Opensky Industries, LLC v. VLSI Technology LLC, IPR2021-01064, paper 138, (USPTO Director, 6/27/2023).

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This is a decision on briefing regarding inter alia whether VLSI should be ordered to pay reasonable attorneys fees incurred in responding to VLSI's Rehearing Request" and "whether an award of attorney fees is appropriate as a sanction for VLSI's misleading statements of law and fact," and corresponding Order. The Director ordered that VLSI was "strongly admonished for its misconduct"; but did not award attorneys fees.

Legal issue: Misconduct, arguments distorting the Board's prior statements and carelessly citing case law.

The Director "strongly admonish[ed] VLSI for making arguments distorting the Board's prior statements and carelessly citing case law." The Director concluded that its strong admonishment was sufficient to inhibit the same type of conduct, but that VLSI's arguments were not entirely frivolous and therefore declined to award the sanction of attorney fees."

The Director restated the PTAB's law regarding sanctions.

> Rule 42.11 incorporates Rule 11.18's certification requirements that an attorney, registered practitioner, or party who presents papers to the Board certifies that those papers include, to the best of their knowledge "formed after an inquiry reasonable under the circumstances," legal arguments "warranted by existing law or by a nonfrivolous argument for the extension, modification, or reversal of existing law or the establishment of new law," and factual arguments that "have evidentiary support." 37 C.F.R. §§ 42.11(c), 11.18(b)(2). [Opensky Industries, LLC v. VLSI Technology LLC, IPR2021-01064, paper 138, (USPTO Director, 6/27/2023).]
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> ...Rule 42.11 states that "[a] sanction imposed under this rule must be limited to what suffices to deter repetition of the conduct or comparable conduct by others similarly situated and should be consistent with § 42.12." 37 C.F.R. § 42.11(d)(4). [Opensky Industries, LLC v. VLSI Technology LLC, IPR2021-01064, paper 138, (USPTO Director, 6/27/2023).]
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> ...Rule 42.12 authorizes the Patent Trial and Appeal Board ("Board") to issue sanctions for misconduct including, among others, "[a]dvancing a misleading or frivolous argument or request for relief" or "[m]isrepresent[ing]. . . a fact." 37 C.F.R. § 42.12(a)(2), (3). [Opensky Industries, LLC v. VLSI Technology LLC, IPR2021-01064, paper 138, (USPTO Director, 6/27/2023).]
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> In interpreting Rule 42.11, the Office considers court decisions involving Federal Rule of Civil Procedure Rule 11. See 81 Fed. Reg. 18750, 18760–18761 (indicating that Rule 42.11 was amended consistent with Rule 11 and to "include a Rule 11-type certification for papers filed with the Board"); *Precision Specialty Metals, Inc. v. U.S.*, 315 F.3d 1346, 1353 (Fed. Cir. 2003) (where the Court of

International Trade Rule 11 was identical to, and taken from, the federal rule, "it therefore is appropriate to look to decisions under the [federal rule] in interpreting and applying the identical rule of the Court of International Trade" (citation omitted)). [Opensky Industries, LLC v. VLSI Technology LLC, IPR2021-01064, paper 138, (USPTO Director, 6/27/2023).]

Rule 42.11 obligates parties to provide complete and accurate information to the Board. *See PAM, S.p.A. v. U.S.*, 582 F.3d 1336, 1339 (Fed. Cir. 2009) ("Parties and attorneys filing documents with the Department of Commerce have an obligation to provide complete and correct information. The duty is not unlike that of an attorney appearing before the Court of International Trade or any federal district court." (citing Ct. Int'l Trade R. 11(b); Fed. R. Civ. P. 11(b))). The Federal Circuit has held that a party violates these requirements when it doctors quotations from existing law to "distort[] what the opinions state[] by leaving out significant portions of the citations or cropping one of them, and fail[ing] to show that [the party] and not the court has supplied the emphasis in one of them." *Precision*, 315 F.3d at 1356–1357 (citing Ct. Int'l Trade R. 11); *see also id.* at 1355 (approving of the Court of International Trade's Rule 11 sanction and proper characterization of the party's misconduct as "violat[ing] Rule 11 because [the party] 'signed a brief before this court which omitted directly relevant language from what was represented as precedential authority, which effectively changed the meaning of at least one quotation, and which intentionally or negligently misled the court'"). [Opensky Industries, LLC v. VLSI Technology LLC, IPR2021-01064, paper 138, (USPTO Director, 6/27/2023).]

The Director then found that VLSI's characterizations of Board decisions were misleading, because the characterizations relied upon selective quotations from the prior Board decisions that omitted language in the prior Board decisions that contradicted VLSI's characterization.

VLSI's Rehearing Request asserted that the Board "found the record 'unclear'" and indicated a factual dispute appropriate for trial. Req. Reh'g 5, 9; Reh'g Dec. 7–8. The quoted portion of the Board's Institution Decision actually rejected one of VLSI's arguments, stating: "It is unclear, however, what providing a clock frequency to a device would do besides control its frequency." Dec. Inst. 25–26; Reh'g Dec. 7. The Institution Decision later continues that VLSI did "not explain [its argued] distinction [relating to clock frequency] or why that would be the case." Dec. Inst. 26. *** Although VLSI seeks to justify its prior argument, the argument itself was misleading. Specifically, VLSI's original characterization that the Board "found the record 'unclear'" was misleading because it omitted language that made clear the Board did not agree with VLSI's argument. Req. Reh'g 5; Dec. Inst. 25–26. VLSI's quotation that the record was "unclear" creates the impression that the Petition presented a weak case, when the Board actually rejected VLSI's arguments. In fact, any weakness or lack of clarity was in VLSI's own position and therefore would not undercut a finding of compelling merits.

Thus, VLSI's initial argument distorted the Institution Decision's analysis to support its illusion that the Board found VLSI's argument meritorious, when in fact the Board rejected VLSI's argument. [Opensky Industries, LLC v. VLSI Technology LLC, IPR2021-01064, paper 138, (USPTO Director, 6/27/2023).]

VLSI's Rehearing Request further stated that the Board's Institution Decision had "found 'Patent Owner has raised **reasonable** questions regarding Chen's operation.'" Req. Reh'4. The Board's Institution Decision actually states that "*[w]hile* Patent Owner has raised reasonable questions regarding Chen's operation, *at most those questions identify factual issues appropriate for resolution through trial*." Dec. Inst. 26 (emphasis added); Reh'g Dec. 7. VLSI explains that it "took [the portion of the Institution Decision it quoted] to mean those questions were insufficient to show the 'reasonable likelihood' standard was not met. And VLSI's point that the Panel failed to ***revisit*** those 'reasonable questions' under the compelling-merits standard was not misleading." Paper 124, 1–2. I disagree that VLSI's selective quotation was not misleading because the "at most" clause provided essential context for the Board's statement. VLSI's omission of this key contextual language leads readers to wrongly believe that the Board considered VLSI's arguments to be wholly favorable when, rather, the Board cabined its determination by stating that, "*at most*," the questions VLSI raised were factual issues to be resolved at trial. VLSI's omission therefore overstated its claim that the Petition did not present compelling merits because it created the impression that the Board found the issue to be closer than it actually did. [Opensky Industries, LLC v. VLSI Technology LLC, IPR2021-01064, paper 138, (USPTO Director, 6/27/2023).]

In sum, VLSI distorted the record by deleting or omitting critical language, and thus wasted the time of this tribunal and opposing counsel. *See Amstar Corp. v. Envirotech Corp.*, 730 F.2d 1476, 1486 (Fed. Cir. 1984) ("Distortion of the record, by deletion of critical language in quoting from the record, reflects a lack of the candor . . . wastes the time of the court and of opposing counsel, and imposes unnecessary costs on the parties . . . ."). VLSI's multiple misleading arguments "force[] the [tribunal] to expend extra time and effort in carefully double-checking every reference to the record and opposing counsel's briefs, lest we be misled," thereby "threaten[ing] the integrity of the judicial process and increas[ing] the waste of resources." *Romala Corp. v. United States*, 927 F.2d 1219, 1224 (Fed. Cir. 1991), superseded on other grounds by rule, Fed. R. App. P. 38 (requiring notice and a reasonable opportunity to respond before imposing sanctions for a frivolous appeal). [Opensky Industries, LLC v. VLSI Technology LLC, IPR2021-01064, paper 138, (USPTO Director, 6/27/2023).]

The Director found that VLSI's misleading statements did not require a sanction of attorneys fees (1) " were not entirely frivolous but were instead an attempt to highlight factual issues at the institution stage" and (2) 42.11(d)(4) prohibited an award of attorney's fees because a that rule required imposition of a lesser sanction sufficient to deter repetition of the conduct,

and the Director found that a strong admonishment was a sufficient sanction to deter repetition of the conduct.

> Nevertheless, I accept VLSI's explanations that these arguments were not entirely frivolous but were instead an attempt to highlight factual issues at the institution stage. See Paper 124, 1–3. For this reason, I do not find VLSI's misleading statements to be sanctionable under Rule 42.11. However, I strongly caution VLSI against selectively quoting the record while omitting key contextual language, particularly when representing the Board's position. *** I am persuaded by VLSI's arguments that its conduct did not rise to a violation of Rule 42.11 and thus does not warrant a sanction of attorney fees. However, I do not entirely excuse VLSI's actions and strongly admonish VLSI for making arguments distorting the Board's prior statements and carelessly citing case law. I anticipate that this admonishment will suffice to deter repetition of similar misconduct in this proceeding and in future practice by counsel before the PTAB. See 37 C.F.R. § 42.11(d)(4). [Opensky Industries, LLC v. VLSI Technology LLC, IPR2021-01064, paper 138, (USPTO Director, 6/27/2023).]

Note - This Director's decision's statement that VLSI's conduct was "not sanctionable under Rule 42.11" is a misstatement because the Director found that conduct violated 42.11(a) (duty of candor), (b) (signature certification), and (c)(misrepresentation) any one of which is sanctionable. Moreover, the Director did sanction VLSI in the form of the public admonishment contained in this decision.

I presume that the Director intended to state that she determined VLSI's misleading statements were not sanctionable under Rule 42.12(b)(6), since that is the rule specifying the sanction of attorney's fees.