]

[REDACTED]
[REDACTED]. Paper 71, 4–5.

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED] Paper 71, 9 (citing Ex. 2065, 1). It is worth noting, however, that PQA only provided this justification after VLSI exposed the parties’ negotiation in VLSI’s interrogatory answer. PQA could have provided this information in the first instance (i.e., in its initial brief) in response to the interrogatory on whether PQA ever conditioned any action relating to this proceeding on payment or other consideration by Patent Owner or anyone else. *See* 37 C.F.R. § 42.11(a) (“Parties and individuals involved in the proceeding have a duty of candor and good faith to the Office during the course of a proceeding.”). I find that PQA’s failure to mention anything of this nature in its initial brief represents an attempt to subvert answering interrogatory (f).

C. Sanctions for PQA’s Failure to Comply

PQA has identified no authority that would allow it to ignore the Mandated Discovery and interrogatories in my Order. Therefore, I determine that PQA has failed to comply. I further determine that it is

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appropriate to sanction PQA for its discovery misconduct. *See* 37 C.F.R. § 42.12(b) (non-exhaustive list of sanctions).

The Director²⁰ has the authority to impose sanctions against a party for misconduct. 35 U.S.C. § 316(a); 37 C.F.R. § 42.12(a); *see Apple Inc. v. Voip-Pal.com, Inc.*, 976 F.3d 1316, 1323 (Fed. Cir. 2020); *see also* AIPLA, 9; BAS, 6–7; Unified, 3–5, 12–17; Naples, 6. Although 37 C.F.R. § 42.12(a) does not require the Board to impose sanctions, where, as here, a party has clearly violated an order after being provided with clear notice of possible sanctions for failing to comply with that order, the integrity of practice before the Board is best served by imposing sanctions commensurate with the sanctionable misconduct to not only punish the offending party, but also to deter future misconduct. *See* 37 C.F.R. § 42.12(a) (authorizing sanctions for “misconduct”); *see also id.* at § 42.11(d)(4) (permitting sanctions to “deter repetition of the conduct or comparable conduct by others similarly situated”).

Whether sanctions are appropriate is a highly fact-specific question, and the relevant considerations will vary from case to case. Prior sanction contexts have considered:

- (1) whether the party has performed conduct warranting sanctions;
- (2) whether that conduct has caused harm (to, for example, another party, the proceedings, or the USPTO); and

²⁰ The Director of the USPTO, the Deputy Director of the USPTO, the Commissioner for Patents, the Commissioner for Trademarks, and the Administrative Patent Judges shall constitute the PTAB. 35 U.S.C. § 6(a). Accordingly, the Director may levy sanctions as a member of the Board.

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(3) whether the potential sanctions are proportionate to the harm. *See, e.g., R.J. Reynolds Vapor Co. v. Fontem Holdings I B.V.*, IPR2017-01318, Paper 16 at 5, 8 (PTAB Aug. 6, 2018). The Director may impose sanctions, for example, for “[f]ailure to comply with an applicable rule or order in the proceeding”; “[a]dvancing a misleading or frivolous argument or request for relief”; “[m]isrepresentation of a fact”; “[a]buse of discovery”; “abuse of process”; or “[a]ny other improper use of the proceeding, including actions that harass or cause unnecessary delay or an unnecessary increase in the cost of the proceeding.” 37 C.F.R. §§ 42.12(a)(1), (2), (3), (5), (6), (7). Sanctions may include, for example, “[a]n order holding facts to have been established in the proceeding”; “an order precluding a party from filing a paper”; and “an order providing for compensatory expenses, including attorney fees.” *Id.* §§ 42.12(b)(1), (2), (6). Additionally, the Director may issue sanctions not explicitly provided in 37 C.F.R. § 42.12(b). *See Voip-Pal.com*, 976 F.3d at 1323–24. Any sanction must be commensurate with the harm caused. *See R.J. Reynolds*, IPR2017-01318, Paper 16 at 5.

As a result of PQA’s failure to comply with my ordered Mandated Discovery provisions, I, VLSI, and Intel do not have a complete record to fully examine PQA’s assertion that it has not committed an abuse of the IPR process. Indeed, the confidential material in this Order makes clear that PQA has made misleading statements and affirmatively attempted to withhold facts that, taken alone or with other facts, might establish that PQA abused the IPR process.

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PQA should not be allowed to profit from its discovery misconduct. Accordingly, I determine that the proper sanction is to hold disputed facts as established against PQA. 37 C.F.R. § 42.12(b)(1); Paper 39, 3, 4 (warning parties that “failure to comply with my Order may be sanctionable,” and specifically warning that “without limitation, sanctions may include ‘[a]n order holding facts to have been established in the proceeding’” under 37 C.F.R. § 42.12(b)(1)). The Federal Circuit has approved this remedy of adverse inference in the context of district court litigation, stating that “when ‘the alleged breach of a discovery obligation is the non-production of evidence, a district court has broad discretion in fashioning an appropriate sanction, including the discretion to . . . proceed with a trial and give an adverse inference instruction.’” *Regeneron Pharms., Inc. v. Merus N.V.*, 864 F.3d 1343, 1363 (Fed. Cir. 2017) (quoting *Residential Funding Corp. v. DeGeorge Fin. Corp.*, 306 F.3d 99, 107 (2d Cir. 2002)).

In view of the record as discussed above, including PQA’s response to interrogatories (a)–(f), I find that PQA was not only non-responsive to my interrogatories but that PQA was evasive in its responses and engaged in troublesome conduct. I further apply adverse inferences in my decisions on abuse of process below.

IV. ABUSE OF PROCESS AND OTHER SANCTIONABLE CONDUCT

I initiated Director review in this proceeding to examine and address VLSI’s allegations of abuse of process by PQA. *See* Paper 31; Paper 35, 8. Under existing Office regulations, an abuse of process is sanctionable (i.e., it

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is “conduct that warrants sanctions”). 37 C.F.R. § 42.12(a)(6). Abuse of process is a fact-based inquiry, and existing regulations do not attempt to specify what acts constitute an abuse of process. Accordingly, I consider PQA’s conduct to determine whether it demonstrates an abuse of process or conduct that otherwise thwarts, as opposed to advances, the goals of the Office and/or the AIA.

A. Background Principles

Congress created the AIA to support the “important congressional objective” of “giving the Patent Office significant power to revisit and revise earlier patent grants,” among other objectives. *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 272 (2016). Congress did not implement a standing requirement for petitioners; any party (other than the patentee) may seek such review. 35 U.S.C. § 311(a). AIA post-grant proceedings, and more specifically, the IPR proceedings at issue here, do not exist in isolation but are part of a larger patent and innovation ecosystem. Congress intended AIA proceedings to be a less-expensive alternative to district court litigation to resolve certain patentability issues. AIA proceedings were not, however, intended to replace patent litigation, which remains a vital forum for determining patent validity. Nor were they intended to be tools of patent owner harassment. Congress expressed the intent of the AIA in the statute when it directed the Director, when prescribing regulations, to “consider . . . the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings.” 35 U.S.C. § 316(b). I consider this mandate not just when promulgating regulations, but in administering the AIA through guidance and decision-

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making. Abuse of AIA proceedings undermines these important objectives, and the Office will not tolerate it.

PQA points to an argument from an amicus that abuse of process cannot arise from the filing of a petition and can only refer to conduct that arises after litigation, relying in part on the second Restatement of Torts. *See* Paper 77, 23 (citing Paper 55, 5; Restatement (Second) Torts § 682). I disagree. The Restatement indicates that even a properly initiated proceeding may be abused, and further indicates that it is an abuse of process to initiate a proceeding for a purpose other than that for which it was intended. *Id.*,²¹ *see also* Fed. R. Civ. P. 11. Further, as discussed below, the sanctions I impose in this proceeding are based on the sanctions in 37 C.F.R. § 42.12 and are not part of a suit sounding in tort for an abuse of process.

²¹ The Restatement states:

The gravamen of the misconduct for which the liability stated in this Section is imposed is not the wrongful procurement of legal process or the wrongful initiation of criminal or civil proceedings; it is the misuse of process, no matter how properly obtained, for any purpose other than that which it was designed to accomplish.

...

For abuse of process to occur there must be use of the process for an immediate purpose other than that for which it was designed and intended. The usual case of abuse of process is one of some form of extortion, using the process to put pressure upon the other to compel him to pay a different debt or to take some other action or refrain from it.

Id.

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PQA also argues, consistent with the *Noerr-Pennington* doctrine and the First Amendment, that PQA’s intent or purpose in filing a meritorious petition is legally irrelevant. Paper 67, 22–23 (citing *Nader v. The Democratic Nat. Comm.*, 555 F. Supp. 2d 137, 156–57 (D.D.C. 2008); *Razorback Ready Mix Concrete Co., Inc. v. Weaver*, 761 F. 2d 484, 487 (8th Cir. 1985)). VLSI argues that the *Noerr-Pennington* doctrine protects against liability, but it does not shield litigants from sanctions. Paper 74, 23 (citing *BE & K Const. Co. v. N.L.R.B.*, 536 U.S. 516, 537 (2002)). Intel argues that “[a]dopting VLSI’s new intent-based requirement also would conflict with Supreme Court precedent holding that “an objectively reasonable effort to litigate cannot be [a] sham regardless of subjective intent.”” Paper 78, 5–6 n.3 (quoting *Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49, 57 (1993); citing Paper 58, 5–6 (amicus CCIA: “[S]anctions are inappropriate—and barred by the First Amendment—with respect to the filing of a meritorious petition.”)).

Here, sanctions are based on the authority granted to the Board after notice and comment rulemaking and are not part of a suit sounding in tort for an abuse of process. I consider sanctions here in the context of determining whether the IPR process itself is being abused, which involves evaluating the totality of evidence including, but not limited to, the circumstances surrounding the initial filing of the petition. Moreover, even putting aside PQA’s act of filing an IPR petition, PQA’s other conduct merits sanctions, as discussed below.

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B. PQA's Conduct

The following summary is based on evidence provided by VLSI, which I hold as established facts in the absence of contrary evidence from PQA. *See Residential Funding Corp.*, 306 F.3d at 106 (“[I]f a party fails to obey a discovery order, the court ‘may make such orders in regard to the failure as are just,’ including, but not limited to, ‘[a]n order that . . . designated facts shall be taken as established for the purposes of the action in accordance with the claim of the party obtaining the order.’” (quoting Fed. R. Civ. P. 37(b)(2)(A))). “Even the mere failure, without more, to produce evidence that naturally would have elucidated a fact at issue permits an inference that” the evidence would have exposed facts unfavorable to the non-disclosing party. *Vodusek v. Bayliner Marine Corp.*, 71 F.3d 148, 156 (4th Cir. 1995).

While PQA’s Petition stressed that review was 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 (Pet. 2–3), its subsequent conduct called that objective into question.

A month after PQA filed its Petition, VLSI contacted PQA to discuss the IPR proceeding, but PQA declined to engage in talks at that time. *See* Paper 68, 5. PQA states that it discussed settlement only at VLSI’s behest. Paper 77, 1.

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

VLSI additionally alleges, and I find, that during this period, i.e., [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]. Paper 50, 6 (citing, e.g., Exs. 2067, 2075, 2076). Also, [REDACTED]

[REDACTED]. *Id.* In the absence of an interrogatory response from PQA with respect to [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED].

VLSI also alleges, and I find, that [REDACTED]

[REDACTED]

Paper 74, 8. VLSI bases its allegation on the following email from PQA:

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[REDACTED]

Id. at 7–8 (citing Ex. 2069; Ex. 2076). I find VLSI’s allegation to be supported by the email it provided. *See* Ex. 2069 ([REDACTED])

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]).

It is undisputed that PQA has not accepted any settlement agreement and the parties have not settled. *See id.* at 8.

Also, as discussed above, PQA represented in its Petition that it had “exclusively engaged” Dr. Singh (Pet. 4) (emphasis in brief), which was the basis for the Board’s decision to deny institution in IPR2021-01056 involving Petitioner OpenSky. *See* IPR2021-01056, Paper 18, 5–9. PQA later attempted to qualify this representation. *Compare* Pet. 4 (“In contrast, Petitioner exclusively engaged Dr. Singh and Dr. Hall-Ellis to challenge the ’373 patent. Thus, OpenSky cannot present either expert for cross-examination as required.”), *with* Paper 67, 18 (“Similarly, while PQA’s engagement with Dr. Singh is ‘exclusive,’ that provision may be waived on request.” Ex. 1034.) Had PQA not made that false representation, OpenSky may have sought permission to engage the experts. Further, there is no

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evidence explaining why PQA retained the ability to prohibit Dr. Singh from working for other parties, including OpenSky. A reasonable and adverse inference would be that PQA did not believe review of the '373 patent was 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 (Pet. 2–3) but instead sought to benefit monetarily from the petition by working to have OpenSky’s petition denied so the PQA petition would be instituted.

I will analyze PQA’s conduct in more detail in the following section.

C. Case-specific Considerations

1. Petitioner’s interest in the proceeding

I am mindful that Congress did not itself include a standing requirement for IPRs. *See Cuozzo*, 579 U.S. at 279 (“Parties that initiate [IPRs] need not have a concrete stake in the outcome; indeed, they may lack constitutional standing.”); Paper 77, 22; *see also* Engine, 13–14 (“Congress created IPR so that any ‘person who is not the owner of a patent’ may file an IPR petition . . . It would be improper for the PTO to supplant that choice.”) (citations omitted). Instead, Congress left it to the USPTO to prescribe regulations, to “consider . . . the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings” 35 U.S.C. § 316(b).

The Office has repeatedly instituted IPRs where the petitioner has not been sued for infringement. *See, e.g., Athena Automation Ltd., v. Husky Injection Molding Systems Ltd.*, IPR2013-00290, Paper 18, 12–13 (PTAB Oct. 25, 2013) (precedential) (declining to deny a petition based on assignor

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estoppel); *Fresenius Kabi USA, LLC v. Chugai Seiyaku Kabushiki Kaisha, Inc.*, IPR2021-01336, Paper 27, 48 (PTAB Feb. 23, 2022). In practice, however, there is commonly a high degree of interplay between IPR petitions/trials and Article III patent litigation. *See, e.g., The Patent and Trial Appeal Board: Examining Proposals to Address Predictability, Certainty, and Fairness*, Hearing Before the S. Comm. on Intellectual Prop., 117th Cong. at 1:14:27-1:14:37 (June 22, 2022) (testimony of Tim Wilson, Head of Patents and Intellectual Property Litigation, SAS Institute, Inc., stating that IPR petitions are typically filed in response to a patent infringement lawsuit).

Barring evidence to the contrary, there is little need to question the motives of a party sued for infringement. However, where a petitioner has not been sued for infringement, and is a non-practicing entity, legitimate questions may exist regarding whether the petitioner filed the petition for an improper purpose or one that does not advance the goals of the AIA or this Office. For example, an amicus identifies a concern with petitioners who file “petitions, filed for the primary purpose of obtaining a cash settlement” from patent owners in order to settle and terminate the proceeding. *See Naples*, 2. Not only would such a purpose not advance legitimate goals, but the PTAB proceedings under the AIA are not intended to be a tool for patent owner harassment.

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To be clear, there is nothing *per se* improper²² about a petitioner who is not a patent infringement defendant filing an IPR petition. For example, there may be circumstances in which a petitioner has not yet been sued, but believes it may be, or otherwise wants to make sure it has the freedom to operate. Alternatively, there may be circumstances in which a petitioner is planning to enter the field of technology that the patent protects and is trying to clear entry barriers or otherwise clarify whether they have freedom to operate. *See Engine*, 10–11. Or a petitioner may act on behalf of the public without having any research or commercial activities involving the challenged patent. *See Consumer Watchdog v. Wisconsin Alumni Rsch. Found.*, 753 F.3d 1258, 1260 (Fed. Cir. 2014).

Although it is not *per se* improper for a person not charged with infringement to file an IPR petition, the posture of a petitioner, in conjunction with other surrounding circumstances, could raise legitimate questions about whether the petition is reasonably designed to advance the beneficial aims of the AIA or this Office and whether, in addition, the filing amounts to an abuse of process.

So it is here. PQA has not been sued for infringing the '373 patent. *See Pet. 75*. When I asked whether PQA could be sued for infringement, PQA objected to the question and resisted answering, as detailed above. *See supra* § III.B.2; Paper 35, 8; Paper 67, 10–14. PQA has thus neither

²² I address here only what conduct is improper and do not suggest that all conduct that is not improper warrants institution. Such decisions are better suited for guidelines and notice-and-comment rulemaking.

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admitted that it infringes nor alleged that it does not infringe, despite my Order providing it an opportunity to do so, and has not substantiated its argument either way. PQA has stated that Intel has customers that might, arguably, infringe (but without stating whether it is one of Intel's customers), and PQA has not explained whether it is in the marketplace for products covered by the '373 patent. The lack of evidence on this point is directly attributable to PQA's failure to follow my Order and I draw negative inferences from that failure. *See Residential Funding Corp.*, 306 F.3d at 110 (finding that intentional acts that hinder discovery support an inference that the evidence was harmful to the non-producing party). Accordingly, I find the fact established that PQA does not believe that it may be sued for patent infringement in the future, and that fear of infringement did not motivate PQA to file its Petition.

PQA maintains that its interest is in the integrity of the patent system. Pet. 2–3. The record (and additional factors discussed below) belie that representation. Indeed, I ordered PQA to produce documentation and answer interrogatories related to its business purpose and membership, and it has not done so. In its briefing, PQA responds by stating that its “initial authorized business . . . is to challenge patent(s) to ensure patent quality,” but PQA refuses to disclose its members, despite my Order to do so. Paper 67, 8. Again, the lack of evidence of PQA's business purpose and membership is due to PQA's discovery misconduct and, therefore, I find the fact established that PQA did not file this case for its alleged purpose of testing patent quality or preserving the integrity of the patent system. Further, if PQA's sole motivation were to challenge the validity of the '373

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patent, it would not have represented that it had “*exclusively* engaged” Dr. Singh and stated that “[t]hus, OpenSky cannot present either expert for cross-examination as required.” Pet. 4 (citing 37 C.F.R. 42.51(b)(1)) (emphasis in brief). To the contrary, a purpose of preserving the integrity of the patent system would have motivated PQA to make Dr. Singh available to any other party challenging the ’373 patent. As noted above, this was the basis for the Board’s decision to deny institution to Petitioner OpenSky in IPR2021-01056. *See* IPR2021-01056, Paper 18, 5–9. Indeed, based on the record and adverse inferences, I find that the sole reason PQA filed the Petition was for the improper purpose of extracting money from VLSI after VLSI’s success before the jury.

2. *Recent trial verdict awarding significant damages*

The mere existence of a trial verdict (whether by jury or from the bench) does not automatically make the filing of a subsequent IPR on the involved patent(s) an abuse of process. Indeed, patents are often asserted, either in demand letters or in litigation, against multiple entities in serial fashion. Both those entities subject to current or future assertions, or potential assertions, and the public, have a vested interest in canceling invalid patents.

That said, an entity filing an IPR on the heels of a large jury verdict may, when combined with other facts, raise legitimate questions regarding the motivation behind the petition. *See* USIJ, 15–16 (discussing petitions filed after infringement verdicts).

Such is the case here. As the parties and amici are well aware, a jury in the Western District of Texas rendered a verdict of more than \$2 billion

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against Intel for infringing two VLSI patents, including the '373 patent (\$1.5 billion in damages). Ex. 1031, 6. PQA filed its petition shortly after the infringement verdict, and as noted in section IV(C)(1) of this opinion, without any established fear that it would be subject to a subsequent assertion. Together with the significant damages award, this suggests that the purpose of the IPR could be to extract a settlement from VLSI.

Notably, despite being given the opportunity, PQA has not provided adequate evidence that it had another purpose for filing this IPR. As explained previously, PQA flouted Mandated Discovery refusing to turn over or log internal communications that would have shed light on the “purpose” for which PQA was formed. Paper 68, 4. In addition, as discussed above, PQA failed to adequately respond to the interrogatories set forth in the Scheduling Order (Paper 35, 8–9). Accordingly, per the sanction for PQA’s discovery misconduct, I find that it has been established that PQA filed its Petition for the purpose of extracting payment from VLSI.

3. *Proximity of petitioner’s formation to jury award*

Large jury awards attract publicity and attention. When the evidence demonstrates that an IPR petitioner was formed from whole cloth soon after a damages award, and in particular a significant damages award, this suggests that the petitioner could be motivated to extract a financial windfall from the patent owner or the adjudicated infringer, rather than being motivated by any legitimate purpose.

Here, the evidence demonstrates that PQA was formed 15 weeks after a jury found that Intel infringed the '373 patent, and awarded VLSI \$1.5 billion in damages. *Compare* Ex. 1027 (Jury Verdict Form dated March 2,

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2021), *with* Ex. 1045 (PQA formation date of June 14, 2021). PQA then filed its Petition on July 7, 2021, three weeks after its formation. This timing, and the fact that PQA prevented OpenSky from also pursuing its proceeding to seek unpatentability of the '373 patent, in the absence of contrary evidence from PQA, supports the finding that PQA was formed in an attempt to capitalize on that verdict. Moreover, and as explained above, PQA has provided inadequate evidence that it was formed for another purpose, despite my Order giving it an opportunity to do so. Although PQA omits these details from its recitation of events, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]. Ex. 2075, 2076. As a sanction for that discovery violation, I find that it has been established that PQA was formed for the express and sole purpose of extracting payment from VLSI.

4. Misleading arguments or misrepresentations of fact

I find that PQA advanced a misleading or frivolous argument, misrepresented a fact, and/or otherwise engaged in an abuse of process, by representing in its Petition that it had exclusively engaged Dr. Singh, an expert who was relied on by another litigant in another proceeding, and later retracting this statement by stating that this was an exclusivity provision that could be waived upon request. *Compare* Pet. 4 (“In contrast, Petitioner exclusively engaged Dr. Singh and Dr. Hall-Ellis to challenge the '373 patent. Thus, OpenSky cannot present either expert for cross-examination as required.”), *with* Paper 67, 18 (“Similarly, while PQA’s engagement with Dr. Singh is ‘exclusive,’ that provision may be waived on request. Ex. 1034.

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Since PQA's engagement of Dr. Singh, no party (including OpenSky) has ever sought to engage him in connection with the '373 patent, thus PQA has never declined any such request.").

The statement in the Petition that PQA had exclusively engaged Dr. Singh appears to have been a misstatement of the exclusivity arrangement that implied that Dr. Singh could have worked with another party with PQA's consent. *See* Ex. 1034, 2.

One might argue that PQA merely changed its mind about whether it would waive its exclusive arrangement with Dr. Singh, and that it is inherent in an exclusive arrangement that the exclusivity may be waived, e.g., where the arrangement states that Dr. Singh will not accept new consulting engagements related to the challenged patent without prior written consent. *See* Paper 67, 18; Ex. 1034, 2. Even if this is the case, it strains credulity that PQA now states that "no party (including OpenSky) has ever sought to engage [Dr. Singh] in connection with the '373 patent." Paper 67, 18. Indeed, PQA's express statement in the Petition that "OpenSky cannot present either expert for cross-examination" would have led OpenSky to reasonably conclude that it would have been fruitless to seek permission from PQA. *Compare* Pet. 4, with Paper 67, 18. In other words, even if PQA had not originally been misleading in the Petition, its later arguments regarding the lack of attempts to engage the expert are misleading at best, which, again, indicates an abuse of process.

Further, PQA also engaged in an abuse of process by establishing an exclusive arrangement with a witness relied on by another party in another proceeding and interfering with that proceeding by informing the Board that

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the other party would be unable to cross-examine the witness. *See* Pet. 4. The Board relied on the statement in the Petition to dismiss the other proceeding. *See* IPR2021-01056, Paper 18, 9. This type of interference with OpenSky’s Petition, through the use of an exclusive arrangement in combination with a purposeful statement in PQA’s Petition that there was an exclusive arrangement that prevented OpenSky from obtaining institution, indicates an abuse of process. PQA made a point to state to the Board that Dr. Singh cannot be cross-examined in another proceeding, and the Board did not proceed with the IPR based on OpenSky’s petition on this basis, which further demonstrates that PQA intended to interfere with another IPR. Pet. 4; IPR2021-01056 Paper 18, 9. The use of an exclusive arrangement and the assertion of a purposeful and misleading statement before the Board in order to favor its own petition over another one indicates an abuse of process.²³

5. *Filing a copycat petition*

As my Scheduling Order notes, filing a “copycat” petition is not inherently improper. Paper 35, 5 n.4. For example, under the current joinder rules, a time-barred party may file a copycat petition when it is

²³ I recognize that in some cases a party may have a legitimate interest in circumscribing an expert’s work for another party, such as where the two parties are competitors and providing that expert access to confidential or privileged information may compromise that party’s competitive position if permitted to use it for the benefit of the other party. *See, e.g., Digital Equip. Corp. v. Micro Tech., Inc.*, 142 F.R.D. 488, 492 (D. Colo. 1992) (acknowledging the risks inherent in allowing an expert to work for both sides). This is not such a case.

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seeking joinder as provided by the AIA. *See* 35 U.S.C. § 315(c); 37 C.F.R. §§ 42.122(b), 42.101(b). There may be circumstances, however, in which the filing of a petition that copies a previously denied petition may suggest an abuse of process.

The present case provides an example as it relates to PQA. In addition to PQA filing what was essentially a copy of Intel's IPR petition, which had previously been denied based on the *Fintiv* factors, PQA filed a copy of Intel's expert declaration. Ex. 2016; Ex. 2022. On these facts, this conduct suggests that PQA was attempting to file a petition with the lowest possible cost in an effort to generate leverage against VLSI.

D. Conclusion

Viewed as a whole, PQA's conduct has been an abuse of the IPR process, the patent system, and the Office. The totality of PQA's conduct evinces a singular focus on using an AIA proceeding to extort money. Despite being given the opportunity, PQA failed to offer a verifiable, legitimate basis for filing its IPR Petition, which was filed only after a district court awarded large monetary damages keyed to the subject '373 patent. PQA also made material misrepresentations in order to ensure that OpenSky's Petition would be denied so that PQA's Petition could proceed. And the Petition it filed was not generated by PQA, but was a copy of Intel's earlier petition. Further, [REDACTED]

[REDACTED]
[REDACTED] *See* Ex. 2076.

Seeking an AIA trial for the primary purpose of extorting money, and representing that a party has an exclusive engagement with a witness relied

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on by another litigant do not comport with the purpose and legitimate goals of the AIA and are abuses of process. Further, PQA has made misrepresentations of fact and/or misleading arguments regarding the nature of this exclusivity. Opportunistic uses of AIA proceedings harm the IPR process, patent owners, the Office and the public. Naples, 2; USIJ, 4.²⁴ To safeguard the proper functioning of the patent system, and the confidence therein, it is incumbent on me and the USPTO to protect against that harm.

V. REMEDY FOR ABUSE OF PROCESS AND OTHER SANCTIONABLE CONDUCT

The AIA granted the Office broad authority to prescribe regulations aimed at sanctioning the “abuse of process, or any other improper use of the proceeding.” 35 U.S.C. § 316(a)(6). Our existing regulations take full advantage of that authority and provide a broad range of potential sanctions to address such abuse and other sanctionable conduct, ranging from awarding “compensatory expenses” to “[j]udgment in the trial.” 37 C.F.R. § 42.12(a)(2), (3), (6), (b). These enumerated sanctions are not exclusive. The Federal Circuit has held that § 42.12(b) “allows the Board to issue sanctions not explicitly provided in the regulation.” *Voip-Pal.com, Inc.*, 976 F.3d at 1323. Accordingly, the Office has robust powers to sanction abuse of process and other sanctionable conduct where it occurs and to deter

²⁴ This situation thus meaningfully differs from others in which a “profit motive” was arguably present but there was not otherwise other evidence of improper conduct. *See, e.g., Coalition for Affordable Drugs VI, LLC v. Celgene Corp.*, Case IPR2015-01092, Paper 19 (PTAB Sept. 25, 2015) (denying motions for sanctions for abuse of process).

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similar abuse. The Director will ensure that the remedy suits the wrongdoing, both in this specific case and more generally when faced with evidence of an abuse of process or other conduct that thwarts, rather than advances, the goals of the Office and the AIA.

Here, in addition to any monetary sanctions I may levy (*see* below section VII), I must decide whether to maintain or dismiss the underlying proceeding.

A. Whether Dismissal is Appropriate

VLSI contends that the remedy for PQA's abuse should be termination of this IPR. Paper 68, 2, 10–11. VLSI also argues that Intel should not be “allowed to take advantage of PQA's misconduct at VLSI's expense.” Paper 68, 24. VLSI asserts that Intel was a time-barred party, and that the Board has previously terminated joined time-barred parties when finding that an IPR was improperly instituted. *See id.* at 24–25 (citing *I.M.L. SLU v. WAG Acquisition, LLC*, IPR2016-01658, Paper 46, 3, 5 (PTAB Feb. 27, 2018); *Mylan Pharma Inc. v. Horizon Pharma USA, Inc.*, IPR2017-01995, Paper 71, 12–13 (PTAB Mar. 17, 2019); *Intel Corp., v. Alacritech, Inc.*, IPR2018-00234, Paper 66, 23 (PTAB June 4, 2019); *Sling TV, LLC v. Realtime Adaptive Streaming, LLC*, IPR2018-01331, Paper 39, 8 (PTAB Jan. 17, 2020)).

Intel responds that, in “VLSI's cited cases, the IPRs were terminated because the *original* petitioner was *statutorily barred* from bringing the petition in the first instance,” so the petition was void *ab initio*. *See* Paper 78, 12 (emphasis in original). That reasoning, however, does not apply to the current proceeding. As Intel correctly points out, in other cases,

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the Board has allowed a joined petitioner to step into an active role after the original petitioner was terminated from the proceeding. *See id.* at 12–13 (citing *Apple Inc. v. Traxcell Techs., LLC*, IPR2021-01552, Paper 19, 2 (PTAB May 26, 2022); *AT&T Servs., Inc. v. Convergent Media Sols., LLC*, IPR2017-01237, Paper 11, 26–28 (PTAB May 10, 2017); *Qualcomm Inc. v. Bandspeed, Inc.*, IPR2015-01577, Paper 12 at 2–3, 6, 8 (PTAB Nov. 16, 2015)).

Amici recognize that I must “weigh the policy goals of the Office and the AIA” when facing abusive behavior because “the public has a clear interest in discouraging conduct that is abusive or otherwise thwarts Congress’s goals in passing the AIA and the Office’s goals in overseeing post-grant proceedings.” AIPLA 5–6. Many amici have pointed out that “[o]ur patent system is rooted in the fact that valid claims . . . support innovation, progress, and the public’s interests” (Engine 3) while “[i]nvalid patents unduly restrict innovation, competition, and access to knowledge” (PIPLI 2). *See* CCIA, 2; HTIA, 7; BSA, 10. Accordingly, “ensuring that invalid patents do not remain in force [is] one of the core missions of the PTAB” (CCIA 2) and “AIA trials thus broadly aim to ‘protect the public’s ‘paramount interest in seeing that patent [rights] are kept within their legitimate scope’” (HTIA, 5 (quoting *Cuozzo*, 579 U.S. at 279–80) (internal citations omitted)). *See* Unified, 5–6, Engine, 7–8. On the other hand, other amici highlight that “the patent system incentivizes inventors to publicly disclose innovations that advantage the public by granting an inventor a patent, upon which an ‘exclusive enjoyment is guaranteed.’” Centripetal, 14; USIJ, 15; Maalouf, 6. Those amici point out that the legislative history

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of the AIA shows Congress recognized the importance of reliable patent rights. Maalouf, 6–7 (citing H.R. Rep. No. 112-98 pt. 1, at 48 (2011)); Centripetal, 13; USIJ, 15.

Going back to first principles, to further the objectives of this Office in promoting and protecting innovation for the greater good of the public, I must advance the need for reliable patent rights and the benefits of removing patents that do not support innovation. *See* Lamar Smith, *Don't Weaken the Leahy-Smith America Invents Act*, BLOOMBERG LAW (Mar. 30, 2022), at 3 (“In the committee report on the AIA, we wrote about the importance to inventors of having ‘quiet title’— clear ownership that can’t be challenged.”); H.R. Rep. No. 112-98, pt. 1, at 40 (2011), 2011 U.S.C.C.A.N. 67, 69; S. Rep. No. 110-259, at 20 (2008) (the congressional intent behind the AIA was “to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.”).

I recognize that PQA should not benefit from its abusive use of the IPR process. Accordingly, due to PQA’s abuse of the process and misrepresentation of fact or misleading argument, I dismiss PQA from this the proceeding, subject to the Director, Board, and USPTO retaining jurisdiction over the issuance of sanctions. *See* 37 C.F.R. § 42.12(b)(6), (8). Intel remains in this proceeding as the sole Petitioner.

On the issue of whether to terminate the proceeding, the unique dynamics of this case, coupled with the public interest in evaluating patent challenges with compelling merits, counsels that I permit this IPR to continue only if the unpatentability merits were compelling as of the time of

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institution and on the record as it existed at that time.²⁵ Predicating dismissal on the application of the compelling-merits standard best serves the competing interests here.²⁶

B. Compelling Merits Analysis

As I have stated previously, “[c]ompelling, meritorious challenges are those in which the evidence, if unrebutted at trial, would plainly lead to a conclusion that one or more claims are unpatentable by a preponderance of the evidence.” Memorandum at 4. A compelling merits challenge is a higher standard than the reasonable likelihood required for the institution of an IPR under 35 U.S.C. § 314(a). A challenge can only “plainly lead to a conclusion that one or more claims are unpatentable” (*id.*) if it is highly likely that the petitioner would prevail with respect to at least one challenged claim.

²⁵ My decision to conduct a compelling-merits determination here, per the Memorandum, is limited to the facts of this case and should not be treated as an endorsement of retroactive application of that memorandum to institution decisions made before it issued.

²⁶ The circumstances of this particular case are unusual and are not likely to reoccur. Apart from the Memorandum that will require an earlier determination of compelling merits in future cases with similar fact patterns, the Board issued its Decision several months before *Sotera* was designated precedential. *See Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12 (issued Dec. 1, 2020, designated precedential Dec. 17, 2020) (applying *Fintiv* and instituting review after the Petitioner filed a broad stipulation to limit grounds in district court, addressing factor 4 in *Fintiv*). Further, the USPTO is working on policy-making that will address some of the facts raised in this case.

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In assessing compelling merits, I analyze the evidence and the parties' arguments as they existed at the date of institution. PQA filed a Petition (Paper 1) requesting institution of an *inter partes* review of claims 1–16 (all claims) of the '373 patent. In its Petition, PQA relies on three grounds. *Id.* at 2. For all independent claims, 1, 9 and 16, and for dependent claims, 2–7, 10, 11, and 13–15, PQA contends the claims are obvious in view of three references: Harris (US 5,867,719), Abadeer (US 2006/0259840 A1) and Zhang (US 2003/0122429 A1). *Id.* For dependent claims, 2, 8, 11 and 12, PQA relies on the combination of Harris, Abadeer, and Zhang, also combined with additional art. *Id.* VLSI filed a Preliminary Response. Paper 7. As authorized, PQA filed a Preliminary Reply (Paper 8), and VLSI filed a Preliminary Sur-Reply (Paper 9). The Board, in its Institution Decision, concluded that PQA's Petition showed a reasonable likelihood that it would prevail in establishing the unpatentability of at least one challenged claim, and instituted *inter partes* review. Paper 10, 24. The Board's Institution Decision fully describes the '373 patent and relevant prior art disclosures. *See generally id.* I will not repeat that analysis here, except to the extent necessary to inform my compelling merits determination.

As noted in the Institution Decision, PQA "relies on Harris for a system including switchable voltages provided to memory and other system[s] in an integrated circuit." Paper 10, 13. The Institution Decision further notes that PQA relies on both Harris's "failure mode" as well as its "low power feature" to teach the claimed "requirement of providing different voltages to the memory circuit depending on the levels of the two voltages." *Id.* at 16 (quoting Pet. 44–46). The Board, applying the

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reasonable likelihood standard for institution, concluded that “Harris’s low power feature discloses the claimed switching.” *Id.* at 18; *see id.* at 24. Based on that conclusion, the Board declined to resolve the parties’ dispute on whether the failure mode also met the limitation. VLSI filed for rehearing but did not challenge the Board’s merits, focusing only on the Board’s discretion. Paper 13.

I have considered the record as well as each of VLSI’s arguments and I find that the Petition presented compelling merits at the time of institution based on the rationale set forth in the Institution Decision as well as my own analysis of the record at institution. I first note that VLSI’s Preliminary Response focuses much of its argument on Harris’s teachings alone, misapprehending Harris’s various modes (e.g., normal mode, testing mode, failure mode, and low power feature) as wholly independent systems, rather than features provided by the same computing hardware system. *See e.g.*, Prelim. Resp. 34, 36–37; *see generally id.* at 31–55. As the Board explains, and as Harris supports, those modes are situationally-dependent modes implemented by the same underlying hardware system. Institution Decision 20–21. For example, in “a normal mode of operation,” Harris’s memory array “would be powered by a supply voltage applied to VDD terminal 132.” Ex. 1003, 3:1–2; *see id.* 3:15–18, Fig. 1. And, where Harris’s “test mode . . . [is] used as a low power feature, the second power supply voltage (Vstby or Vdd) is provided to the at least one memory array while the first power supply voltage (Vdd or Vstby) which is being supplied to the CPU is lowered so that lower power is consumed in the data processor while data within the at least one memory array is maintained.” *Id.* at 4:65–5:4.

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Further, VLSI's general assertion that Harris fails to teach "switching" voltages does little to support its position, as VLSI does not specifically identify any limitations it asserts Harris's modes fail to teach, suggest, or render obvious.

Although VLSI's Preliminary Response also takes issue with the compatibility of the Harris and Zhang combination (Prelim. Resp. 38–40), those arguments also do not persuade me that the Petition fails to present compelling merits at the institution stage. VLSI's argument that "Zhang never teaches switching between separate regulated voltages" (Prelim. Resp. 37–39) is based on features in Zhang that are not relied upon in, or needed by, Petitioner's combination. Instead of relying on Zhang to teach switching voltages, at the institution stage Petitioner presents a compelling case that a POSITA would have been motivated to use "regulated" voltages in Harris, as taught in Zhang, and provides three independent rationales to support its combination. Pet. 37–39. VLSI's Preliminary Response does not adequately address those proffered rationales, instead, arguing again about switching. *See* Prelim. Resp. 38–40. I also note that VLSI makes no argument with respect to Abadeer's teaching on determining the minimum operating voltage and storing that voltage in non-volatile memory or whether it would be obvious to combine Abadeer's teaching with Harris and Zhang. Nor does Patent Owner contest Petitioner's three proffered rationales for combining Harris and Abadeer. Pet. 30–33. Accordingly, I determine that the record, as it existed at the time of institution, presented compelling merits.

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My determination of compelling merits here is based only on the record as it existed at institution, and I recognize that all relevant evidence likely will not have been adduced at that point in time. The record as developed during trial may have adduced additional evidence that may support a different determination. Thus, the merits of the Petition may be rebutted at trial, and, accordingly, a determination of compelling merits should not be taken as a signal to the ultimate conclusion after trial.

I therefore lift the stay in the underlying proceeding. The parties will have an additional opportunity to seek Director review of the Final Written Decision.

VI. REQUESTS FOR IN CAMERA REVIEW

VLSI requested that I review in camera documents of PQA. *See, e.g.*, Paper 43. [REDACTED]
[REDACTED]. Paper 44. No other parties request in camera review. For the reasons explained above, however, the evidence exchanged as Mandated Discovery is sufficient to resolve this Director review without resorting to in camera review. Accordingly, the request for in camera review is denied.

VII. SHOW CAUSE

Finally, for all the reasons discussed above, PQA also is ordered to show cause as to why it should not be ordered to pay compensatory expenses, including attorney fees, to VLSI as a further sanction for its abuse of process and misrepresentation of fact or misleading argument. 37 C.F.R. § 42.12(b)(6). Within 30 days of this Decision, PQA and VLSI shall each file a 25-page brief addressing whether an award of attorney fees is

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appropriate, and if so, how such fees should be determined, e.g., the appropriate time frame for which fees should be assessed. PQA and VLSI may each file a 10-page responsive brief, due two weeks from the date the initial briefs responding to the show cause order are filed.

VIII. MOTIONS TO SEAL

PQA has also filed three motions to seal, i.e., relating to an agreement between PQA and VLSI to keep certain discussions confidential. Paper 49; Paper 75; Paper 79. VLSI also filed a motion to seal. Paper 66. Intel also filed a motion to seal. Paper 72.

In Paper 49, PQA moves to file under seal Exhibits 1046 and 1047, as well as portions of its Opening Brief in Response to Director Review that quote or describe those documents and/or communications related to those documents. Paper 49, 1.

In Paper 75, PQA states that it “moves to file under seal Patent Owner’s Exhibits 2029, 2064–2080 and 2084–2087 and portions of Papers 50, 51, and 65 that quote or describe those confidential exhibits. PQA also moves to file under seal Petitioner’s Exhibits 1054–1061 and portions of Paper 71 that quote or describe those confidential exhibits.” Paper 75, 1.

In Paper 79, PQA states that it “moves to file under seal portions of Patent Owner’s Responsive Brief Paper 74 that quote or describe confidential exhibits. . . . The arguments presented here track those made in Paper 75.” Paper 79, 1.

VLSI counters that “[REDACTED]
[REDACTED]” Paper 83, 2. VLSI

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states that “[REDACTED]
[REDACTED]
[REDACTED]” *Id.* at 5–6 ([REDACTED]
[REDACTED]). VLSI also argues that [REDACTED]
[REDACTED]. *Id.* at 7–8.
VLSI further argues that [REDACTED]
[REDACTED]. *Id.* at 8–9. Additionally, VLSI argues that
[REDACTED]
[REDACTED]. *Id.* at 9–10. VLSI makes similar arguments
in its oppositions to Papers 49 and 79. *See* Papers 82 and 84.

PQA replies that VLSI has not established a crime or fraud. *See* Paper 86, 2; *see also* Papers 85 and 87.

VLSI moves to seal Exhibits 2080, 2086, 2088, and 2089 relating to privilege logs, and certain portions of VLSI’s brief relating to these exhibits. *See* Paper 66, 1.

Intel moves to seal portions of its responsive brief because it contains information that VLSI and PQA have identified as confidential. *See* Paper 72, 1.

Although I find an abuse of process, I find that public policy favors allowing parties to discuss settlement in a confidential setting if they so agree, and I do not find that VLSI has established a sufficient exception to that policy on this record. Further, I find that public policy favors allowing the privilege logs to remain confidential. Accordingly, I grant the motions to seal.

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IX. ORDER

For the foregoing reasons, it is hereby:

ORDERED that PQA is dismissed from the proceeding, subject to the Director, Board, and USPTO retaining jurisdiction over the issue of sanctions;

FURTHER ORDERED that Intel remains the lead petitioner in this proceeding;

FUTHER ORDERED that the stay of the underlying proceeding is lifted;

FURTHER ORDERED that PQA and VLSI shall file a brief responding to the show cause order for PQA, addressing whether compensatory expenses should be ordered as a further sanction for PQA's abuse of process. Briefing shall be filed within 30 calendar days of this decision and shall be limited to 25 pages;

FURTHER ORDERED that PQA and VLSI may each file a 10-page responsive brief, due two weeks from the date the initial briefs responding to the show cause order are filed; and

FURTHER ORDERED that PQA's, VLSI's, and Intel's motions to seal (Papers 49, 66, 72, 75, and 79) are granted.

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