

UNITED STATES PATENT AND TRADEMARK OFFICE

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

OPENSKY INDUSTRIES, LLC,
INTEL CORPORATION,
Petitioners,

v.

VLSI TECHNOLOGY LLC,
Patent Owner.

IPR2021-01064¹
Patent 7,725,759 B2

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

ORDER
Admonishing Patent Owner and
Granting Petitioner's Motion to Seal

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

I. INTRODUCTION

On December 22, 2022, I issued my decision denying a Rehearing Request (Paper 113 (“Req. Reh’g”)) by Patent Owner VLSI Technology LLC (“VLSI”) for Director rehearing of the Board’s determination (Paper 107) that the Petition presented a compelling, meritorious challenge. Paper 121 (“Rehearing Decision” or “Reh’g Dec.”). In my Rehearing Decision, I determined that VLSI made several misleading statements of law or fact over the course of this proceeding, including in its Rehearing Request, in its Request for Reconsideration of my October 4, 2022 decision on Director review (Paper 106 (“Req. Recon.”)), and in its Preliminary Response (Paper 9 (“Prelim. Resp.”)). Reh’g Dec. 3–4. Specifically, I found the following portions of VLSI’s papers to be misleading: (1) VLSI’s discussion of the Institution Decision (Paper 17) (*see* Req. Reh’g 4–8, 9; Reh’g Dec. 7–8); (2) VLSI’s discussion of Federal Circuit case law on secondary indicia of nonobviousness (*see* Prelim. Resp. 69–70; Req. Reh’g 10; Reh’g Dec. 8–9); and (3) VLSI’s discussion of Federal Circuit and Supreme Court case law on due process (*see* Req. Recon., 11–15; Reh’g Dec. n.2 (citing Paper 114, 7–10)).

Accordingly, I ordered VLSI “to show cause as to why it should not be ordered to pay [Petitioner] Intel the reasonable attorney fees they incurred responding to VLSI’s Rehearing Request.” Reh’g Dec. 4. I further ordered VLSI and Intel to “address[] whether an award of attorney fees is appropriate as a sanction for VLSI’s misleading statements of law and fact.” *Id.* I ordered Intel to “identify its attorney fees incurred in responding to VLSI’s Rehearing Request” and permitted Intel to “submit such evidence as necessary to support that identification.” *Id.*

On January 5, 2023, VLSI and Intel submitted briefs pursuant to my Order. Paper 122 (Intel); Paper 124 (VLSI). With its brief, Intel also submitted a Motion to Seal. Paper 123. The parties submitted reply briefs on January 12, 2023. Paper 125 (Intel); Paper 126 (VLSI). For the reasons set forth below, I determine that VLSI has negligently and carelessly advanced arguments before me and the Board. Nevertheless, given VLSI's explanations of its behavior, I do not award attorney fees as a sanction under Rule 42.11. Rather, I strongly admonish VLSI and warn it to use substantially greater caution in its arguments and citations to case law before me or the Board. Also, for the reasons set forth below, I grant Intel's Motion to Seal.

II. ANALYSIS

A. Legal Standards

In my Rehearing Decision, I ordered, under 37 C.F.R. § 42.11(d)(3), VLSI to show cause as to why I should not authorize attorney fees as a sanction for its misleading statements of law and fact. Reh'g Dec. 4; *see* 81 Fed. Reg. 18750, 18761 (the United States Patent and Trademark Office ("Office")) responding that "the proposed rule[] . . . concerns the duty of candor and motions for sanctions").

Rule 42.11 incorporates Rule 11.18's certification requirements that an attorney, registered practitioner, or party who presents papers to the Board certifies that those papers include, to the best of their knowledge "formed after an inquiry reasonable under the circumstances," legal arguments "warranted by existing law or by a nonfrivolous argument for the extension, modification, or reversal of existing law or the establishment of

new law,” and factual arguments that “have evidentiary support.” 37 C.F.R. §§ 42.11(c), 11.18(b)(2).

Rule 42.11 refers to Rule 42.12, which describes types of misconduct that may warrant sanctions. 37 C.F.R. §§ 42.11(d)(4), 42.12(a). In particular, Rule 42.11 states that “[a] sanction imposed under this rule must be limited to what suffices to deter repetition of the conduct or comparable conduct by others similarly situated and should be consistent with § 42.12.” 37 C.F.R. § 42.11(d)(4). Rule 42.12 authorizes the Patent Trial and Appeal Board (“Board”) to issue sanctions for misconduct including, among others, “[a]dvancing a misleading or frivolous argument or request for relief” or “[m]isrepresent[ing]. . . a fact.” 37 C.F.R. § 42.12(a)(2), (3).

VLSI argues it should not be subject to an attorney fees sanction. Paper 124, 1–5; Paper 126, 1–3. VLSI asserts that it advanced arguments in this proceeding in good faith and with the belief that its arguments were reasonable and not frivolous. Paper 124, 1, 3–5. VLSI further argues that the attorney fees sanction would be an extraordinary remedy for “debatably characterized legal argument[s],” “rooted in an arguable application of the cited cases.” *Id.* at 4–5.

In interpreting Rule 42.11, the Office considers court decisions involving Federal Rule of Civil Procedure Rule 11. *See* 81 Fed. Reg. 18750, 18760–18761 (indicating that Rule 42.11 was amended consistent with Rule 11 and to “include a Rule 11-type certification for papers filed with the Board”); *Precision Specialty Metals, Inc. v. U.S.*, 315 F.3d 1346, 1353 (Fed. Cir. 2003) (where the Court of International Trade Rule 11 was identical to, and taken from, the federal rule, “it therefore is appropriate to look to

decisions under the [federal rule] in interpreting and applying the identical rule of the Court of International Trade” (citation omitted)).

Rule 42.11 obligates parties to provide complete and accurate information to the Board. *See PAM, S.p.A. v. U.S.*, 582 F.3d 1336, 1339 (Fed. Cir. 2009) (“Parties and attorneys filing documents with the Department of Commerce have an obligation to provide complete and correct information. The duty is not unlike that of an attorney appearing before the Court of International Trade or any federal district court.” (citing Ct. Int’l Trade R. 11(b); Fed. R. Civ. P. 11(b))). The Federal Circuit has held that a party violates these requirements when it doctors quotations from existing law to “distort[] what the opinions state[] by leaving out significant portions of the citations or cropping one of them, and fail[ing] to show that [the party] and not the court has supplied the emphasis in one of them.” *Precision*, 315 F.3d at 1356–1357 (citing Ct. Int’l Trade R. 11); *see also id.* at 1355 (approving of the Court of International Trade’s Rule 11 sanction and proper characterization of the party’s misconduct as “violat[ing] Rule 11 because [the party] ‘signed a brief before this court which omitted directly relevant language from what was represented as precedential authority, which effectively changed the meaning of at least one quotation, and which intentionally or negligently misled the court’”).

B. VLSI’s General Arguments Against Sanctions

VLSI argues that it “did not intend to mislead anyone” and that its arguments were made in good faith. Paper 124, 1. Although a party’s good faith may be relevant, neither Rule 42.11 nor Rule 42.12 requires a finding of bad faith or intent to mislead. 37 C.F.R. §§ 42.11, 42.12.

VLSI adds that its “patents have been in nearly 40 IPRs, and its counsel of record collectively have been counsel in nearly 700 PTAB cases with a spotless disciplinary history.” Paper 124, 1 n.1 (citation omitted). Intel responds that, “in making those claims, VLSI ignores the Director’s related finding that ‘[t]his is not the first time VLSI has made misleading statements of law or fact in an attempt to mislead me or the Board.’” Paper 125, 1–2 (citing Reh’g Dec. 3, n.2; Paper 114, 7–10) (alteration in original). VLSI’s counsel’s disciplinary history prior to this proceeding does not change the conduct at issue. Accordingly, the disciplinary history in other matters is not relevant to this proceeding.

C. VLSI’s Prior Misleading Statements and Misrepresentations

In response to my order to show cause, VLSI revises its previous arguments and assertions in an attempt to explain why they were not frivolous or misleading. Paper 124, 1–4. Intel states that I have already identified “multiple ‘misleading statements of law and fact’” over the course of this IPR. Paper 122, 1–2; Paper 125, 2. Accordingly, Intel argues that “an award of reasonable attorneys’ fees would be an appropriate sanction to hold VLSI and its counsel accountable for the Director’s finding of misconduct and also to deter similar conduct by VLSI and others in the future.” Paper 122, 1.

I address VLSI’s arguments in detail below.

1. VLSI Mischaracterized the Institution Decision

VLSI’s Rehearing Request asserted that the Board “found the record ‘unclear’” and indicated a factual dispute appropriate for trial. Req. Reh’g 5, 9; Reh’g Dec. 7–8. The quoted portion of the Board’s Institution Decision actually rejected one of VLSI’s arguments, stating: “It is unclear, however,

what providing a clock frequency to a device would do besides control its frequency.” Dec. Inst. 25–26; Reh’g Dec. 7. The Institution Decision later continues that VLSI did “not explain [its argued] distinction [relating to clock frequency] or why that would be the case.” Dec. Inst. 26. VLSI contends it “[t]ook [the Institution Decision’s] language as identification of issues for development at trial” and as “calling for development of the trial record.” Paper 124, 2. VLSI further contends that its counsel’s “experience with institution decisions led them to take this language as identification of issues for development at trial.” *Id.*

Although VLSI seeks to justify its prior argument, the argument itself was misleading. Specifically, VLSI’s original characterization that the Board “found the record ‘unclear’” was misleading because it omitted language that made clear the Board did not agree with VLSI’s argument. Req. Reh’g 5; Dec. Inst. 25–26. VLSI’s quotation that the record was “unclear” creates the impression that the Petition presented a weak case, when the Board actually rejected VLSI’s arguments. In fact, any weakness or lack of clarity was in *VLSI’s own position* and therefore would not undercut a finding of compelling merits. Thus, VLSI’s initial argument distorted the Institution Decision’s analysis to support its illusion that the Board found VLSI’s argument meritorious, when in fact the Board rejected VLSI’s argument.

VLSI’s Rehearing Request further stated that the Board’s Institution Decision had “found ‘Patent Owner has raised *reasonable* questions regarding Chen’s operation.’” Req. Reh’4. The Board’s Institution Decision actually states that “[w]hile Patent Owner has raised reasonable questions regarding Chen’s operation, *at most those questions identify*

factual issues appropriate for resolution through trial.” Dec. Inst. 26 (emphasis added); Reh’g Dec. 7. VLSI explains that it “took [the portion of the Institution Decision it quoted] to mean those questions were insufficient to show the ‘reasonable likelihood’ standard was not met. And VLSI’s point that the Panel failed to *revisit* those ‘reasonable questions’ under the compelling-merits standard was not misleading.” Paper 124, 1–2.

I disagree that VLSI’s selective quotation was not misleading because the “at most” clause provided essential context for the Board’s statement. VLSI’s omission of this key contextual language leads readers to wrongly believe that the Board considered VLSI’s arguments to be wholly favorable when, rather, the Board cabined its determination by stating that, “*at most*,” the questions VLSI raised were factual issues to be resolved at trial. VLSI’s omission therefore overstated its claim that the Petition did not present compelling merits because it created the impression that the Board found the issue to be closer than it actually did.

In sum, VLSI distorted the record by deleting or omitting critical language, and thus wasted the time of this tribunal and opposing counsel. *See Amstar Corp. v. Envirotech Corp.*, 730 F.2d 1476, 1486 (Fed. Cir. 1984) (“Distortion of the record, by deletion of critical language in quoting from the record, reflects a lack of the candor . . . wastes the time of the court and of opposing counsel, and imposes unnecessary costs on the parties . . .”). VLSI’s multiple misleading arguments “force[] the [tribunal] to expend extra time and effort in carefully double-checking every reference to the record and opposing counsel’s briefs, lest we be misled,” thereby “threaten[ing] the integrity of the judicial process and increas[ing] the waste of resources.” *Romala Corp. v. United States*, 927 F.2d 1219, 1224 (Fed.

Cir. 1991), *superseded on other grounds by rule*, Fed. R. App. P. 38 (requiring notice and a reasonable opportunity to respond before imposing sanctions for a frivolous appeal).

Nevertheless, I accept VLSI's explanations that these arguments were not entirely frivolous but were instead an attempt to highlight factual issues at the institution stage. *See* Paper 124, 1–3. For this reason, I do not find VLSI's misleading statements to be sanctionable under Rule 42.11. However, I strongly caution VLSI against selectively quoting the record while omitting key contextual language, particularly when representing the Board's position.

2. *VLSI's Citations to Case Law*

I previously determined that VLSI had misrepresented Federal Circuit and Supreme Court cases to support its due process argument. Reh'g Dec. n.2 (citing Req. Recon. 11–15; Paper 114, 7–10). I also determined that VLSI had misrepresented Federal Circuit and Board case law to support its argument regarding a jury verdict as evidence of nexus for commercial success. *Id.* at 9 (citing Prelim. Resp. 69–71; Req. Reh'g 10); *Brown & Williamson Tobacco Corp. v. Phillip Morris, Inc.*, 229 F.3d 1120, 1130 (Fed. Cir. 2000); *WBIP, LLC v. Kohler Co.*, 829 F.3d 1317, 1337 (Fed. Cir. 2016); *RTI Surgical, Inc. v. LifeNet Health*, IPR2019-00571, Paper 75, 46–47 (PTAB Aug. 4, 2020)).

VLSI has not requested that I reconsider my previous determination that it misrepresented Federal Circuit and Supreme Court case law to support its due process argument. *See generally* Paper 124, Paper 126. Accordingly, I do not reconsider my previous determination. *See* Reh'g Dec. n.2; Paper 114, 7–10.

VLSI, however, does now provide further explanation for its citations to *Brown*, *WBIP*, and *RTI Surgical*. See Paper 124, 3–4.² Nevertheless, VLSI’s initial characterizations of the cases failed to offer sufficient context and push the envelope of zealous advocacy. Citing cases without adequately explaining their relevance leaves the tribunal to connect dots in a manner that may be unclear and so increases the burden on the tribunal and parties, which does not further the interests of justice.

On the facts of this proceeding, I do not sanction VLSI on the basis of its initial characterizations of these cases. VLSI’s argument that these cases found objective indicia of non-obviousness based on “an infringement verdict,” though carelessly presented in a manner susceptible to multiple interpretations, was not so misleading as to rise to the level of sanctionable conduct. VLSI is cautioned, however, that its failure to adequately explain the relevance and context of these cases can lead to some of the same harms as an affirmative misrepresentation—increased burden on the other parties and the tribunal.

D. Conclusion on Sanctions

I am persuaded by VLSI’s arguments that its conduct did not rise to a violation of Rule 42.11 and thus does not warrant a sanction of attorney fees. However, I do not entirely excuse VLSI’s actions and strongly admonish

² Explaining that “*Brown* may be reasonably interpreted to mean that the success of products found to infringe by a jury may be evidence of ‘commercial success’ having the nexus to ‘the claimed invention’”; *WBIP* established a presumption of nexus based on specific products (Patentee’s products and the accused infringer’s products) that were embodiments of the claimed invention; and *RTI Surgical* cited evidence showing nexus that included a jury verdict.

VLSI for making arguments distorting the Board's prior statements and carelessly citing case law. I anticipate that this admonishment will suffice to deter repetition of similar misconduct in this proceeding and in future practice by counsel before the PTAB. *See* 37 C.F.R. § 42.11(d)(4).

III. INTEL'S MOTION TO SEAL

Intel filed a motion to seal Exhibit 1537, which "identifies attorneys' fees that Intel incurred for its outside counsel of record to respond to VLSI's rehearing request (for the period between October 31, 2022, when VLSI filed its rehearing request, and November 7, 2022, when Intel responded)." Paper 123, 1. Intel "requests that this document be treated under the Modified Protective Order, Ex. 3011, entered by the Director in this proceeding, Paper 48." *Id.*

Intel asserts "[t]he *Argentum* factors support granting" its motion. Paper 123, 2 (citing *Argentum Pharmaceuticals LLC v. Alcon Research, Ltd.*, IPR2017-01053, Paper 27, 3 (PTAB Jan. 19, 2018) (informative)). Specifically, Intel asserts that Exhibit 1537 "contains information relating to confidential Intel information, including rates and fees that Intel pays to its attorneys in connection with this proceeding." *Id.* at 1–2. Intel further asserts that not sealing Exhibit 1537 "would create a substantial risk of serious harm that could not be avoided by less restrictive means" and "could expose the manner by which Intel conducts business, including with respect to litigation." *Id.* at 3. Intel argues that my order to show cause created "a genuine need to rely on the material that Intel has identified as confidential." *Id.* Finally, Intel argues that "the interest in maintaining confidentiality outweighs the strong public interest in having an open record for the reasons under [*Argentum* Factors] (1) and (2)." *Id.*

I find that Exhibit 1537 contains confidential information; that a concrete harm would result if Exhibit 1537 did not remain confidential; that there exists a genuine need to rely on the information contained therein; and that public policy favors allowing fees paid by a party to its counsel to remain confidential. Accordingly, I grant the motion to seal.

IV. ORDER

Accordingly, based on the foregoing, it is:

ORDERED that VLSI is strongly admonished for its misconduct in this proceeding;

FURTHER ORDERED that no attorney fees are awarded; and

FURTHER ORDERED that Intel's motion to seal (Paper 123) is granted.

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