

Bloomberg Law®

Patent Director's Sanctions 'Backtrack' Sparks Attorney Concerns

Riddhi Setty

February 13, 2023

- OpenSky, PQA reinstated as petitioners at PTAB
- Some question wisdom of allowing challenges to proceed

US Patent and Trademark Office Director Kathi Vidal's reinstatement of two companies she'd removed from high-profile patent challenges has led to renewed criticism over what some view as Intel Corp.'s third shot at challenging the patents underlying a \$2 billion trial loss.

Vidal on Feb. 3 [rescinded](#) a sanction that removed OpenSky Industries LLC from the challenge it brought at the Patent Trial and Appeal Board against a VLSI Technology LLC patent, and ordered OpenSky to pay VLSI reasonable attorney's fees. Days earlier, she [made similar moves](#) in Patent Quality Assurance LLC's challenge against another VLSI patent.

The fees mark the first monetary sanctions issued through the PTO director review process.

The patents form the basis of VLSI's \$2 billion patent infringement verdict against Intel. Vidal had [initially removed](#) OpenSky and PQA from the PTAB proceedings in October after finding the companies had abused the "inter partes review" process by attempting to leverage its patent challenge to extract money from the other parties.

Vidal's decision to reinstate them caused some attorneys to question how drastic misconduct must be before stricter sanctions are implemented. The case has also raised concerns about bad-faith actors opening the doors of the PTAB to potentially unlimited opportunities to challenge patents. Some attorneys expressed concern that Vidal's refusal to impose stricter measures may encourage further bad behavior at the tribunal.

"This is a rare case in which essentially everyone agrees that this conduct was improper. But, in a way, allowing OpenSky to still participate is saying this is okay, this is tolerated," said [Alison Aubrey Richards](#), an attorney at Global IP Law Group.

"The message for petitioners is that anything goes," she said. "There's no conduct too extreme for which a petitioner will be kicked out of a PTAB proceeding."

Vidal's Backtrack

After OpenSky and PQA were removed from the PTAB challenges last year, Intel became the lead petitioner in both cases. Vidal ordered the sanctioned entities to justify why they shouldn't face monetary penalties.

PQA has since [asked the Federal Circuit](#) to overrule Vidal, claiming that she "unlawfully" interfered with its challenge and assumed the worst about its conduct.

Attorneys say her decision to reinstate both companies was probably spurred by a desire to ensure that any monetary sanctions would withstand scrutiny.

"They wanted to avoid having OpenSky say, 'Well, we're not in front of the PTO anymore so you have no jurisdiction or power to sanction us,'" [Joshua Landau](#), senior counsel for innovation policy at the

Computer & Communications Industry Association, said. “That argument doesn’t work if you’re still part of the case.”

Ropes & Gray LLP attorney [Scott McKeown](#) agreed. “She certainly backtracked on it, but I don’t think it was because she had a different assessment of the facts,” he said. “I think it was just to insulate her monetary sanctions from the challenge.”

The PTO declined to comment.

“I think it’s the wrong decision, frankly,” said [Wendy Verlander](#) of Verlander LLP. “I don’t really understand why they were reinstated after their egregious behavior. It seems an odd pairing to impose sanctions on a party but also invite them back into the proceeding.”

“I just don’t see that the relatively small amount of money OpenSky will pay would make up for what’s really happened here—not just to make it up to VLSI, but to prevent further deterioration of the integrity of the entire patent system,” Richards said.

Intel’s Third Bite at the Apple

However, the larger concern for many attorneys is that Vidal is allowing the proceedings to continue at all.

[Nicholas Matich](#), an attorney at McKool Smith P.C., said that granting Intel a third attempt to invalidate VLSI’s patents by letting them join the two challenges highlights the problems created by the PTAB’s lack of a standing requirement, which permits anyone to challenge a patent even if they have no stake in the outcome.

“It very much benefits Intel, who gets another bite at the apple to invalidate this patent and possibly get rid of an enormous award against them,” said Verlander.

In March 2021 a federal jury told Intel [to pay](#) VLSI \$2.18 billion, one of the largest patent-damages awards in history. The PTAB turned away Intel’s parallel challenge to the patents, citing the ongoing district court lawsuit.

“Patent owners need to have some certainty that their patent isn’t going to be challenged repeatedly,” said Matich. “Otherwise, getting a patent isn’t anything other than getting yourself large litigation bills.”

Intel declined to comment for this story. OpenSky, PQA, and VLSI didn’t respond to requests for comment.

Richards said that in this case, the biggest lesson from Vidal’s decision is if there is enough money on the line, the PTO will allow limitless challenges to a patent.

“The implication is that when there is a big verdict, the USPTO will suspend the one year IPR deadline and allow essentially infinite shots at the patent,” she said.

Attorneys said they’d hoped the director would use her authority to institute a standing requirement because of this case, expressing disappointment in her choice to instead impose monetary sanctions.

Sanctions Likely Rare

Vidal’s imposition of the first monetary sanctions under director review is unlikely to open the floodgates for more, attorneys say.

“I think that it sets sort of the boundary of here’s where monetary sanctions are appropriate,” said Landau. “Up until now, any sanctions that have been used, I think have been more in the vein of participation sanctions.”

Vidal clarified in her order that the sanctions were imposed not based on the merit of OpenSky's and PQA's petitions, but their misconduct after the petitions were filed. In the case of OpenSky, Vidal wrote, the "litigation misconduct cannot be excused simply because the Petition itself, which was substantively prepared by Intel, was meritorious," said Vidal.

McKeown said this case is unique.

"While there are some bad actors at the PTAB, I've never seen one rise to the level of arguably committing extortion through the agency's process," McKeown said. "So I wouldn't expect that monetary sanctions will be at all common going forward."