

UNITED STATES PATENT AND TRADEMARK OFFICE

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BEFORE THE OFFICE OF THE UNDERSECRETARY AND DIRECTOR OF  
THE UNITED STATES PATENT AND TRADEMARK OFFICE

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OPENSKY INDUSTRIES, LLC,  
INTEL CORPORATION,  
Petitioners,

v.

VLSI TECHNOLOGY LLC  
Patent Owner.

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IPR2021-01064<sup>1</sup>  
Patent 7,725,759 B2

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

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**BRIEF OF  
UNIFIED PATENTS, LLC, THE  
ALLIANCE FOR AUTOMOTIVE INNOVATION, AND  
US MANUFACTURERS FOR DEVELOPMENT AND ENTERPRISE  
AS *AMICI CURIAE*  
SUPPORTING NO PARTY**

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<sup>1</sup> Intel Corporation (“Intel”), which filed a petition in IPR2022-00366, has been joined as a party to this proceeding. Paper 43.

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## **I. Interest of *Amici Curiae*<sup>2</sup>**

Unified Patents, LLC is a membership organization dedicated to deterring patent assertion entities, or PAEs, from extracting nuisance settlements from operating companies based on low-quality, likely invalid patents. Unified's more than 3,000 members are Fortune 500 companies, start-ups, automakers, industry groups, medical device manufacturers, cable companies, banks, open-source developers, manufacturers, and others dedicated to reducing the drain on the U.S. economy of patents of dubious validity.

Unified studies the ever-evolving business models, financial backings, and practices of PAEs. *See, e.g.,* Unified Patents, *2021 Litigation Annual Report*, <https://portal.unifiedpatents.com/litigation/annual-report>.

As part of its deterrence mission, Unified files post-issuance administrative challenges to PAE patents it believes are unpatentable or invalid, both domestically and abroad. Unified thereby pursues and frequently exonerates “the important public interest in permitting full and free competition in the use of ideas which are

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<sup>2</sup> This brief was not authored in whole or in part by counsel for any party, and no person or entity other than *amici* or their counsel made a monetary contribution intended to fund the preparation or submission of this brief.

in reality a part of the public domain.” *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969).

The Alliance for Automotive Innovation (“Auto Innovators”) is comprised of the manufacturers producing nearly 98% of new cars and light trucks sold in the U.S. as well as original equipment suppliers, technology and other automotive-related companies, and trade associations. Auto Innovators works with policymakers to support cleaner, safer, and smarter personal transportation that transforms the U.S. economy and sustains American ingenuity and freedom of movement. Automakers invest billions each year in new technologies, including fuel-saving technologies, such as electrification, to transition to a low-carbon transportation future. A robust patent system—supported by high-quality patents that spur, not block, innovation—is essential to support and maintain America’s leadership in automotive innovation. Auto companies are major inventors, regularly appearing in the Patent Office’s “top-30” lists, and own hundreds of thousands of patents, which they rely on to protect their innovations. At the same time, auto companies are also increasingly subject to attacks from bad actors who allege patent infringement using low-quality patents that should never have issued. The Patent Office’s post-issuance proceedings are crucial to this system.

US Manufacturers for Development and Enterprise (US\*MADE) is a coalition of over 50 American manufacturers and trade associations focused on protecting US manufacturers from abusive patent litigation.

The PTAB provides a valuable resource to the public in ensuring that fewer invalid patents remain in force; the integrity of this regulatory body is paramount to accomplishing this goal. In this case, *Amici* are concerned with ensuring that inter partes review and related USPTO proceedings remain timely, cost-effective tools for any member of the public to challenge low-quality patents, as the statute dictates.

## **II. The Agency Should Be Consistent with the History and Goals of the AIA**

The Director seeks *amicus* briefing on two questions. She properly frames both questions in terms of “the goals of the Office and/or the AIA.” Order at 7-8. First, what action should the agency take when faced with abusive conduct? Order at 7. Second, how should the agency determine what is abusive conduct? *Id.* at 8.

*Amici* agree that the agency’s discretion in issuing sanctions should be guided by the goals of the Office and the AIA, including:

- issuing and maintaining only high-quality patents;
- improving patent quality;
- providing an expert forum for reconsideration of prior agency action;
- providing a less expensive alternative to litigation; and

- restoring confidence in the presumption of validity.

These goals are consistent with maintaining instituted IPRs brought by any petitioner while sanctioning misconduct to the extent necessary to deter that conduct.

**A. Before the AIA, the USPTO was primarily limited to ex parte examination**

The USPTO issues roughly 350,000 utility patents a year. USPTO, *Performance and Accountability Report*, Fiscal Year 2021 at 205. “Sometimes,” the Supreme Court has noted, “bad patents slip through.” *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1353 (2018). This slippage is partly because “the Patent Office is often obliged to reach its decision in an *ex parte* proceeding, without the aid of the arguments which could be advanced by parties interested in proving patent invalidity.” *Lear*, 395 U.S. at 670. In addition, the agency faces hundreds of thousands of applications each year and has limited resources for the examination that ex-ante must be applied to each one. See Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 Northwestern University Law Review 1495 (2001).

The twin challenges of ex parte examination and limited resources mean that the examining corps often lacks the context and time necessary to fully understand the scope of the claims sought and their place in the prior art. Before the AIA, the USPTO had limited opportunities to reconsider its initial grant decisions. But

these were initiated by the patent owner (reissue), proceeded ex parte (reexamination), limited to holders of interfering patents (interferences), or applicable to only a limited group of patents (inter partes reexamination). In addition, these proceedings were slower than litigation as they typically required two tiers of agency review before a claim could be denied or canceled.

At that time, litigation was effectively the only reasonably timely way to challenge a patent. But patent litigation is tremendously expensive, and standing requirements prevent the public from challenging issued patents in all but limited circumstances, like being sued or threatened with suit. *See, e.g., Innovative Therapies, Inc. v. Kinetic Concepts, Inc.*, 599 F.3d 1377 (Fed. Cir. 2010) (no declaratory judgment standing despite patentee’s enforcement history and subsequent infringement suit against the declaratory-plaintiff competitor).

Acknowledging that bad patents sometimes slip through and recognizing the inefficiencies of litigation, Congress established the AIA.

**B. Congress designed AIA proceedings to improve patent quality by allowing challenges before an expert panel**

The AIA addressed the previously identified challenges in the examination system while providing more transparency and reviewability to patentability determination. The overarching goal of the AIA was “to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.” H.R. Rep. No. 112–98, pt. 1,

at 40 (2011) (“House Report”). Toward that goal, the AIA replaced inter partes reexamination with inter partes review (IPR).

With IPRs, Congress gave the Office the tools and resources to take another look at certain issued patents. *See Leahy-Smith America Invents Act*, Pub. L. No. 112-29, 125 Stat. 284 (2011). In doing so, Congress called on the knowledge and abilities of PTAB administrative patent judges to provide expert analysis of each patent the agency reconsiders. *See* 35 U.S.C. § 6(a).

IPRs support the “important congressional objective” of “giving the Patent Office significant power to revisit and revise earlier patent grants.” *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 272 (2016). The new proceedings were meant to “improve patent quality and restore confidence in the presumption of validity that comes with issued patents.” *Id.* (quoting House Report at 48); *see also* Order at 6-7. IPRs also formed an effective alternative to litigation because they begin at the Board, which allows the agency to complete its work in one year in all but the most extreme cases. *See* 35 U.S.C. § 316(a)(11).

The AIA also dramatically increased transparency and reviewability of patentability decisions beyond the often-guarded nature of private party civil litigation. Challenged claims are confirmed or canceled in a “final written decision with respect to the patentability of any patent claim challenged.” 35 U.S.C. § 318(a). The PTAB “is obligated to provide an administrative record showing the

evidence on which the findings are based, accompanied by the agency’s reasoning in reaching its conclusions.” *Pers. Web Techs., LLC v. Apple, Inc.*, 848 F.3d 987, 992 (Fed. Cir. 2017) (cleaned up). This contrasts with district court cases, where extensive protective orders may keep information out of the public eye and where juries may use only a “black box verdict form—that is, a form that merely asks the jury to answer ‘yes’ or ‘no’ as to whether a claim is obvious.” *Agrizap, Inc. v. Woodstream Corp.*, 520 F.3d 1337, 1343 (Fed. Cir. 2008). Such black-box verdicts face only the most limited appellate review. The reviewing court presumes the jury resolved all factual disputes in favor of the verdict winner and leaves those facts unquestioned if supported by substantial evidence. *WBIP, LLC v. Kohler Co.*, 829 F.3d 1317, 1326 (Fed. Cir. 2016); *see also Apple Inc. v. Samsung Elecs. Co.*, 839 F.3d 1034, 1039, 1047 (Fed. Cir. 2016) (en banc court reinstating jury verdict after panel reversed).

### **1. Petitioners bring resources and context to AIA proceedings**

AIA proceedings adopt a quasi-adjudicatory model and rely on parties seeking to determine the validity of patents. The first sentence of the IPR statute undoubtedly reflects Congress’s will to allow the broadest swath of petitioners to challenge patents. Any “person who is not the owner of a patent” may file an IPR petition. 35 U.S.C. § 311(a). This allows any party to invoke the agency’s expertise, urging the Office to reconsider issued patent claims, typically with

evidence and arguments not previously considered by the agency and brought to their attention by challengers. *See* 35 U.S.C. § 6(c); *id.* at § 325(d).

The IPR statute as a whole recognizes the knowledge petitioners bring by giving them control of the scope of the proceedings. “Congress chose to structure a process in which it’s the petitioner, not the Director, who gets to define the contours of the proceeding.” *SAS Inst.*, 138 S. Ct. at 1355. As the Supreme Court recognized, “in an inter partes review the petitioner is master of its complaint and normally entitled to judgment on all of the claims it raises, not just those the decisionmaker might wish to address.” *SAS Inst.*, 138 S. Ct. at 1355.

Petitioners use PTAB proceedings to spur extensive challenges, each of which benefits the public, many of which the petitioner could not bring in litigation. Petitioners include:

- parties that want a complete alternative to litigation (15-20% of all AIA proceedings); *see* USPTO, *An Analysis of Multiple Petitions in AIA Trials*, at 10 (Oct. 24, 2017) (15% of IPRs have no parallel litigation); USPTO, *Patent Trial and Appeal Board Parallel Litigation Study*, at 3 (Jun. 2022) (as many as 20% of PTAB proceedings have no parallel litigation);
- parties that want the USPTO to double check its initial decision to issue a patent being asserted against them in litigation; *Id.*;

- parties that want to clear rights; *see, e.g., Altaire Pharms., Inc. v. Paragon Biotech, Inc.*, 889 F.3d 1274, 1282 (Fed. Cir.), *remand order modified by stipulation*, 738 F. App'x 1017 (Fed. Cir. 2018) (seeking to test patentability of claims before filing Abbreviated New Drug Application);
- parties that have settled litigation before patent validity is decided; *see, e.g., Apple Inc. v. Qualcomm Inc.*, 992 F.3d 1378, 1381 (Fed. Cir. 2021); and
- parties that seek to limit the harm caused by patent assertion entities; *see, e.g., Pers. Audio, LLC v. Elec. Frontier Found.*, 867 F.3d 1246, 1247 (Fed. Cir. 2017); *Texas Assoc. of Realtors, Inc. v. POI Search Solutions LLC*, IPR2016-00615 Paper 10 (PTAB Aug. 16, 2016).

But the exact reason a petitioner files its petition is immaterial. Congress spoke quite clearly on who may file: any person who is not the owner of a patent. The reason for filing is irrelevant as long as the petition and petitioner conform to the statute and rules. The public benefits from each of these varied uses.

## **2. The benefits of AIA proceedings adhere to the public**

Allowing any person to file promotes the paramount public interest in a patent system based on valid patents. Congress has never limited AIA proceedings or reexamination to particular persons because of “the important public interest in

permitting full and free competition in the use of ideas which are in reality a part of the public domain.” *Lear*, 395 U.S. at 670. That interest has long required courts to allow vetting of patent rights by parties “with enough economic incentive to challenge the patentability of an inventor’s discovery” because “[i]f they are muzzled, the public may continually be required to pay tribute to would-be monopolists without need or justification.” *See id.*

Liberal joinder likewise aids this interest by ensuring that more challenges are heard on the merits. *See* 35 U.S.C. § 315(c) (The Director may join “any person who properly files a petition ... that ... warrants the institution of an inter partes review.”). Joiners may continue the proceedings to completion where the first petitioner has withdrawn. Joiners may also form a check on misuse of the proceedings. Joiners are present and able to object if a patent owner were to accept the sort of collusive offer alleged here.

The public interest in removing undeserved or overbroad monopolies is served when unpatentable claims are canceled or amended. Removing unpatentable claims from the marketplace supports the “strong federal policy favoring free competition in ideas which do not merit patent protection.” *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 168 (1989) (quoting *Lear*, 395 U.S. at 656).

The public likewise benefits when the agency confirms challenged patent claims. Such rights are typically better defined and more readily enforced if asserted within their proper scope. *See, e.g.,* Order Granting Defendant’s Motion to Dismiss, *Grecia Estate Holdings LLC v. Facebook Inc.*, No. 6:21-cv-00677-ADA, Dkt. No. 45 (W.D. Tex. Jun. 6, 2022) (dismissing case where patentee’s infringement “allegations contradict prior sworn testimony concerning the invention’s scope during IPR”). Thus, AIA proceedings support “the underlying policy of the patent system that ‘the things which are worth to the public the embarrassment of an exclusive patent,’ as Jefferson put it, must outweigh the restrictive effect of the limited patent monopoly.” *Graham v. John Deere Co.*, 383 U.S. 1, 10–11 (1966).

To be sure, patentees benefit the public when they fully disclose their inventions in exchange for the protection of a patent. House Report at 40. But that protection is limited to the inventive contribution. As the Supreme Court frequently reminds us, “[i]t is as important to the public that competition should not be repressed by worthless patents, as that the patentee of a really valuable invention should be protected in his monopoly.” *Pope Mfg. Co. v. Gormully*, 144 U.S. 224, 234 (1892); *Lear*, 395 U.S. at 663–64 (quoting *Pope Manufacturing*); *United States v. Glaxo Grp. Ltd.*, 410 U.S. 52, 58 (1973) (same); *Gen. Motors Corp. v. Devex Corp.*, 461 U.S. 648, 658 (1983) (Stevens, J., concurring) (same).

The benefits of IPR proceedings extend to the public beyond the individual decisions of the Board. Many patent practitioners have taken notice of the merits of the new proceedings and changed their prosecution practices in ways that may increase the quantity of disclosure and the quality of applications the Office receives. *See, e.g.,* Salvador M. Bezos, *Three Tips on Drafting Patent Applications to Withstand IPR Challenges*, Nat. Law Rev. (Nov. 11, 2014) (suggesting practitioners include a glossary of terms in applications and review and consider prior art before filing); *see also* Kenneth Darby and David Holt, *Post-Grant for Practitioners: Drafting Patent Applications to Survive IPR*, <https://www.fr.com/events/webinar-drafting-patent-applications-to-survive-ipr/> (suggesting, among other things, providing more structure in claims and including more support for claim interpretation). Indeed, IPRs incentivize increased quality in original claims, support in the specification, and pre-filing prior art searches during prosecution.

### **III. USPTO Sanctions Should be Tailored to Deter Abuse Without Undermining the Goals of the AIA**

The USPTO has discretion when sanctioning a party or its representative. Where the USPTO imposes sanctions on a party in an interference, the Federal Circuit reviews both the Office’s “decision to sanction ... and the choice of sanction for abuse of discretion.” *Gerritsen v. Shirai*, 979 F.2d 1524, 1529 (Fed. Cir. 1992). This discretion extends to sanction decisions in AIA proceedings. *See*

*Apple Inc. v. Voip-Pal.com, Inc.*, 976 F.3d 1316, 1322-23 (Fed. Cir. 2020).

Similarly, Patent Office disciplinary actions are reviewed under the APA's discretionary standard. *See, e.g., Bender v. Dudas*, 490 F.3d 1361, 1362 (Fed. Cir. 2007) ("Because the PTO's findings were supported by substantial evidence, and because the disciplinary action was not arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law, we affirm.")

"Discretion," however, "is not whim." *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1931 (2016) (quoting *Martin v. Franklin Cap. Corp.*, 546 U.S. 132, 139 (2005)). Instead, discretionary decisions should be rooted in the agency's judgment, as guided by sound legal principles. *See id.* In the absence of a precise rule, the agency should exercise its discretion "in light of the considerations underlying the grant of that discretion." *See Halo*, 579 U.S. at 103 (marks and citations omitted). And like all its powers, an agency's power to sanction is statutory and must be imposed "within jurisdiction delegated to the agency and as authorized by law." 5 U.S.C. § 558(b); *see also id.* § 551(10) (listing possible sanctions).

The USPTO's power to sanction parties and their representatives before the PTAB is provided by at least three sections of the Patent Act. Section 2(b)(2)(A) grants the power to establish regulations that "govern the conduct of proceedings in the Office." This "plenary authority" over USPTO practice includes the ability

to issue sanctions in inter partes actions. *See Gerritsen*, 979 F.2d at 1527 (Fed. Cir. 1992) (relying on the same statutory language to uphold sanction rules in interference practice).

Section 316(a)(6) requires the Director to prescribe “sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding” in IPRs. *See also* 35 U.S.C. § 326(a)(6) (PGR sanctions).

Section 2(b)(2)(D) grants the power to regulate the “conduct of agents, attorneys, or other persons representing applicants or other parties before the Office.” Inherent in this power is the ability to sanction or punish patent agents, patent attorneys, and “other persons” that appear for a party in an AIA proceeding, such as *pro hac vice* attorneys.

The USPTO has used its power to promulgate regulations governing sanctions to good effect. But these rules both explicitly and inherently limit sanctions to that which suffices to deter the misconduct. Rule 42.11 is essentially the Board’s version of Civil Rule 11. *See* 37 C.F.R. § 42.11. It imposes an affirmative duty of candor and good faith in inter partes review and bars any behavior that violates the signature requirement that adheres to all submissions to the Office. *Id.* § 42.11 (a)-(c). Under Rule 42.11, the Board has been delegated the power to impose “appropriate sanction.” And like, Civil Rule 11(c)(4), Rule

42.11(d)(4) explicitly limits any sanction imposed “to what suffices to deter repetition of the conduct or comparable conduct by others similarly situated.” *Id.* § (d)(4).

Rule 42.12 bars misconduct broadly defined and provides a wide range of potential sanctions. Rule 42.12(a) adds exemplar lesser offenses to the language of 35 U.S.C. § 316(a)(6) and delegates the initial sanction decision to the Board. Rule 42.12(b) lists potential sanctions for party misconduct. The list is representative, not exhaustive, and the Office has the discretion to shape the appropriate sanction. *See Apple v. Voip-Pal*, 976 F.3d at 1323–24 (Fed. Cir. 2020) (“[T]he plain reading of Section 42.12(b) allows the Board to issue sanctions not explicitly provided in the regulation.”). Thus, under 42.12, the Board may expunge a single paper, stop a party from obtaining discovery, exclude evidence, dismiss a petition, enter judgment in the trial, or provide another sanction “within a reasonable range” depending on the severity of the offense. *Apple v. Voip-Pal* at 1324 (approving PTAB sanction allowing rehearing and additional briefing before a new panel after sanctioned party communicated with judges ex parte).

Like Rule 42.11, Rule 42.12 gives the Board the first chance to sanction or not sanction the offending behavior. But the Director has the final say. The regulations were promulgated by “[t]he Director.” 35 U.S.C. § 316(a). Under the rules, the Director delegated her authority to the Board. Delegation implies the

power to review. Regardless, “[d]ecisions by APJs must be subject to review by the Director.” *United States v. Arthrex, Inc.*, 141 S. Ct. 1970, 1986 (2021).

Rules 42.11 and 42.12 are subject to the general policy statement of Part 42. *See* 37 C.F.R. § 42.1. Under 42.1(b), every rule in Part 42 is “construed to secure the just, speedy, and inexpensive resolution of every proceeding.” Thus, any sanction must help secure the just resolution of the corresponding IPR.

Similar to Rule 42.11, Rule 11.18 is the Patent Office’s broadly applicable equivalent of Civil Rule 11. *See Changes to Representation of Others Before the United States Patent and Trademark Office*, 73 Fed. Reg. 47650, 47653, col. 2 (Aug. 14, 2008); *id.* at 47671, col. 3. It allows the Director to sanction anyone that violates their duty of candor in any submissions to the Office. Rule 11.18 overlaps with 42.11, but it applies to practice before the Board through Rule 42.1’s incorporation of Rule 1.4, the certification rule, which invokes Rule 11.18. *See, e.g.*, 37 C.F.R. § 1.4(d)(4)(i).

There is no explicit limit on the sanction power in Rule 11.18. Instead, the Director may sanction or take action as she “deem[s] appropriate.” But the USPTO has linked that power to “the proper considerations utilized in issuing sanctions or taking action under [Civil] Rule 11.” 73 Fed. Reg. at 47653, col. 2. This includes “what is needed to deter that person from repetition” and “deter similar conduct by others.” *Id.* Thus, the Director’s power under 11.18 is best

used “**not to** reward parties who are victimized” but, as with Civil Rule 11, “to deter baseless filings and curb abuses.” *See Bus. Guides, Inc. v. Chromatic Commc’ns Enterprises, Inc.*, 498 U.S. 533, 553 (1991) (addressing Fed. R. Civ. Proc. 11) (emphasis added).

The agency’s disciplinary rules extend the Director’s power to discipline practitioners and other party representatives. *See* 37 C.F.R. §§ 11.19 *et seq.* These rules enforce the USPTO Rules of Professional Conduct and allow the Director to exclude or suspend practitioners from practice before the Office when appropriate. *See id.* §§ 11.19(b)(1)(iv), 11.20(a)(1), (2).

In sum, the Office possesses broad power to sanction misconduct, including the sanctioning of parties and their representatives. But sanctions are for deterrence. If a representative takes sanctionable action, the Office should sanction the representative. But rewarding the victims, punishing a party for its representative’s misconduct, punishing other parties or the public, and undermining the ultimate goals of the Office are neither appropriate objects of sanctions nor the agency’s general practice. This is particularly so when the deterrence function may be served without such harm.

#### **IV. Here, Proper Sanctions Will Allow the USPTO to Complete Its Analysis of the Patent Under Review**

The Director’s Order indicates that the Director contemplates additional fact-finding in this matter. Order at 8-9. Therefore, *amici* understand the Director

will issue sanctions only after sanctions discovery concludes. This patience is appropriate, as the Office should assess sanctions on a case-by-case, party-by-party, and counsel-by-counsel basis. There can be no general rule about what the agency will do when it discovers misconduct. The decision should weigh what sanctions are necessary to deter future abuses by the offending actor while still fulfilling the goals of the Office to ensure only meritorious patents survive scrutiny. The Office has been granted sufficient discretion to fit the sanction to the misconduct in a way no general rule could.

**A. The Office should never terminate an IPR when one or more other petitioners remain available to proceed**

The Director's Order mentions two potential sanctions, "deny institution of AIA proceedings or terminate instituted trial." Order at 7. Neither remedy is necessary to deter the alleged conduct, and neither remedy would advance the goals of the Office and/or the AIA. *Id.* at 7-8. Here, the PTAB has found that one or more challenged claims are reasonably likely to be unpatentable, and at least one petitioner is available to complete the proceeding.

Furthermore, in this unique case, the misconduct alleged is rooted in an email from one representative of one petitioner expressing apathy toward the merits. Terminating the IPR would both reach too far and not far enough, harming the public interest while diluting the effect on any bad actor. If the allegations are proven, the misconduct was possible only because the first petitioner or its

representative did not care if the claims were held invalid and sought monetary gain from allowing the IPR to fail to reach the merits. Therefore, the agency would not deter the alleged behavior in this case by terminating an IPR that met the statutory standard for institution.

The accusations here appear to involve only one of the two petitioners in the '1064 IPR and don't appear to touch a third petitioner in the '1229 IPR. Therefore, depending on the Director's post-discovery fact-finding, the most appropriate sanction would be directed solely at that party, its representative, or both, and it should be crafted to deter the conduct shown by discovery to have occurred while preserving the AIA and Office's goal to maintain only valid patents.

Terminating or "de-instituting" the IPR would not be a just resolution of the proceeding. *See* 37 C.F.R. § 42.1. Just the opposite, it would resolve nothing and punish the public, requiring it to contend with claims that have been found reasonably likely to be unpatentable. Moreover, it would mean the agency with "the primary responsibility for sifting out unpatentable material" refuses to reconsider a patent grant despite knowing that the prior decision was reasonably likely to have been wrong. *See Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 18 (1966). Termination would reward the patent owner for reporting the event, as the rules required it to do. *See* 37 C.F.R. § 11.803(a). But it would leave

dangling unfinished a challenge the Board and the Director have separately found merits review. *See* Order at 6 n.4.

Termination of the IPR would prevent the Office from checking patent quality. *See Cuozzo*, 579 U.S. 272. It would leave the work of the expert forum unfinished. That would undermine rather than restore the presumption of validity. *Id.* The patent claims at issue would continue to enjoy the presumption despite the Board’s findings that they are reasonably likely to be unpatentable.

Lesser sanctions are available to the Director. As explained, the Director is not bound by the sanctions list in Rule 42.12. In appropriate, rare circumstances, the Director may remove one petitioner from a joint IPR. But even this sanction—terminating a *petitioner*—is extreme and only suitable where alternative sanctions would not suffice to deter the misconduct of a party or its representative.

Terminating an IPR, particularly when a second petitioner remains, should be rarer still.

When two petitioners are present, the Office may consider terminating the IPR only if the second petitioner or joiner is equally culpable in egregious conduct, and, even then, the Office should consider proceeding *ex parte*, as explained below. Otherwise, the Office should allow the joiner to continue the IPR whenever possible. Slamming the Office door shut on the second petitioner/joiner should occur only in the rare case where termination is required to deter future misconduct

like the first petitioner's conduct. *Amici* doubt such a case can exist because halting an instituted IPR where one petitioner stands ready to proceed is contrary to the Office and AIA's goals.<sup>3</sup>

The Director need not terminate IPR proceedings even if the Director determines that removing one petitioner is insufficient to deter like future misconduct. The Director has power over the practitioners and other attorneys appearing in an IPR. A practitioner is subject to sanction and referral to the Office of Enrollment and Discipline (OED). A *pro hac vice* attorney is subject to sanctions that may include a bar on future appearances and referral to their state bar or the OED for further investigation. *See, e.g., Unified Patents, Inc. v. Parallel Iron, LLC*, IPR2013-00639, Paper 7 (PTAB Oct. 15, 2013) (*pro hac* attorneys required to subject themselves to OED enforcement before being allowed to appear in an IPR).

There is no deterrence in punishing a good-faith joiner and the public by halting a properly instituted IPR. And this is an atypically strong case for allowing

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<sup>3</sup> *Amici* are aware that the agency may join a second petitioner to an IPR while maintaining the second petitioner's IPR. The same analysis applies to the joint IPR, though the Office may consolidate the two IPRs if only one petitioner remains. *See* 35 U.S.C. § 315(d).

the joiner to continue. The joiner here, Intel, and the patent owner, VLSI, are locked in a series of ongoing patent litigations. *See, e.g., VLSI Technology LLC v. Intel Corp.*, No. 18:0966 (D. Del.). Intel makes numerous high-tech products, including processors, ASICs, chipsets, etc. *See generally* intel.com. VLSI is a patent assertion entity and is part of the Fortress family of patent assertion entities. *See VLSI v. Intel*, No. 18:0966, Declaration of VLSI Technology LLC's CEO Michael Stolarski, Dkt. No. 972, ¶ 5; Josh Kosman, *Softbank unit launches \$400M 'patent troll' fund*, N.Y. Post (May 21, 2018). VLSI has acquired numerous patents and asserted many against Intel; Intel has defended those suits and filed IPR petitions challenging some of the patents asserted, including the patents at issue here. *See* Order at 2-3.

Thus, as the Director recognizes, the joiner here is the originator of all substantive arguments despite being the second petitioner. Order at 4. Here, the expert reports relied on at institution were prepared at the behest of the joiner. Order at 4. Here, the Director's Order shows that the joiner—apparently unlike the instituted petitioner—has a sufficient motive to challenge the patents and pursue full adjudication on the merits. *See* Order at 3. These circumstances—unlikely to be repeated in view of the Director's recent *Fintiv* guidance—reinforce why a case-by-case approach to sanctions is advisable. *See* USPTO, *Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court*

*Litigation* (Jun. 21, 2022). Each sanctions case is likely to have its own unique factors that a general rule cannot anticipate.

The USPTO has the authority to render judgment in the trial as a sanction. But this nuclear option should be reserved for situations so egregious that deterrence demands ignoring patent quality and undermining the presumption of validity. A sanction that may sound the “death knell” for an IPR should be “used as a weapon of last, rather than first, resort.” *See Apple v. Voip-Pal*, 976 F.3d at 1324 (affirming PTAB’s refusal to impose judgment as a sanction). The Office should not allow a patent claim to be unreviewed after the Board’s determination “that there is a reasonable likelihood” that the claim is unpatentable except in the most egregious cases—cases where no alternative exists. This is not such a case.

**B. The Office need not terminate an IPR even when no petitioner remains**

As a general matter, the USPTO should be reluctant to terminate any meritorious challenge to patentability. Even when only one petitioner is present, and that petitioner has been found to have abused the process or otherwise thwarted the goals of the AIA, the USPTO may sanction the petitioner without ignoring the Board’s findings on institution.

Even absent any petitioner, e.g., in case of settlement, the “Office may terminate the review or **proceed to a final written decision.**” *See* 35 U.S.C. § 317(a) (emphasis added). The agency has chosen to proceed when appropriate

after terminating a solo petitioner. *See Blackberry Corp. v. Mobilemedia Ideas LLC*, IPR2013-00016, Paper 31 (PTAB Dec. 11, 2013) (terminating petitioner after settlement); *id.* Paper 33 (PTAB Feb. 24, 2014) (Final Written Decision). The Office often terminates reviews after the parties settle the case. But, unlike termination as a sanction, terminating in view of settlement promotes a separate goal of the AIA: providing an alternative to litigation. *See* House Report at 40. And many petitioners involved in litigation with patent owners would hesitate to file IPR petitions if that filing cut off their chance to settle the case. In the present case, there is no such countervailing policy—certainly none that supports ignoring the agency’s institution decision.

Should the agency not proceed to a final written decision, the Director retains the authority, on her own initiative, to determine whether the patents cited in the petition raise a substantial new question of patentability. *See* 35 U.S.C. § 303(a). If the Director so decides—which appears likely for any patent claims that satisfied the higher threshold of IPR institution—the Director’s determination must include an order for reexamination. *Id.* at § 304. Applying a Section 303(a) analysis appears particularly useful pre-institution if a petition has clear merit, but no petitioner remains in the proceeding.

## V. CONCLUSION

The Office can maintain the IPRs underlying the Director's Order while crafting sanctions sufficient to deter future conduct of the type alleged. Doing so would protect the goals of the AIA and the Office. Terminating the IPR would undermine those goals and go much further than needed for deterrence.

Respectfully submitted,

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## **CERTIFICATE OF SERVICE**

I hereby certify that on this 18<sup>th</sup> day of August the foregoing **BRIEF** was filed in the USPTO Director's Office via Director\_PTABDecision\_Review@uspto.gov and served via electronic mail to counsel of record.

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