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By Matthew Bultman

Deep Dive

March 10, 2022, 5:00 AM; Updated: March 11, 2022, 9:49 AM

- OpenSky challenging patent underlying \$2 billion Intel verdict
 - PTAB has to navigate unusual situation after email disclosed
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Bloomberg Law News 2022-03-11T09:58:16427-05:00

Sabotage Claims Swirl in Patent Feud With Billions at Stake (1)

By Matthew Bultman 2022-03-10T05:00:12000-05:00

1. OpenSky challenging patent underlying \$2 billion Intel verdict
2. PTAB has to navigate unusual situation after email disclosed

A high-stakes set of challenges to VLSI Technology LLC patents worth over \$2 billion has created a messy situation for an administrative patent tribunal, with VLSI accusing an opponent of trying to tank a case and the opponent claiming a confidentiality breach.

The Patent Trial and Appeal Board, a tribunal within the U.S. Patent and Trademark Office, now has to figure out how to navigate the competing allegations and how to proceed with the challenges.

The fight started with a challenge OpenSky Industries LLC brought against a VLSI patent shortly after a \$2.18 billion jury verdict against Intel Corp. The patent agency's leadership is weighing VLSI's request to step in to stop review of the patent, amid concerns from some about the potential for abuse of the system.

Now VLSI has alerted the PTAB to an email where OpenSky suggested the two "work together to secure dismissal or defeat" the review petition, according to a VLSI filing. OpenSky suggested, among other things, it wouldn't pay its expert to appear at a deposition as part of a deal, according to VLSI's filing.

"That was highly unusual," Nicholas Matich, former acting general counsel of the PTO and an attorney at McKool Smith PC who isn't involved with the case, said of the deal OpenSky outlined in the email.

VLSI said in PTAB filings OpenSky was trying to sabotage the case, comparing it to Chicago White Sox players throwing the 1919 World Series. OpenSky's attorney said the offer was responsive to something proposed by VLSI and suggested VLSI violated confidentiality obligations by making the email public.

Nathan Lowenstein of Lowenstein & Weatherwax LLP, an attorney for VLSI, said there was “no proposal on the table from VLSI and VLSI never suggested that the parties collude to conduct a sham litigation or anything else that was ethically inappropriate.”

“We also, of course, strongly disagree that we breached any confidentiality agreement,” he said in an email.

The PTAB Tuesday held a conference call with the companies, where OpenSky planned to discuss its request to file a motion with the board to seal and expunge the email from a challenge it filed. The transcript from the call has been provisionally sealed, according to OpenSky’s attorney, Andrew Oliver of Amin Turocy & Watson LLP.

Case Parties

OpenSky, which was formed weeks after the Intel verdict, says it’s concerned about the integrity of the patent system. Its challenge renewed invalidity arguments the PTAB had denied Intel for procedural reasons.

VLSI, which was created by Fortress Investment Group and doesn’t make any products, was blunt in its response and accused OpenSky in PTAB filings of a shakedown.

The PTAB agreed to review OpenSky’s challenge to one VLSI patent. Review of a second VLSI patent underlying the verdict has started based on a challenge from another newly formed entity, Patent Quality Assurance, casting a shadow over VLSI’s jury win.

OpenSky and Patent Quality Assurance each have asked to join the other’s reviews. Intel also has asked to join the reviews.

In the email VLSI gave to the PTAB, Stradling Yocca Carlson & Rauth attorney Christopher Ivey, representing OpenSky, noted the wrench that joinders could throw in any potential settlement, saying if OpenSky and VLSI were to reach a deal, “VLSI will still have to address the joinder petitions from both Intel and PQA.”

OpenSky proposed a “construct for discussion purposes” that “builds on [VLSI’s] earlier proposal” and “accounts for those joinder petitions,” according to the email. Under the construct, VLSI would file a patent owner response and OpenSky would refuse “to pay expert for time at deposition so expert does not appear for deposition.”

OpenSky and VLSI would file a motion to dismiss the day after VLSI files its response.

“If PQA were to join a trial where VLSI had already filed its patent owner response, and if a deposition of OpenSky’s expert witness had not occurred, PQA would be joining a trial with a potentially fatal evidentiary omission that PQA would be unable to remedy,” Ivey wrote in the email.

No dollar amount was mentioned, although it was suggested the first payment would occur when the agreement was executed with a “second payment upon denial of both joinder petitions.” Alternatively, the email suggested a “second payment if joinder is granted but claims affirmed because of OpenSky’s refusal to produce witnesses.”

Ivey referred a comment request to Oliver.

‘Black Sox’

It’s unclear whether VLSI responded to the offer. But in a PTAB filing last week, VLSI accused OpenSky of “offering to undermine the system’s integrity, run a sham IPR trial, and sabotage checking validity, for pay.”

“Like the infamous 1919 ‘Black Sox,’ OpenSky would tank its own case to ensure its own grounds fail,” VLSI wrote.

Oliver pushed back on the characterization. VLSI first approached OpenSky about a deal, he said, declining to elaborate. He added OpenSky has a right to settle the review.

“OpenSky’s stated goal of maintaining the integrity of the patent system isn’t challenged by this email,” Oliver said, adding that by getting review with Intel’s arguments, OpenSky has already shown Intel’s challenge “should not have been denied because it’s meritorious.”

Oliver noted that, by rule, a settlement in connection with a PTAB proceeding must be filed with the board. He said an agreement wouldn’t be a secret, and the timing of any deal would be apparent to the board.

Addressing the expert witness proposal, Oliver said OpenSky can present its evidence however it likes. OpenSky also believes the evidence of invalidity is strong enough that the petition could go forward regardless of whether an expert testified, he said.

“While we confidentially made a statement to VLSI that VLSI unfortunately publicly released here, that statement was made in the context of negotiating and seeing what VLSI intends to do with this,” Oliver said. “We’re not actually saying the petition would fail without the expert witness.”

Next Steps

VLSI cited the email in its PTAB filing as a reason to deny OpenSky’s request to join the PQA proceeding. It also has submitted the email to the PTAB in connection with the OpenSky review, according to Oliver.

The PTAB will decide the next steps. A panel of agency leaders is also in the midst of considering whether to undo the board’s initial decisions to institute review. The agency is still operating without a Senate-confirmed leader more than a year after President Joe Biden took office.

Attorneys are watching the agency to see how it handles the flap. Scott McKeown, head of the PTAB group at Ropes & Gray LLP, said terminating OpenSky’s challenge following the disclosure of the email appeared appropriate.

“If you let this linger, it just permeates out there and it kills the reputation of the agency the same way that the panel stacking was argued for years,” McKeown said.

“Panel stacking” was an allegation the patent office used larger-than-normal panels of PTAB judges to get the result it wanted in a particular case. Agency officials denied such a practice and the board has largely abandoned using expanded PTAB panels.

Matich suggested there is a broader issue with PTAB rules that allow virtually anyone to challenge a patent. Were VLSI facing Intel directly and they wanted to settle, Intel could take a license, pay a fee, and both sides would move to dismiss the review, he said.

“That happens every day in patent litigation,” Matich said. “But when you have some party that’s not actually trying to practice the patent, you can’t settle that way.”

(Updates a story published March 10 with a VLSI attorney’s comments in paragraphs 7 and 8.)

To contact the reporter on this story: Matthew Bultman in New York at mbultman@correspondent.bloomberglaw.com

To contact the editors responsible for this story: Renee Schoof at rschoof@bloombergindustry.com; Keith Perine at kperine@bloomberglaw.com

 **Documents**

Document
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VLSI Opposition

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