

IP Law

Vidal Flexes First Sanctions Power in OpenSky ‘Abuse’ Case (2)

By Riddhi Setty

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- Vidal booted OpenSky from PTAB review, is considering damages
 - Attorneys say decision is ‘uncharted territory’
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The yearslong patent dispute between Intel Corp. and VLSI Technology LLC reached an emphatic turning point Tuesday, as US Patent and Trademark Office Director Kathi Vidal issued her first sanctions against a patent challenger for “abuse” of the system in what attorneys called an “unusual” case.

Vidal on Tuesday dismissed OpenSky Industries LLC from an “inter partes review” proceeding before the Patent Trial and Appeal Board, which is evaluating a patent tied to a \$2.18 billion infringement verdict—one of the largest in US history—that VLSI won against Intel last year. OpenSky abused the board process in an attempt to extract money from both VLSI and Intel, Vidal found in a precedential director review decision.

Compensatory damages—which would be a first for the patent agency—could be determined at a later date.

“This is uncharted territory, basically,” said intellectual property attorney Michelle Armond, co-founder of Armond Wilson LLP. “These are probably the most significant sanctions that I have seen so far in an IPR proceeding. OpenSky is in a lot of trouble here.”

OpenSky was formed shortly after VLSI prevailed in a March 2021 trial with Intel over patents covering computer power-saving and speed technology—one of several legal clashes between the tech companies. OpenSky, later joined by Intel, challenged one of the two VLSI patents at the PTAB in a bid to overturn the verdict, prompting VLSI to accuse them of a shakedown.

“I think it’s sending a strong signal that the director is going to look really, really carefully at IPR proceedings when there are credible allegations of abuse of process,” Armond said.

'Unusual Scenario'

Armond said Vidal's decision stems from a "very unusual scenario" at the patent office.

"Usually, you don't have allegations of a third party shakedown in an IPR proceeding," she said.

In her order, Vidal cited evidence that OpenSky asked VLSI and Intel for money in exchange for its cooperation in the patent review process, pointing to the fact that OpenSky contacted Intel on the day institution was granted and was willing to offer its advocacy to either side of the proceeding, dependent on monetary compensation.

"I am particularly concerned with OpenSky's counsel's proposal to VLSI to intentionally undermine the proceeding and thereby violate the duty of good faith and candor to the Board," she wrote. "This behavior alone is sanctionable and will not be tolerated."

Vidal also confirmed VLSI's allegations that OpenSky recycled old petitions that had been filed by Intel and denied by the PTAB in 2020 because of the status of the parallel infringement suits.

Although there have been previous instances of PTAB abuse, the case is "very much out of the ordinary in the sense that no one has tried this particular scheme before," Nicholas Matich, a principal attorney at McKool Smith, said.

OpenSky's behavior was widely viewed as egregious, so it's "not entirely surprising" that Vidal "would throw the book at them," he said.

The challenge now returns to the board—with Intel left as the lead petitioner—to determine whether there are legitimate grounds to review the patent or the proceeding should end.

"The Director found that Intel was not involved or implicated in the OpenSky conduct in any way. Intel looks forward to the panel decision on the merits of the petition before institution and to the completion of this IPR proceeding," said a representative for Intel in a comment to Bloomberg Law.

Attorneys for OpenSky weren't immediately available for comment.

Patent Battle Ahead for VLSI

Vidal's decision doesn't entirely work in VLSI's favor, attorneys said.

VLSI will still have to square off against Intel, which has a second chance on its original IPR petition.

"VLSI is deeply concerned that the Director's ruling will perpetuate the harm caused to VLSI by that attempted extortion, and will reward Intel as a result of the same," a representative for the company told Bloomberg Law in a statement.

“This outcome as to Intel is inconsistent with the letter and spirit of the America Invents Act and, rather than deter future bad actors, creates a loophole that will encourage further abuse of the IPR system,” they said.

(Updated with additional reporting throughout.)

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