

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

INTEL CORPORATION,
Petitioner,

v.

VLSI TECHNOLOGY LLC,
Patent Owner.

IPR2020-00106
Patent 7,725,759 B2

Before THU A. DANG, BART A. GERSTENBLITH, and
KIMBERLY McGRAW, *Administrative Patent Judges*.

GERSTENBLITH, *Administrative Patent Judge*.

DECISION
Denying Institution of *Inter Partes* Review
35 U.S.C. § 314

I. INTRODUCTION

Intel Corporation (“Petitioner”) filed a Petition for *inter partes* review of claims 1–4, 7, 8, 13–15, and 17 of U.S. Patent No. 7,725,759 B2 (Ex. 1001, “the ’759 patent”). Paper 3 (“Pet.”). VLSI Technology LLC (“Patent Owner”) filed a Preliminary Response. Paper 7 (“Prelim. Resp.”). Pursuant to our authorization (Paper 11), Petitioner filed a Reply to Patent Owner’s Preliminary Response (Paper 12 (“Pet. Prelim. Reply”)) and Patent Owner filed a Sur-reply (Paper 14, “PO Prelim. Sur-reply”), each directed to whether we should exercise our discretion to deny institution pursuant to 35 U.S.C. § 314(a).

An *inter partes* review may not be instituted “unless . . . the information presented in the petition . . . shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” 35 U.S.C. § 314(a) (2018). The Board, however, has discretion to deny a petition even when a petitioner meets that threshold. *Id.*; *see, e.g., Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016) (“[T]he agency’s decision to deny a petition is a matter committed to the Patent Office’s discretion.”); *Gen. Plastic Indus. Co. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19 (PTAB Sept. 6, 2017) (precedential as to § II.B.4.i) (recognizing the same); *NHK Spring Co. v. Intri-Plex Technologies, Inc.*, IPR2018-00752, Paper 8 (PTAB Sept. 12, 2018) (precedential) (same); *see also* Patent Trial and Appeal Board Consolidated Trial Practice Guide (Nov. 2019) (“Consolidated TPG”), 55–63, available at <https://www.uspto.gov/sites/default/files/documents/tpgnov.pdf> (identifying considerations that may warrant exercise of this discretion).

Having considered the parties' submissions, we determine that it is appropriate in this case to exercise our discretion to deny institution of *inter partes* review pursuant to 35 U.S.C. § 314(a).

II. BACKGROUND

A. Real Parties in Interest

Petitioner identifies Intel Corporation as the real party in interest. Pet. 1. Patent Owner identifies "VLSI Technology LLC and CF VLSI Holdings LLC" as the real parties in interest. Paper 5 (Patent Owner's Mandatory Notices), 1.

B. Related Matters

The parties identify the following pending matter related to the '759 patent: *VLSITech. LLC v. Intel Corp.*, No. 19-cv-00254-ADA (W.D. Tex.) ("Western District of Texas litigation"). Pet. 1; Paper 5, 1. The parties identify two matters that are no longer pending: *VLSITech. LLC v. Intel Corp.*, No. 6:19-cv-00254 (W.D. Tex.) and *VLSITech. LLC v. Intel Corp.*, No. 1-19-cv-00426 (D. Del.). Pet. 1; Paper 5, 1. Petitioner also challenges claims of the '759 patent in IPR2020-00498. *See Intel Corp. v. VLSITech. LLC*, IPR2020-00498, Paper 4 (PTAB Feb. 4, 2020) (petition).

C. Asserted Grounds of Unpatentability

Petitioner challenges the patentability of claims 1–4, 7, 8, 13–15, and 17 of the '759 patent on the following grounds (Pet. 4):

Claim(s) Challenged	35 U.S.C. §	References
1, 2, 4, 7, 8, 13, 14, 17	103 ¹	Shaffer, ² Lint ³
3	103	Shaffer, Lint, Taketoshi ⁴
1–4, 7, 8, 13–15, 17	103	Chen, ⁵ Terrell

Petitioner relies on the Declaration of Dr. Bruce Jacob (Ex. 1002) in support of its unpatentability contentions.

III. ANALYSIS – 35 U.S.C. § 314(a)

Patent Owner contends that the facts presented here are the same as those presented in *NHK Spring Co. v. Intri-Plex Technologies, Inc.*, IPR2018-00752, Paper 8 (PTAB Sept. 12, 2018) (precedential), where the Board denied institution pursuant to 35 U.S.C. § 314(a). *See* Prelim. Resp. 6. Petitioner asserts that we should not exercise our discretion to deny institution pursuant to § 314(a) because Petitioner will have a limited amount of time in the Western District of Texas trial to demonstrate invalidity and the Petition presents “unique issues.” Pet. 4–5.

¹ The Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (“AIA”), amended 35 U.S.C. § 103. Because the '759 patent has an effective filing date prior to the effective date of the applicable AIA amendments, we refer to the pre-AIA versions of § 103.

² U.S. Patent No. 6,298,448 B1, issued Oct. 2, 2001, filed Dec. 21, 1998 (Ex. 1005, “Shaffer”).

³ U.S. Patent No. 7,360,103 B2, issued Apr. 15, 2008, filed May 21, 2004 (Ex. 1006, “Lint”).

⁴ U.S. Patent Application Pub. No. 2005/0102560 A1, pub. May 12, 2005 (“Ex. 1007, “Taketoshi”).

⁵ U.S. Patent No. 5,838,995, issued Nov. 17, 1998, filed Dec. 18, 1995 (Ex. 1003, “Chen”).

In determining whether to exercise our discretion, we are guided by the Board’s precedential decision in *NHK*. There, the Board found that the “advanced state of the district court proceeding,” in which the “same prior art and arguments” were presented by Petitioner, expert discovery was scheduled to end in less than two months, and a jury trial was scheduled to begin in six months, was a “factor that weighs in favor of denying” the petition under § 314(a). *NHK*, IPR2018-00752, Paper 8 at 20. The Board determined that “[i]nstitution of an *inter partes* review under these circumstances would not be consistent with ‘an objective of the AIA . . . to provide an effective and efficient alternative to district court litigation.’” *Id.* (citing *Gen. Plastic Indus. Co. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19 at 16–17 (PTAB Sept. 6, 2017) (precedential in relevant part)).

“[T]he Board’s cases addressing earlier trial dates as a basis for denial under *NHK* have sought to balance considerations such as system efficiency, fairness, and patent quality.” *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 at 5 (PTAB Mar. 20, 2020). When applying *NHK*, the Board has balanced the following non-exclusive factors (“*Fintiv* factors”):

1. whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted;
2. proximity of the court’s trial date to the Board’s projected statutory deadline for a final written decision;
3. investment in the parallel proceeding by the court and the parties;
4. overlap between issues raised in the petition and in the parallel proceeding;
5. whether the petitioner and the defendant in the parallel proceeding are the same party; and

6. other circumstances that impact the Board’s exercise of discretion, including the merits.

Id. at 5–6. We discuss the parties’ arguments in the context of considering the above factors.

1. whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted

Petitioner contends that “[a]lthough the district court has not entered a stay, the parties could stipulate to a stay, so as not to use the court’s resources to litigate validity issues—just as the parties did in the California litigation.”⁶ Pet. Prelim. Reply 6. Patent Owner responds by noting that neither party has requested a stay in the Western District of Texas litigation, which is where the ’759 patent currently is asserted, and Patent Owner will not stipulate to a stay. PO Prelim. Sur-reply 1. Additionally, Patent Owner argues that the Western District of Texas rarely grants stays pending outcomes of *inter partes* review proceedings. *Id.* at 2 (citations omitted).

On the present record, we find that the Western District of Texas has not granted a stay and there is no evidence suggesting that a stay might be requested or granted if an *inter partes* review were initiated. A judge determines whether to grant a stay based on the facts of each specific case as presented in the briefs by the parties. We decline to infer, based on actions taken in different cases with different facts, how the District Court would rule should a stay be requested by the parties in the parallel case here. Thus, this factor does not weigh for or against discretionary denial in this case.

⁶ See Pet. Prelim. Reply 3 (referring to *VLSITech. LLC v. Intel Corp.*, No. 5:17-cv-05671 (N.D. Cal.)).

2. proximity of the court's trial date to the Board's projected statutory deadline for a final written decision

The parties agree that the trial in the Western District of Texas currently is scheduled to start in less than six months, on October 5, 2020. *See* Prelim. Resp. 7 (citing Ex. 2009 (Agreed Scheduling Order)), 3; Pet. Prelim. Reply 6; *see also* PO Prelim. Sur-reply 4. A final written decision in this matter would not issue until approximately May 2021, seven months after trial.

The parties also agree that there is some uncertainty as to whether trial actually will occur on October 5th. *See* Pet. Prelim. Reply 6–7; PO Prelim. Sur-reply 4–6. In particular, there are two variables contributing to that uncertainty. First, there are three actions between the parties pending in the Western District of Texas, each scheduled for trial on October 5th, yet the three actions are scheduled for separate trials.⁷ Pet. Prelim. Reply 6–7; PO Prelim. Sur-reply 4–5. Thus, as of today, the evidence supports a finding that at least two of the trials will not occur on October 5th.⁸

Patent Owner explains, however, that the action involving the '759 patent was the first-filed case of the three actions and that Patent Owner's proposed trial schedule requests that this action be tried first. PO Prelim. Sur-reply 5 (citing Ex. 2031 (APPENDIX A – Proposed Scheduling Order), 4⁹). Patent Owner further explains that Petitioner

⁷ In addition to the action involving the '759 patent (i.e., 6:19-cv-00254), the other two cases pending in the Western District of Texas are Nos. 6:19-cv-00255 and -00256.

⁸ It is possible that the parties may agree to hold one trial addressing all three actions. At this point, however, that is not the plan. Pet. Prelim. Reply 6–7; PO Prelim. Sur-reply 4–5.

⁹ Patent Owner cites to page 4 of Exhibit 2031, but the actual page indicating the October 5th trial date is page 3.

appears to seek a single trial date for all three actions (*id.* (citing Ex. 2030 (Telephonic Discovery Hearing) 10:11–15)), whereas Patent Owner proposed December 14, 2020, and January 25, 2021, as trial dates for the other two actions (Ex. 2031, 4). *See* PO Prelim. Sur-reply 4–5. Should trial occur in either December 2020 or January 2021 in the action involving the ’759 patent, those dates are still five and four months, respectively, before any final written decision likely would issue in this proceeding.

Second, there is uncertainty about what effect the coronavirus disease 2019 (“COVID-19”) pandemic will have with respect to the trial date. *See* Pet. Prelim. Reply 7–8; PO Prelim. Sur-reply 5–6. The situation is evolving daily. Although trials currently are suspended in the Western District of Texas through May 1, 2020, it is unclear what impact that suspension or any further suspension would have on trial dates scheduled later this year and early next year. Given the substantial gap of approximately seven months between the October 5, 2020, trial date and the expected May 2021 deadline for any final written decision in this proceeding, it is unclear, based on the present record, that the trial date would be delayed to a date after a final written decision in this proceeding as a result of COVID-19.

Accordingly, on the record before us, this factor weighs in favor of exercising our discretion to deny institution pursuant to § 314(a).

3. investment in the parallel proceeding by the court and the parties

The Western District of Texas issued a claim construction order on January 3, 2020, over three months ago, although neither party requested that the court construe claim terms from the ’759 patent. *See* Prelim. Resp. 5; Pet. Prelim. Reply 8 (citing Ex. 2010 (Claim Construction Order)). Additionally, final infringement and invalidity contentions were served in January 2020, and fact discovery currently is scheduled to close on May 22,

2020. PO Prelim. Sur-reply 7 (citing Ex. 2036 (First Amended Scheduling Order)).

In *Fintiv*, the Board explained that potential delay by a Petitioner “may impose unfair costs to a patent owner if the petitioner, faced with the prospect of a looming trial date, waits until the district court trial has progressed significantly before filing a petition at the Office.” *Fintiv*, IPR2020-00019, Paper 11 at 11. Here, Petitioner contends that Patent Owner first asserted the challenged claims in its July 22, 2019 Preliminary Infringement Contentions and Petitioner promptly filed the Petition three months later. Pet. Prelim. Reply 5.

Although we do not find that Petitioner unreasonably delayed filing the Petition, we do find that the parties have invested significantly in the Western District of Texas litigation. As noted above, the district court claim construction order issued in January 2020, final infringement and invalidity contentions were served in January 2020, and fact discovery currently is scheduled to close on May 22, 2020. See PO Prelim. Sur-reply 7 (citing Ex. 2036). In addition to the dates noted above, expert discovery is scheduled to close in July 2020, followed by pretrial submissions before the trial. Ex. 2036, 2–3. In light of the present posture of the district court action, including past and future deadlines, we find that the parties’ investment in that action weighs in favor of exercising our discretion to deny institution pursuant to § 314(a).

4. overlap between issues raised in the petition and in the parallel proceeding

Patent Owner contends that there is a “complete” overlap between the issues raised in the Petition and those in the Western District of Texas litigation. PO Prelim. Sur-reply 7; see Prelim. Resp. 8–10 (contending that Petitioner relies upon the same references, in the same combinations, and for

the same disclosures). Patent Owner provides a “tabulation of all of Petitioner’s citations to each of these references for each limitation of Claim 1 in both the Final Invalidity Contentions and the Petition, showing that they are the same.” Prelim. Resp. 9–10 (citing Ex. 2008).

Petitioner does not disagree with Patent Owner’s argument, contending instead that “[t]he [P]etition advances only a few grounds in Intel’s contentions.” Pet. Prelim. Reply 9 (citing Ex. 2013 (Defendant Intel Corporation’s Final Invalidity Contentions (U.S. Patent No. 7,725,759)), 6–10, 33–34). Additionally, Petitioner contends that the Petition “presents unique issues” (Pet. 5), but does not identify those issues or provide any further explanation thereof in either the Petition or Preliminary Reply.

As noted above, Petitioner raises three grounds of obviousness pursuant to 35 U.S.C. § 103(a). In its first ground, Petitioner relies upon Shaffer and Lint in challenging claims 1, 2, 4, 7, 8, 13, 14, and 17 and adds Taketoshi to that combination in challenging claim 3 in its second ground. Pet. 4. In comparison, Petitioner’s Final Invalidity Contentions assert that “[c]laims 1–4, 7–8, 12, 14–15, 17–21, 24, and 26 are obvious over Shaffer in view of any one or more of Terrell, Mirov, Sheets, Lint, Taketoshi, Kiriake and/or Velasco, and further in view of Girson, Grunwald, and/or Rusu.” Ex. 2013, 30. In its third ground, Petitioner relies upon Chen and Terrell in challenging claims 1–4, 7, 8, 13–15, and 17. Pet. 4. In comparison, Petitioner’s Final Invalidity Contentions assert that “[c]laims 1–2, 7–8, 14–15, 17–18, 20–21, and 24 are obvious over Chen in view of any one or more of Terrell, Mirov, Shaffer, Sheets, Lint, Kiriake, and/or Velasco.” Ex. 2013, 30. Accordingly, we find that the issues raised in the Petition largely overlap with those currently raised in the Western District of Texas litigation. Although Petitioner’s Final Invalidity Contentions include

numerous other combinations of references challenging overlapping claims, *see id.* at 30–31, that difference alone does not negate that the same combinations of references asserted in the Petition are also asserted in Petitioner’s Final Invalidity Contentions.

Additionally, as noted above, Petitioner challenges other claims of the ’759 patent in IPR2020-00498, specifically, claims 12, 18–22, 24, 26, and 27. On the record before us, each of the claims challenged via petition (whether in this proceeding or IPR2020-00498) also is included in Petitioner’s Final Invalidity Contentions, with the exception of claim 13. *Compare* Paper 9 (Petitioner’s Explanation for Filing Two Petitions for *Inter Partes* Review of U.S. Patent No. 7,725,759), 2, *with* Ex. 2013, 30–31. Petitioner, however, does not raise this difference in its papers let alone argue that the difference is a reason not to exercise our § 314(a) discretion to deny institution. Thus, on the present record, we agree with Patent Owner that there is a substantial overlap between the issues raised in the Petition and in the Western District of Texas litigation.

Accordingly, this factor weighs in favor of exercising our discretion to deny institution pursuant to § 314(a).

5. whether the petitioner and the defendant in the parallel proceeding are the same party

Petitioner and Patent Owner are the defendant and plaintiff, respectively, in the Western District of Texas litigation. Pet. Prelim. Reply 10 n.7; PO Prelim. Sur-reply 8 (citing Pet. Prelim. Reply 10 n.7). Therefore, we find that this factor weighs in favor of exercising our discretion to deny institution pursuant to § 314(a).

6. other circumstances that impact the Board's exercise of discretion, including the merits

Petitioner spends nearly half of its Preliminary Reply explaining what it refers to as Patent Owner's tactics to "evade" review of its patents. *See* Pet. Prelim. Reply 2–5 (asserting Patent Owner's request for discretionary denial is "part of a series of carefully orchestrated tactics aimed at avoiding adjudication of [Petitioner's] invalidity defenses"). Petitioner's contentions include that: (a) Patent Owner is a holding company created by Fortress Investment Group ("Fortress") to acquire and assert patents against Petitioner for the purpose of investment returns (*id.* at 2 (citing Ex. 1045)); (b) affiliates of Fortress have filed over 150 patent lawsuits supported by "a \$400M patent assertion fund" (*id.* (citing Ex. 1046)); (c) Patent Owner has asserted twenty-one patents with over 430 claims against Petitioner in three different U.S. jurisdictions and two different jurisdictions in China (*id.* at 2 & n.4); and (d) Patent Owner's filing of lawsuits in combination with voluntary dismissals and refile of other suits reflects a pattern to evade effective judicial review of its patents (*id.* at 2–5).

Patent Owner responds, contending that Petitioner's arguments are irrelevant and an improper attempt to re-litigate positions that Petitioner already raised in an antitrust suit against, *inter alia*, Patent Owner in the Northern District of California. PO Prelim. Sur-reply 10 (citing, e.g., Ex. 2037 (Defendants' Joint Notice of Motion and Motion to Dismiss and to Strike Plaintiffs' Complaint)).

Even if Petitioner's contentions are true, Petitioner has not shown these contentions will "avoid[] adjudication of Intel's invalidity defenses." *See* Pet. Prelim. Reply 2. The validity of the '759 patent is at issue in the co-pending litigation, which is currently scheduled to go to trial well before

the deadline for a final written decision in this proceeding. Accordingly, Petitioner's arguments do not weigh against exercising our discretion to deny institution pursuant to § 314(a).

Thus, all of the *Fintiv* factors discussed above either weigh in favor of, or do not weigh against, exercising our discretion to deny institution under § 314(a).

Petitioner also asserts the "strength of the merits" of the Petition weigh in favor of institution (*see* Pet. Prelim. Reply 9 n.6), while Patent Owner asserts the merits of the Petition weigh in favor of denying institution (*see* PO Prelim. Sur-reply 9). We have reviewed the Petition and the Patent Owner Preliminary Response and determine that the merits of the Petition do not outweigh the other *Fintiv* factors. On balance, based on the facts presented, particularly 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 presented there and in the Petition, we find that it would be an inefficient use of Board, party, and judicial resources to institute the present proceeding. *See NHK*, IPR2018-00752, Paper 8 at 20; Consolidated TPG 58 (discussing balancing the relevant circumstances). Accordingly, we exercise our discretion pursuant to § 314(a) to deny institution.

IV. CONCLUSION

For the foregoing reasons, we exercise our discretion pursuant to 35 U.S.C. § 314(a) to deny institution of *inter partes* review.

V. ORDER

In consideration of the foregoing, it is hereby:

ORDERED that the Petition (Paper 3) is *denied* as to the challenged claims of the '759 patent; and

FURTHER ORDERED that no *inter partes* review is instituted.

IPR2020-00106
Patent 7,725,759 B2

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