

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

OPENSKY INDUSTRIES, LLC,
Petitioner,

v.

VLSI TECHNOLOGY LLC,
Patent Owner.

Case IPR2021-01064
Patent 7,725,759

**PATENT OWNER'S
REQUESTS FOR REHEARING PURSUANT TO 37 C.F.R. § 42.71(d)
AND PRECEDENTIAL OPINION PANEL REVIEW**

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I. INTRODUCTION.

VLSI hereby requests rehearing and, more importantly, Precedential Opinion Panel review of the Board's Institution Decision (Paper 17, "ID") to consider matters of extraordinary importance to the patent system. If the ID is permitted to stand, it will spur a flood of abusive IPR petitions attacking patent owners who have prevailed at trial. The 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. This type of harassment has already begun: two such entities formed after VLSI's jury verdict against Intel and filed three "copycat" versions of previously rejected Intel petitions. The ID allowed one of these new attacks to proceed, and another is pending, disregarding the public policy implications raised by the patent owner.

No public interest is served, and the patent system will be profoundly damaged, if opportunists are encouraged to harass patent owners and transform IPR proceedings into betting games against Article III jury verdicts. As recognized by Congress, the Federal Circuit, and the Office, the patent system is best served by rejecting petitions filed for purposes of harassment. By focusing solely on the non-exhaustive factors described in prior decisions such as *Gen. Plastic* and *Fintiv*, the panel failed to weigh the overarching interests of fairness to the parties and the integrity of the patent system. This case presents an opportunity to reiterate the

importance of exercising the broad and flexible discretion Congress vested in the Office at the institution stage to deter gamesmanship and abuse.

Furthermore, in its “copycat” filing, OpenSky refiled Intel’s expert declarations from Intel’s rejected petitions without retaining or even contacting the experts. As a matter of law, these declarations are inadmissible hearsay—neither OpenSky nor the ID identify any applicable exception to or exclusion from the hearsay rule—and should not be relied upon for purposes of institution. Contrary to the ID (ID, 5-7), regardless of whether VLSI can secure depositions, the testimony is hearsay. Consistent with other Board decisions with which the ID conflicts, the statute, the regulations, and the Trial Practice Guide, the Office should not permit a petitioner to rely heavily upon inadmissible hearsay as a central basis for institution.

II. FACTUAL BACKGROUND.

Two VLSI patents (the ’759 and 7,523,373) were the subject of an historic \$2.175 billion jury verdict (“Verdict”) against Intel. Ex. 1027, 6. The jury also rejected Intel’s validity defense as to the ’759. *Id.*, 6. The Verdict did not go unnoticed. After the Verdict, two LLCs—OpenSky and another entity calling itself “Patent Quality Assurance, LLC” (“PQA”)—specifically formed to file IPR petitions attacking the ’759 and ’373 patents. *See* IPR2021-01056 (OpenSky, ’373), -01064 (OpenSky, ’759), -01229 (PQA, ’373); Ex. 2006, 1; Ex. 2007, 3.

These new LLCs did not draft their own petitions, find their own art, or craft their own grounds. They only filed “copycat” petitions, largely identical to rejected petitions previously filed by Intel. *See* IPR2020-00106 and -00498 (challenging ’759); IPR2020-00158 (challenging ’373); ID, 10.

Because Intel chose not to submit a stipulation foreclosing duplicative litigation, it was free to and did raise the same IPR grounds from its rejected petitions in the district court. Exs. 2009-2012; 2026, 5-7. Yet on the eve of trial, Intel abandoned its validity defenses entirely as to the ’373 and presented a different invalidity ground as to the ’759, which the jury rejected. Ex. 2004, 1; Ex. 1027, 5; Paper 9, 14-15. Nevertheless, OpenSky claims that its copycat Petition was necessary to safeguard “[t]he integrity of the entire patent system” because “the jury was not asked to consider the invalidity of [the ’759].” Paper 2, 8-9; *id.*, 7-11. But OpenSky’s premise is false. The jury *did* consider, and unanimously rejected, Intel’s invalidity defense.

Moreover, it has become clear that OpenSky is seeking what amounts to a ransom payment in exchange for dropping its attack, in a manner that directly *undermines* the integrity of the patent system. Indeed, while giving lip service to “integrity,” OpenSky did not even retain expert declarants in this case. Rather, it just photocopied and refiled three Intel expert declarations from its rejected petitions (IPR2020-00106 and IPR2020-00498)—two from technical expert Dr.

Jacob and one from librarian Dr. Sylvia D. Hall-Ellis—without even updating the cover pages. ID, 5 (citing Exs. 1002, 1040, 1046). OpenSky did much the same in IPR2020-01056. OpenSky concedes that it did not even *contact* these declarants before submitting their declarations or even after VLSI questioned OpenSky’s ability to present them for deposition. Paper 13, 9; Paper 16, 8-10.

Meanwhile, PQA, seeing OpenSky’s failure to retain Intel’s declarants as a financial opportunity, formed one week after OpenSky filed, and paid Intel’s technical expert declarant (Dr. Singh) handsomely to sign an “exclusive” retention agreement with PQA for the ’373 (Ex. 2042). PQA subsequently filed its own copycat petition challenging the ’373 (but not one challenging the ’759), arguing that its petition should be instituted, and OpenSky’s IPR2021-01056 petition should not, because PQA had “exclusively” retained Intel’s declarant. IPR2021-01229, Petition, 4-5. The institution decision on PQA’s petition is due January 27.

In its preliminary responses to this and the 01056 petition, VLSI explained that OpenSky’s copycat petitions should be denied, *inter alia*, under *Fintiv*, *Gen. Plastic/Valve*, because they were based upon inadmissible hearsay, and under the totality of the circumstances. Paper 9, 3-29; IPR2021-01056, Paper 9, 2-31. The panel denied review in IPR2021-01056 (challenging the ’373) but instituted the case-at-hand. The panel found that the critical distinction between the two cases was that PQA had exclusively retained Intel’s declarant for the ’373, and, thus, the

panel did not find it likely that OpenSky could present him for deposition. IPR2021-01056, Paper 18, 4-9. By contrast, because Intel's declarants in *this* case (Drs. Jacob and Hall-Ellis) were *not* engaged by PQA, the panel found that "on this record we have no reason to think Dr. Jacob would be unwilling to participate, given his prior participation in the Intel IPRs." ID, 6. The panel also rejected VLSI's arguments for discretionary denial under *Fintiv*, *Gen. Plastic/Valve*, and § 325(d), but did not address VLSI's argument that the totality of the circumstances justified denial (Paper 9, 28-29; Paper 16, 10) and overlooked additional crucial facts and arguments, including that Dr. Jacob's declarations being inadmissible hearsay was sufficient to justify denial (Paper 9, 26-28; Paper 16, 8-10), that OpenSky faces no infringement threat, and that Intel had abandoned the grounds OpenSky is pursuing. Since institution, and although its § 315(b) bar elapsed nearly two years ago, Intel has already sought to join this IPR (*see* IPR2022-00366, Paper 4), seeking to relitigate the grounds that the Office denied under *Fintiv* and that Intel abandoned in court on the eve of trial.

III. ARGUMENT.

A. The Office Should Not Institute IPR Petitions Filed To Harass Prevailing Patent Owners.

Instituting petitions filed by LLCs formed only *after* an infringement verdict to attack the infringed patents in order to extract payouts from patent owners serves

no legitimate public end and condones harassment, counter to the purpose of the AIA. Congress intended IPRs to provide ““quick and cost effective alternatives to litigation”” and to ““establish a more efficient and streamlined patent system that will improve patent quality[.]”” *WesternGeco LLC v. ION Geophysical Corp.*, 889 F.3d 1308, 1317 (Fed. Cir. 2018) (quoting H. REP. NO. 112-98, 40, 48 (2011)). “Congress recognized the importance of protecting patent owners from patent challengers who could use the new administrative review procedures as ‘tools for harassment’” via ““repeated litigation and administrative attacks on the validity of a patent.”” *Id.* (quoting H. REP. NO. 112-98, 40). Protecting patent owners from “repeated” and “harassing” attacks is the impetus behind numerous Board precedents. *See, e.g., Gen. Plastic Indus. Co., Ltd. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19, 16-17 (Sept. 6, 2017) (“*Gen. Plastic*”) (precedential) (recognizing “the potential for abuse of the review process by repeated attacks on patents”); *Valve Corp. v. Elec. Scripting Prods. Inc.*, IPR2019-00062, Paper 11, 15 (Apr. 2, 2019) (precedential) (similar).

Here, while OpenSky claims its petition is meant to protect the “integrity of the patent system” because “no judge or jury ... has ever double-checked the validity of the ’759 patent,” (Paper 2, 9), the facts show otherwise. The jury not only “double-checked,” but unanimously affirmed, the ’759’s validity. The circumstances—OpenSky’s formation after the verdict, raising of abandoned

defenses, photocopying of Intel's declarations, and its purported animating purpose for filing being demonstrably false—all confirm that OpenSky's true purpose is an attempt to extract a payout while minimizing its expenses and burden to the fullest extent possible. No other colorable possibility exists.

The ID provides a clear blueprint for financially-enterprising petitioners to follow: find patents that are the subject of a successful verdict, refile any IPR petitions that were not decided on the merits, perhaps along with photocopied declarations, and then seek to extract payment from the patent owner in exchange for dropping the petitions. The inevitable result will be a flood of such petitions, often in situations where (as here) the jury already upheld the patent's validity, representing the very repeated and harassing attacks that Congress meant to avoid. The Office need look no farther than this case for a harbinger of what is to come. Here, after the Verdict, *two* different LLCs formed for the sole purpose of challenging VLSI's patents through "copycat" petitions, both in response to a substantial damages award, and both raising grounds Intel had abandoned. Paper 9, 5-6, 10. And that was before OpenSky's playbook, which PQA copied and improved upon, was fully endorsed by the panel, which wrongly dismissed VLSI's concerns that "instituting review here would lead to harassment of Patent Owners who prevail at trial, and that such an outcome fundamentally conflicts with Board precedent and policy." ID, 9. Indeed, the ID all but invites such filings, finding

that it was “reasonable” for OpenSky “to take an interest in the ’759 patent after a substantial damages award.” *Id.*, 13.

The panel also reasoned that “prevailing in litigation against one party should [not] insulate a patent owner from challenge by a different party based on grounds that were not resolved in the litigation.” *Id.*, 9. Here, the panel refers to OpenSky as “a party,” overlooking that it faces no threat of infringement and formed post-Verdict solely to extract a payoff by challenging VLSI’s patents. Paper 9, 2, 19. The panel also refers to “grounds that were not resolved” but overlooks that these petitions raise defenses Intel, after voluminous expert discovery, abandoned. *Id.*, 10, 15. As an incredibly well-resourced defendant facing enormous infringement liability, Intel was best situated and highly motivated to determine where and how to present the best possible invalidity case. There is no compelling public interest in allowing a new entity to adjudicate Intel’s abandoned grounds, particularly after a jury upheld the ’759’s validity.

The panel also disregarded VLSI’s argument that the totality of the circumstances favored denial. Paper 9, 28-29; Paper 16, 10. VLSI noted the Board’s complete discretion to deny review and explained why the various bases for exercising that discretion were “mutually reinforcing.” Paper 16, 10. Where VLSI bore the extraordinary costs of litigating through trial, OpenSky did nothing more than use Intel’s petitions as a menu to pick and choose from with the benefit

of VLSI's POPRs. OpenSky faces no infringement threat, found no art, crafted no grounds, hired no witnesses, and prepared no testimony. *Id.* OpenSky did not even respond to the totality of the circumstances argument in its post-petition reply. *Id.*

The ID failed to “take[] a holistic view of whether efficiency and integrity of the system are best served by denying or instituting review,” *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11, 6 (PTAB Mar. 20, 2020) (precedential), and it simply cannot be that institution here served those goals. Nor did it “assess the potential impacts on both the efficiency of the [IPR] process and the fundamental fairness of the process for all parties.” *Gen. Plastic*, 18. Rather than weigh the totality of the circumstances, the ID considered each of VLSI's denial arguments only in isolation. *See ID*, 5-15. This was error. Discretionary denial is not limited to a strict consideration of the non-exhaustive *Fintiv* or *Gen. Plastic* factors as those cases themselves recognize. *Fintiv*, 16; *Gen. Plastic*, 18. Here, the Office must confront the fundamental question of whether it should facilitate newly formed entities leveraging IPR proceedings to harass prevailing patent owners, particularly after a jury affirms the patent's validity.

Even as to its application of *Fintiv*, the panel's analysis overlooked certain critical facts. The ID at 8-9 notes that Intel did not raise the IPR grounds at trial but overlooks that Intel pursued these grounds through expert discovery before

abandoning them. *See* Paper 9, 14-15. Should the ID stand, litigation defendants who have lost under *Fintiv* and are facing a trial may have an incentive to not litigate their IPR grounds, so that a third party seeking a payout may take up the cause. But the perverse incentives are even more far reaching. Any litigation defendant will be incentivized to file petitions it knows are likely to be denied without reaching the merits (*e.g.*, under *Fintiv*, *Gen. Plastic*, or because the § 315(b) bar has elapsed). Should it then lose in court, a wellspring of new entities will arise to copy and refile the denied petition. If the copycat IPR is instituted, the infringer may move to join it just as time-barred, already-denied Intel is trying to do here. IPR2022-00366, Paper 4. Here, Intel already tried to game the system by pursuing parallel patent challenges before the district court and the Board, refusing to stipulate not to raise duplicative grounds. Now it seeks a *third* bite at the apple.

When coupled to the limited discovery available in IPR, such litigation defendants will even have an incentive to induce (or even fund) such follow-on attacks. Here, even though OpenSky's Managing Member submitted a declaration (Ex. 1048), the panel rejected VLSI's request to take his deposition, illustrating the limited discovery available to uncover hidden connections between frustrated petitioners and new follow-on LLCs. Given these limits, abuse will proliferate.

In sum, granting petitions filed primarily to harass prevailing patent owners is contrary to the policies underlying the AIA and creates a paradigm for abuse.

B. The Institution Decision Is In Error Because It Relies Upon Inadmissible Hearsay That Cannot Be Cured.

The Institution Decision should also be overturned because it is based upon inadmissible hearsay. Paper 9, 26-28. Whereas nearly all IPR petitioners retain their own experts and submit declarations, OpenSky just refiled three Intel expert declarations—two from technical expert Dr. Jacob and one from librarian Dr. Hall-Ellis—from Intel’s rejected petitions (IPR2020-00106 and IPR2020-00498). OpenSky conceded it did not retain Intel’s experts and, indeed, did not even contact them. Paper 13, 9; ID, 6. Nonetheless, OpenSky relied heavily upon these declarations, particularly Dr. Jacob’s (Exs. 1002, 1046), citing them over 200 times and for every limitation-at-issue. Paper 9, 26; Paper 2, 22-31. But these declarations are inadmissible hearsay, regardless of what happens next.

1. Dr. Jacob’s Declarations Are Inadmissible Hearsay Regardless Of Whether He Later Testifies.

The ID assumes that the question of whether the declarations are hearsay turns on whether the witnesses are ultimately available for cross-examination. ID, 5 (“...Petitioner relies on expert declarations filed by Intel in another proceeding. *Accordingly, unless cross-examination is available, those declarations are hearsay* in this proceeding.”). This is incorrect as a matter of law. OpenSky does not even dispute that these declarations taken from different cases are hearsay. Paper 9, 26-28; Paper 16, 8. And they are inadmissible hearsay *regardless* of

whether cross-examination ultimately occurs. Hearsay is a statement that (1) the declarant does not make while testifying at the *current* trial or hearing; and (2) a party offers in evidence to prove the truth of the matter asserted. FED. R. EVID. § 801(c). The Intel declarations were not made “while testifying at the current trial or hearing” but were, rather, made while testifying in connection with Intel’s rejected petitions. Nor is there any dispute that the declarations are proffered for the “truth of the matter asserted.” The ID does not explain how the Intel declarants later being deposed would retroactively convert their declarations from other matters into statements made “*while testifying* at the current trial or hearing.”

As the Federal Rules further provide, “[h]earsay is not admissible unless any of the following provides otherwise: a federal statute; these rules; or other rules prescribed by the Supreme Court.” FED. R. EVID. § 802. Neither OpenSky nor the ID identify any exception or exclusion from the hearsay rule that could apply here if the experts are later deposed. The ID itself rightly finds that the “former testimony” hearsay exception (FRE § 804(b)(1)) does not apply. ID, 5 n.6.

In incorrectly determining that the issue turns on whether OpenSky can present the witnesses post-institution, the panel overlooks VLSI’s argument that the declarations should be excluded because they are inadmissible hearsay. *See, e.g.*, Paper 9, 26; Paper 16, 8 (“Critically, OpenSky does not dispute that the declarations are indeed hearsay. ... *That alone is sufficient reason* to deny

institution.”). VLSI never suggested that OpenSky’s reliance upon inadmissible hearsay could be cured if it was able to secure the witnesses’ appearance for deposition; rather, that this anticipated failure was “yet another reason” that OpenSky’s reliance upon inadmissible hearsay was “fatal.” Paper 9, 26.

Even if the possibility of a post-institution deposition is relevant (it is not), the ID improperly made it VLSI’s burden to demonstrate that these hearsay declarants will be unavailable, faulting Patent Owner for not presenting “any evidence” that the witnesses are “unwilling to testify.” ID, 6. This is backwards. Patent owners do not know what discussions a petitioner may have with an unretained expert. Indeed, VLSI is likely precluded from reaching out to Intel’s expert witnesses. *See, e.g., Shadow Traffic Network v. Superior Ct.*, 24 Cal. App. 4th 1067, 1078-79 (Cal. Ct. App. 1994). Even if the Office is inclined to allow a party to rely heavily upon inadmissible hearsay declarations, it should, at the very least, require that party to prove that it can present the witness for deposition.

That a petitioner may not just refile an expert’s declaration from another matter is, likewise, consistent with the regulations. “[R]outine discovery” includes “[c]ross examination of affidavit testimony *prepared for the proceeding*,” but *does not apply* to testimony from other matters. 37 C.F.R. § 42.51(b)(1)(ii). Similarly, the AIA indicates that discovery “shall be limited to ... the deposition of *witnesses submitting affidavits or declarations*” in the case. 35 U.S.C. § 316(a)(5)(A). The

statute, thus, contemplates the witness submitting a declaration, not a party refiling a hearsay declaration without even contacting the declarant.

2. The Institution Decision Should Be Overturned Because It Improperly Relies Upon Dr. Jacob’s Hearsay Declarations.

Because the proffered declarations are inadmissible hearsay regardless of whether Dr. Jacob or Dr. Hall-Ellis later testify, they should not be relied upon for purposes of institution. The Office’s regulations and guidance confirm that institution is determined under a “preponderance of the *evidence*” standard. Consolidated Trial Practice Guide, 42 (“Burden of proof for Statutory Institution Thresholds: The burden of proof in a proceeding before the Board is a preponderance of the evidence standard.”) (citing 37 C.F.R. § 42.1(d)); 35 U.S.C. § 312(a)(2) (requiring petitioner to identify “with particularity ... the evidence” supporting its grounds). Inadmissible hearsay is not “evidence” to be considered for purposes of institution as other panels have found. *See, e.g., Samsung Elecs. Am., Inc. v. Prisua Engineering Corp.*, IPR2017-01188, Paper 22, 33 (Oct. 11, 2017) (“Because this declaration was not prepared for this proceeding, however, it is an out of court statement on which Patent Owner is relying for the truth of the matter asserted, and Patent Owner does not argue that a hearsay exception applies. We, therefore, give this testimony no weight at this stage of the proceeding.”); *Lab. Corp. of Am. Holdings v. Quest Diagnostics Invs. LLC*, IPR2019-01425, Paper 9,

23 (Feb. 6, 2020) (“Dr. [Grant]’s declaration comprises inadmissible hearsay ... Accordingly, we accord no weight to Dr. Grant’s statement.”). The ID’s inconsistency with these decisions is further reason for POP review. SOP 2, Rev. 10, 4 (POP “may be used to resolve conflicts between Board decisions”).

The ID relied heavily upon Dr. Jacob’s hearsay testimony on significant points of contention, including to establish a “plurality of master devices” (ID, 18) and to substantiate motivation to combine Chen and Terrell (ID, 27). By contrast, VLSI’s own expert declaration—which was prepared for this matter and is *not* hearsay—is not even considered on these points. *See* ID, 18-20 (not mentioning Ex. 2002, ¶¶ 32-45 concerning a “plurality of master devices”); ID, 27, 29 (relying upon Dr. Jacob’s hearsay testimony concerning motivation but ignoring Ex. 2002, ¶¶ 78-102); 37 C.F.R. § 42.108(c) (requiring Board to “take into account” “any testimonial evidence” filed with POPR). Because the Petition and ID rely heavily upon Dr. Jacob’s inadmissible hearsay, the ID must be overturned. Indeed, the very same panel recognized as much in denying OpenSky’s -01056 petition. IPR2021-01056, Paper 18, 5-6 (“it strains credibility for Petitioner to say that its reliance on Dr. Singh’s testimony was, after all, unnecessary.”).

IV. CONCLUSION.

For the foregoing reasons, VLSI requests Rehearing and Precedential Opinion Panel Review and that the Institution Decision below be overturned.

Respectfully submitted,

Dated: January 6, 2022

 / Babak Redjaian /
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CERTIFICATE OF SERVICE

I hereby certify that, pursuant to 37 C.F.R. § 42.6(e) and with the agreement of counsel for Petitioner, a true and correct copy of **PATENT OWNER'S REQUESTS FOR REHEARING PURSUANT TO 37 C.F.R. § 42.71(d) AND PRECEDENTIAL OPINION PANEL REVIEW** is being served electronically on January 6, 2022, to the persons below:

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Dated: January 6, 2022

By: / Colette Woo /