

## Intel Damages Retrial Complicated by Board's Patent Cancellation

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- Court wipes out historic verdict, but damages model survives
- Patent tribunal decisions loom large in the background

The Federal Circuit's opinion wiping out a \$2.2 billion patent award against Intel Corp. could be overshadowed by an administrative tribunal's earlier decision to cancel the patent now at the center of the damages retrial, attorneys said.

The US Court of Appeals for the Federal Circuit on Dec. 4 vacated one of the largest patent verdicts in US history, but upheld infringement on one patent VLSI Technology LLC asserted against the semiconductor giant. The Patent Trial and Appeal Board's recent ruling axing that patent, however, went unmentioned in the court's 34-page [opinion](#) and was not discussed at oral arguments on Oct. 5.

That cancellation leaves the future of the semiconductor patent, and potentially more than a billion dollars in damages, in limbo.

"It struck me as a very workmanlike opinion, but the elephant in the room is always that these patents are invalid," said Joe Matal, a former acting PTO director and founder of Clear IP.

The PTAB in June [ruled](#) in an *inter partes* review proceeding that all 16 claims from VLSI's US Patent No. [7,523,373](#) were obvious in light of previously granted patents and patent application publications. VLSI has appealed that cancellation, but if the Federal Circuit ultimately affirms the board's decision, it would render the upcoming district court retrial academic.

"This opinion isn't as important or interesting as it might be if it wasn't for the IPR hanging out there," said [Nick Matich](#), a principal at McKool Smith and former acting general counsel at the PTO. He said the appeals court's decision washing out the damages award from a jury in Waco, Texas isn't, "as far as Federal Circuit opinions go, a terrible deal for VLSI."

The Federal Circuit ruled that Intel didn't infringe US Patent No. [7,725,759](#), which accounted for \$675 million of the verdict. But it upheld the jury's ruling of infringement on the '373 patent, which was the more valuable of the two, accounting for \$1.5 billion of the jury's award. The appeals court held that VLSI used the wrong input in its damages models, potentially inflating the jury's verdict, and sent the case back to district court for a do over.

It's "the kind of thing that would normally get parties to settle," Matich added, except that "Intel has a pretty strong card to play with the patent being deemed unpatentable by the PTAB."

Matal said the VLSI patents were quintessentially suited for review at the PTAB. But the tribunal initially declined to hear challenges from Intel, deferring to US District Court for the Western District of Texas Judge Alan D. Albright.

"It's a complicated technology," Matal said of the semiconductor patents, which VLSI acquired from Dutch firm NXP Semiconductors. "It's exactly the kind of case where you want a judge who understands what an integrated circuit is."

The specialized patent judges of the PTAB did ultimately conduct a review that nixed two patents. But those cases were launched in response to copycat versions of Intel's initial IPR petitions, filed by little-known limited liability corporations, OpenSky and Patent Quality Assurance. Their patent cases, though taken over

by Intel, have drawn criticisms from patent owner groups and VLSI, relating to the murky origins of the two companies. Both LLCs have been threatened with sanctions by PTO Director Kathi Vidal.

Meanwhile, patent defense lawyers, including Matal, have raised questions about who is funding and stands to benefit from lawsuits filed by VLSI, a creation of Fortress Investment Management Group.

“It’s bizarre and the system shouldn’t be used that way,” said Matal of OpenSky and PQA. “But frankly Fortress and VLSI aren’t exactly in the position of being able to throw stones; no one knows who’s behind VLSI either.”

He argued the district court case and subsequent appeal, not to mention the retrial, amount to a huge waste of resources over two patents that have been deemed invalid by the PTAB.

“There are like 50 lawyers who’ve entered appearances in these cases; tell me how this is an efficient use of tens of millions of dollars,” Matal said.

Other lawyers said the opinion still contains lessons for attorneys litigating patent infringement cases. [Alex Moss](#), executive director of the Public Interest Patent Law Institute, called the opinion “meaty,” notwithstanding the parallel PTAB proceedings.

“Doctrine of equivalents”—the theory under which the court ruled VLSI failed to prove infringement of the ‘759 patent—is a big deal,” Moss said. Other aspects of the opinion, including how court’s calculate damages attributable to innovations that improve a product, “are recurring issues that are really important to the court,” she said.

[Ian DiBernardo](#), a partner and chair of the intellectual property litigation practice group at Brown Rudnick LLP, highlighted numerous passages in the precedential opinion of potential interest to patent lawyers. It was noteworthy, he said, that the court vacated VLSI’s damages award while allowing it to “provide a corrected damages case” on retrial. He said it was important that the court emphasized that VLSI’s error was not fatal to its case.

“Perhaps building on the Court’s acknowledgement of ‘unavoidable approximation and uncertainty’ in certain cases, this may be a signal to district courts of the Court’s view to more leniently allow claimants to correct errors in damages methodologies,” DiBernardo said.

As to the PTAB’s cancellations of the patents, Moss said that the judges on the VLSI-Intel panel—Richard G. Taranto, Timothy B. Dyk, for whom she once clerked, and Alan D. Lourie—may very well “have no awareness of the politics” surrounding the challenges to the patent. She said those proceedings, and the associated complaints, weren’t before the court.

“They wanted to decide this case based on this case,” Moss said.

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

The case is [VLSI Tech. LLC v. Intel Corp.](#), Fed. Cir., 22-1906, opinion 12/4/23.