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Intel, VLSI Spar Over Schrödinger's Patents in $2 Billion Case
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- Texas jurors and patent board disagreed on patent validity
- But some lawyers predict Federal Circuit could combine cases

Most situations can't be simplified by reference to the work of a quantum physicist. The long-running patent infringement saga between VLSI Technology LLC and Intel Corp. isn't most situations.

Patents supporting VLSI's historic $2.2 billion jury verdict against Intel are subject to conflicting rulings on their validity, setting the stage for a race to appeal the decisions at the Federal Circuit.

That makes the patents like Schrödinger's cat—a theoretical feline trapped in a theoretical box with a theoretical bottle of poison that may or may not have leaked. The comparison was coined by Temple University Law professor Paul Gugliuzza, whose 2016 law review article focused on how the US Court of Appeals for the Federal Circuit coordinates dueling decisions from the US Patent and Trademark Office and a federal district court.

Like the Austrian physicist's hypothesized cat, such patents—and therefore the mega judgment they support—are simultaneously both alive and dead, valid and invalid, until the appeals court rules. For now, the patents hover in an uncertain state, which several lawyers and law professors predicted could lead each side to strategically push forward—or slow down—a particular proceeding to ensure the court reviews their respective win first.

VLSI notched its win at the US District Court for the Western District of Texas, in March 2021, when jurors in Waco, Texas, found that Intel had infringed two semiconductor patents owned by VLSI, which is owned by investment funds with assets managed by New York-based hedge fund Fortress Investment Group LLC. Intel appealed Judge Alan D. Albright's final judgment to the US Court of Appeals for the Federal Circuit.

Even more recently, the PTO's Patent Trial and Appeal Board, at the end of a long saga instigated by validity challenges lodged by Intel, concluded that the two patents supporting the Waco jury verdict shouldn't have been issued in the first place and are invalid.

If both "cases are before the Federal Circuit at the same time, I would expect consolidation," said Gugliuzza, "but, if not, there are various ways parties can speed up or slow down whichever proceeding is in their interest."

Lawyers told Bloomberg Law various events can prolong the time it takes for a judgment to become truly final, including a petition for review of a Federal Circuit opinion to the US Supreme Court or a Federal Circuit opinion that sends a case back to either the PTAB or the district court for additional proceedings.

For now, the district court judgment has a significant "lead," as Intel's appeal at the Federal Circuit is fully briefed. In contrast, VLSI hasn't yet appealed the PTAB decisions issued this and last month invalidating both patents underlying the jury verdict. The company has more than two months from the respective decision dates to do so—assuming it doesn't seek further review of the PTAB decisions at the agency.

Theoretically, if Albright's judgment "is affirmed and Intel exhausts their appeal rights to the Supreme Court, and there's nothing left for the judiciary to do, I think VLSI might be able to collect," said Nick Matich, a partner at McKool Smith and former acting general counsel at the PTO.

But he said he doesn't think VLSI has a good chance to win such a race.

“That won’t work because the appeals will likely be consolidated, and decided at the same time, with everything wrapped up in one package, which from a Federal Circuit efficiency perspective makes sense,” he said.

Mark Lemley, of counsel at Lex Lumina PLLC and a professor at Stanford Law School, said that “while the patent owner may try to race to final judgment in the district court case, I’m not sure the Federal Circuit would accommodate them, and even if it did the case might not be over by the time the Federal Circuit hears the PTAB appeal.”

Fresenius Racing

The Federal Circuit’s framework for dueling district court and PTAB decisions dates to Judge Timothy B. Dyk’s 2013 opinion in *Fresenius v. Baxter*.

In that case, a jury had found that a dialysis-machine patent was infringed by Fresenius USA Inc.; that the patent wasn’t invalid; and that Fresenius owed patent owner Baxter International Inc. $14.3 million.

Though much of the district court judgment held up on appeal, it was sent back by the Federal Circuit for further proceedings related to the proper royalty for post-verdict sales. That meant the proceeding at the PTO—where the patent was invalidated—leapfrogged ahead and was the first decision to reach a final conclusion at the Federal Circuit.

A divided Federal Circuit panel affirmed the administrative decision and, in so doing, snuffed out the jury verdict.

“A patentee’s right to damages for infringement is ‘founded on the validity of his patent,’” explained Dyk in an opinion denying Baxter a chance to argue its case to the full Federal Circuit and quoting an 1887 Supreme Court opinion from a patent case involving horse-and-buggy technology.

That rehearing decision divided the court’s judges—5-5.

In a dissent from that opinion, Judge Pauline Newman predicted it would lead to “gamesmanship and abuses” and would improperly degrade the value of patents by routinely subjecting district court infringement “judgments to agency override.”

Scholars and experts alike said the parties are incentivized to race because the Federal Circuit is generally both deferential to the PTAB when it nixes a patent and reluctant to second guess district court juries.

Greg Reilly, a law professor at Chicago-Kent College of Law, who wrote a law review article on *Fresenius*, said the Federal Circuit can curb gamesmanship and racing behavior, as it has several mechanisms to review appeals from a district court and the PTAB at once.

If appeals are filed “close enough together the court can schedule the two cases for oral argument and go before the same panel,” said Reilly, who clerked for Dyk.

Even if one appeal is way out in front, “the Federal Circuit doesn’t have any true deadline to issue it’s opinion, and so I’ve seen them hold the first opinion,” Reilly said, with the court issuing opinions together at some later date after the second appeal is briefed and argued.

PTAB Challenges Revived

Intel’s path to legal victory at the PTAB was torturous.

In late 2019, the company filed challenges to the two patents asserted in the Texas litigation. The following spring, the board declined to institute invalidity trials over both patents, applying a relatively new framework that allowed it to decline to review patents also asserted in district court infringement suits.

After the March 2021 multi-billion-dollar verdict, two then-unknown entities, OpenSky LLC and Patent Quality Assurance LLC, filed copycat versions of Intel's petitions, and the board launched validity reviews.

Intel was ultimately allowed to join and take over the challenges from the two LLCs, following the intervention of PTO Director Kathi Vidal, who weighed in to say they deserved board review as each presented "compelling, meritorious" challenges.

The propriety of that action has divided patent lawyers.

For Matich, the fact that the board resuscitated another proceeding through which Intel could ultimately wipe out the verdict rankles.

"VLSI won the validity issue in front of a jury and Intel should be stuck with that," he said. "In almost any other kind of litigation, Intel would be stuck with that, but here they get a second bite at the apple."

Conversely, Alex Moss, executive director of the Public Interest Patent Law Institute, defended the intervention and Intel's ability to challenge the patent.

"Everyone who cares about US innovation and competitiveness should be thankful that invalidated patents cannot drain money from domestic businesses that make products we desperately need, like semiconductor chips," Moss said.

Irell & Manella and MoloLamken LLP represent VLSI. Intel is represented by Wilmer Cutler Pickering Hale and Dorr LLP.

The case is VLSI Tech. LLC. v. Intel Corp., Fed. Cir., 22-1906.