

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

**BEFORE THE OFFICE OF THE UNDERSECRETARY AND DIRECTOR
OF THE UNITED STATES PATENT AND TRADEMARK OFFICE**

OPENSKY INDUSTRIES, LLC,
INTEL CORPORATION,
Petitioners,

v.

VLSI TECHNOLOGY LLC,
Patent Owner.

IPR2021-01064¹
Patent No. 7,725,759 B2

BRIEF OF *AMICUS CURIAE* BSA | THE SOFTWARE ALLIANCE
IN SUPPORT OF NO PARTIES

¹ See IPR2021-01064, Paper 47, at 8 (July 7, 2022) (authorizing *amicus* briefs and stating that “[a]ny briefing by *amici curiae* in this case will be considered submitted in IPR2021-01229.”)

I. STATEMENT OF *AMICUS CURIAE*

Pursuant to the Director’s Orders dated July 7, 2022 and July 21, 2022, BSA | The Software Alliance (“BSA”) respectfully submits the following brief as amicus curiae. BSA is an association of the world’s leading patent, trademark, and copyright holders in software and other emerging technologies.² On its members’ behalf, BSA promotes policies that foster innovation, growth, and a competitive marketplace for commercial software and related technologies.

BSA members invest heavily in intellectual property (“IP”), holding hundreds of thousands of patents and receiving nearly 40 percent of all U.S.

² BSA | The Software Alliance (www.bsa.org) is the leading advocate for the global software industry. BSA’s members include: Adobe, Alteryx, Atlassian, Autodesk, Bentley Systems, Box, Cisco, CNC/Mastercam, CrowdStrike, DocuSign, Dropbox, Graphisoft, IBM, Informatica, Intel, Kyndryl, MathWorks, Microsoft, Okta, Oracle, Prokon, PTC, Salesforce, SAP, ServiceNow, Shopify Inc., Siemens Industry Software Inc., Splunk, Trend Micro, Trimble Solutions Corporation, TriNet, Twilio, Unity Technologies, Inc., Workday, Zendesk, and Zoom Video Communications, Inc.

patents issued to the top 10 grantees every year.³ The software industry accounts for over \$100 billion in annual U.S. R&D investments and nearly one quarter of total US private sector R&D expenditures.⁴

As innovators, BSA members have a significant interest in the *inter partes* review and post-grant review mechanisms established under the Leahy-Smith America Invents Act (“AIA”). BSA welcomes the Office’s recent announcement of the *Interim Procedure for Discretionary Denials*, which reflects the decision of the U.S. Patent and Trademark Office (“USPTO”) not to rely on the *Fintiv* factors to discretionarily deny institution of a meritorious petition in view of parallel district court litigation. This procedural change should reduce certain types of

³ BSA member companies accounted for 13,715 U.S. patents issued in 2021 to the top ten patent grantees. This figure corresponds to 84.37% of the 16,256 U.S. patents issued to those grantees headquartered in the United States, and 38.26% of the 35,847 US patents issued to grantees from all countries (including China, Japan, Korea, Taiwan, and the United States). See IFI Claims Patent Services, 2021 Top 50 U.S. Patent Assignees, available at: https://www.ificlaims.com/rankings-top-50-2021.htm?utm_medium=pr-blogs&utm_campaign=rankings-2021

⁴ Software.org, Support US through COVID (2021), available at: <https://software.org/wp-content/uploads/2021SoftwareJobs.pdf>

gamesmanship in post-grant proceedings.

Turning to the questions raised in the USPTO’s scheduling order, if a Party’s conduct is clearly identifiable as thwarting or preventing the Board from expeditiously “resolv[ing] questions of patent validity”⁵ – such as where the conduct openly and unreasonably seeks to produce unnecessary delays or increased costs – USPTO would have authority under Section 316(a)(6) impose sanctions. We urge USPTO to do so in clear-cut cases.

At the same time, the Board should not use allegations of misconduct or abuse as a pretext to impose standing requirements or other procedural hurdles that are not authorized by the statute or regulations. The USPTO should approach any restrictions on institution decisions with special care and deliberation.

⁵ H.R. Rep. No. 112–98, pt. 1, at 48 (2011); *see also* S. Rep. No. 110–259, at 20 (2011).

II. ANALYSIS

A. **Question 1: What actions should the Director, and by delegation the Board, take when faced with evidence of an abuse of process or conduct that otherwise thwarts, as opposed to advances, the goals of the Office and/or the AIA?**

BSA respectfully submits that the actions of the USPTO and the Patent Trial and Appeal Board (“PTAB” or “Board”) are governed by relevant provisions of the AIA and the USPTO’s regulations relating to sanctions in post-grant proceedings. The following discussion identifies: (1) What actions the USPTO should take when faced with misconduct or abuse in post-grant proceedings; and (2) What actions the USPTO should not take when faced with misconduct and abuse in post-grant proceedings.

1. **What Actions Should the USPTO Take When Faced with Misconduct and Abuse in Post-Grant Proceedings**

The AIA specifies which acts may be considered abusive and sanctionable, and the USPTO has developed a detailed regulatory scheme elaborating: (1) which conduct may be sanctionable; and (2) which sanctions may apply to such conduct. Under Section 316(a)(6), sanctions can be considered “for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the

proceeding.”⁶ The Office has set forth sanctions under 37 C.F.R. 42.12(b), which may include orders to the following effect:

- (1) An order holding facts to have been established in the proceeding;
- (2) An order expunging or precluding a party from filing a paper;
- (3) An order precluding a party from presenting or contesting a particular issue;
- (4) An order precluding a party from requesting, obtaining, or opposing discovery;
- (5) An order excluding evidence;
- (6) An order providing for compensatory expenses, including attorney fees;
- (7) An order requiring terminal disclaimer of patent term; or
- (8) Judgment in the trial or dismissal of the petition.⁷

Sanctions should also be tailored to the conduct at issue in the proceeding, whether

⁶ 35 U.S.C. § 316(a)(6).

⁷ 37 C.F.R. § 42.12(b). Under 37 CFR Part 11.18, USPTO may impose the following sanctions in cases in which a party makes a false certification and/or advances frivolous claims, including claims lacking a legal or factual basis: (1) Striking the offending paper; (2) Referring a practitioner's conduct to the Office of Enrollment and Discipline; (3) Precluding a party or practitioner from submitting a paper, or presenting or contesting an issue; (4) Affecting the weight given to the offending paper; or (5) Terminating the proceedings in the Office.

committed by a petitioner or patent owner. As provided for in 37 C.F.R. § 42.11, any sanction must be “limited to what suffices to deter repetition of the conduct.”⁸

Finally, as regards past practice, the PTAB has allowed sanctions motions based on allegations that a party had allegedly abused the post-grant proceeding process. In *Coalition for Affordable Drugs VI, LLC v. Celgene Corp.*, IPR2015-01092, Paper 5 (PTAB June 5, 2015), the patent owner alleged that a petitioner that had filed five IPR petitions was driven entirely by an admitted “profit motive” whereby petitioner could benefit financially from affecting companies’ stock prices by filing IPR petitions.⁹ The patent owner further alleged that petitioner’s motives were unrelated to the purpose of the AIA because the real parties in interest had no competitive interest in invalidating the patents; that the conduct amounted to abuse of process in the IPR proceeding; and that the IPRs should be dismissed.¹⁰

The Board found that “[p]rofit is at the heart of nearly every patent and

⁸ 37 C.F.R. § 42.11.

⁹ See *Coalition for Affordable Drugs*, IPR2015-01092, Paper 11 at 2 (PTAB July 28, 2015).

¹⁰ *Id.*, at 9–13, citing 35 U.S.C. § 316(a)(6); 37 C.F.R. §§ 42.12(a)(6)-(7) and § 42.12(b)(8).

nearly every *inter partes* review,” and that “an economic motive for challenging a patent claim does not itself raise abuse of process issues.”¹¹ The Board also found that Congress did not limit IPR proceedings to parties having a specific competitive interest in the technology covered by the patents.¹² The Board instead noted that the AIA was designed to encourage the filing of meritorious patentability challenges in an effort to further improve patent quality.¹³

As summarized above, the AIA, regulations, and prior Board practice provide guidance on how USPTO should sanction misconduct and abuses in post-grant proceedings. Sanctions should be reserved for clear-cut cases of the misconduct and abuse detailed in the statute and regulations; should be limited to what suffices to deter repetition; and should not be presumed merely based on an entity’s economic motive, its corporate form, its exposure to a potential infringement claim, or other non-dispositive criteria.

¹¹ *Coalition for Affordable Drugs*, IPR2015-01092, Paper 19 at 2 (PTAB Sept. 25, 2015).

¹² *Id.* at 4.

¹³ *Id.* at 4–5.

2. What Actions Should the USPTO Not Take When Faced with Misconduct and Abuse in Post-Grant Proceedings

While USPTO possesses discretion to determine sanctions for misconduct and abuses, that discretion is not unlimited. As regards the institution of petitions under Sections 311 and 314(a), BSA respectfully submits that it would be inconsistent with the AIA to begin applying Section 316(a)(6) as a policy tool to safeguard improvidently granted patents until they are challenged in court. Although BSA agrees that the USPTO does have discretion to dismiss a petition and refuse institution, we urge USPTO to approach such decisions with care.

Furthermore, while sanctions may be appropriate upon clear demonstration of abuse, BSA does not support the imposition of sanctions absent such a demonstration. (Similarly, BSA does not support – and the AIA does not clearly permit –USPTO to deny institution on the basis of: (a) whether a Party may be subject to an infringement claim,¹⁴ (b) circumstances surrounding the discovery of

¹⁴ Whereas now expired covered business method review proceedings limited qualified petitioners to persons or their privies who have been sued or charged with infringement of a covered business method patent, no such requirement exists for *inter partes* review. See AIA § 18(a)(1)(B), see also 37 C.F.R. § 42.302.

prior art,¹⁵ (c) the timing of petitioner filings,¹⁶ (d) the timing of patent owner responses to petitioner filings,¹⁷ (e) whether a petition was previously filed by an unrelated party to which a subsequent petitioner was joined,¹⁸ or (f) the number of claims in which a petitioners is unlikely to prevail on the merits, where the petitioner is nevertheless likely to prevail on at least one patent claim).

When USPTO makes institution determinations on criteria that go beyond those set forth in section 314(a), it infuses uncertainty into the underlying statutory framework and into the circumstances surrounding institution determinations. Where other sanctions may be more appropriate to address abuses or where evidence of such abuse is either ambiguous or controverted, the USPTO should not readily restrict access to post-grant proceedings by refusing to implement an otherwise meritorious petition. If the Board determines that there is a reasonable likelihood that the petitioner would prevail with respect to at least one patent

¹⁵ *General Plastic Co., Ltd. v. Canon Kabushiki Kaisha*, IPR2016–01357, slip op, at *7 (PTAB Sept. 6, 2017)

¹⁶ *See id.*

¹⁷ *See id.*

¹⁸ *Valve Corp. v. Elec. Scripting Prods., Inc.*, IPR2019–00064, –00065, –00085 (PTAB May 1, 2019)

claim, and in the absence of a competing statutory requirement (such as §§ 312(a)(2), 315(a)(1), 315(b), 315(c), 325(d)), it is difficult to envision the pro-competitive justification or other policy rationale for allowing the patent to remain unchallenged.¹⁹ “Patents of low quality and dubious validity . . . constitute a drag on innovation . . . [and] unjustly cast doubt on truly high quality patents.”²⁰

B. Question 2: How should the Director, and by delegation the Board, assess conduct to determine if it constitutes an abuse of process, or if it thwarts, as opposed to advances, the goals of the Office and/or the AIA, and what conduct should be considered as such?

The Office should also be guided by the statute and its own regulations in assessing whether conduct constitutes sanctionable misconduct or abuse.

Furthermore, several reforms already undertaken by USPTO, such as the *Interim Procedure for Discretionary Denials*, should reduce the incentives for gamesmanship and abusive practices by some parties.²¹ In the following discussion, we address: (1) conduct that may constitute an abuse of process under

²⁰ See 157 Cong. Rec., S.131 (2011).

²¹ See USPTO, *Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation* (June 21, 2022).

section 316(a); and (2) the potential of recent reforms to help reduce such abusive conduct.

1. Conduct That May Constitute an Abuse of Process Under Section 316(a)

Certain behavior in post-grant proceedings may be improper if it is clearly identifiable as thwarting or preventing the Board from expeditiously “resolv[ing] questions of patent validity” or from “cancell[ing] as unpatentable 1 or more claims of a patent” on the specified grounds. However, we urge USPTO to avoid allowing allegations of sanctionable conduct themselves to undermine these same statutory goals. Sanctions should be reserved for clear-cut cases of the misconduct and abuses detailed in the statute and regulations; should be limited to what suffices to deter repetition; and should not be presumed merely based on an entity’s economic motive, its corporate form, its exposure to a potential infringement claim, or other non-dispositive criteria.

2. USPTO’s Decision to Cease Using the *Fintiv* Factors to Improperly Deny Institution Will Help Eliminate Gamesmanship and Abusive Behavior by Certain Parties

BSA welcomes the Office’s recent announcement of the *Interim Procedure for Discretionary Denials* under which, “PTAB will not rely on the *Fintiv* factors to discretionarily deny institution in view of parallel district court litigation where

a petition presents compelling evidence of unpatentability.’’²² It is hoped that this procedural reform will help eliminate incentives to engage in gamesmanship, such as patent holder efforts to secure an expedited scheduling order that could be misused to persuade PTAB not to institute post-grant proceedings, even if the scheduling order is later revised.

To a certain extent, the present proceedings could be considered creatures of the Board’s own making. Had the Board previously instituted trial for IPR2020-00498 and IPR2020-00106 on the merits instead of exercising its discretion pursuant to 35 U.S.C. § 314(a) to deny institution, there may not have been any interest in filing the petitions that are now the subject of the Director’s Orders.

III. CONCLUSION

BSA appreciates the opportunity to participate as amicus in the instant proceedings. BSA welcomes the Office’s recent announcement of the *Interim Procedure for Discretionary Denials* reflecting USPTO’s decision not to rely on the Fintiv factors to discretionarily deny institution – a procedural change that will

²² See USPTO, *Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation* (June 21, 2022).

reduce opportunities for gamesmanship.

The AIA, regulations, and prior Board practice contain detailed guidance that help address the USPTO's questions regarding appropriate sanctions for procedural abuses in post-grant proceedings. While USPTO has discretion to select appropriate sanctions, USPTO should be careful not to repeat the errors of *Fintiv* by using Section 316(a)(6) as a policy tool to safeguard improvidently granted patents until they are challenged in court – a step that would effectively render inutile the institution-related provisions of Sections 311 and 314.

Certain behavior in post-grant proceedings may be improper if it is clearly identifiable as thwarting or preventing the Board from expeditiously “resolv[ing] questions of patent validity”²³ or from “cancell[ing] as unpatentable 1 or more claims of a patent” on the specified grounds.²⁴ However, we urge USPTO to avoid allowing allegations of sanctionable conduct themselves to undermine these same statutory goals. Sanctions should be reserved for clear-cut cases of the abuses detailed in the statute and regulations; should be limited to what suffices to deter

²³ H.R. Rep. No. 112–98, pt. 1, at 48 (2011); *see also* S. Rep. No. 110–259, at 20 (2011).

²⁴ 35 U.S.C. § 311(b).

repetition; and should not be presumed merely based on non-dispositive criteria.

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Respectfully submitted,

Joseph Whitlock

Joseph P. Whitlock

BSA | The Software Alliance

20 F Street, NW, Suite 800

Washington, DC 20001

Tel. (202) 530-5140

josephw@bsa.org

CERTIFICATE OF SERVICE

Pursuant to 37 C.F.R. §§ 42.6 and 42.105, I certify that the foregoing **Brief of Amicus Curiae BSA | The Software Alliance**, has been served by electronic mail on the following counsel of record.

For PETITIONER:

Benjamin Fernandez
David Cavanaugh
Steven Horn
WILMER CUTLER PICKERING HALE AND DORR LLP
ben.fernandez@wilmerhale.com
david.cavanaugh@wilmerhale.com
steven.horn@wilmerhale.com

For PATENT OWNER:

IRELL & MANELLA LLP
bredjaian@irell.com
Kenneth J. Weatherwax
Parham Hendifar
LOWENSTEIN & WEATHERWAX LLP
weatherwax@lowensteinweatherwax.com
hendifar@lowensteinweatherwax.com

Date: August 18, 2022

Joseph Whitlock

Joseph P. Whitlock

BSA | The Software Alliance

20 F Street, NW, Suite 800

Washington, DC 20001

Tel. (202) 530-5140

josephw@bsa.org

