

Fed. Circ. Ruling Gives Patent Owners New Tool To Fight IPRs

By Ryan Davis

Law360 (June 18, 2019, 12:49 PM EDT) -- A Federal Circuit decision last week gives patent owners a new way to argue that inter partes review petitions should be rejected as time-barred, by holding that the bar was triggered by a merger involving a petitioner that was completed after the petition was filed.

The appeals court ruled on Thursday that the Patent Trial and Appeal Board had been incorrectly holding that only a petitioner's business relationships at the time the petition was filed impact the time-bar. Those relationships must be analyzed at the time of the board's institution decision, the court said.

The court therefore threw out PTAB decisions invalidating three Power Integrations patents, since petitioner ON Semiconductor merged with a time-barred company after the petition was filed, but before the board instituted review.

Anyone planning to challenge a patent in an inter partes review will have to take into account that business relationships they have with a time-barred party are now more likely to be relevant to the time-bar analysis and could put the petition at risk, said Jeff Vockrodt of Arent Fox LLP.

"It's making it easier for patent owners to argue that a petitioner should have been time-barred," he said, and at the same time, "it makes it harder to game the timing of filing the IPR than it seemed to be in the past."

The ruling could lead to petitioners making changes in the manner and timing of business relationships like mergers that could potentially threaten a challenge they want to pursue at the PTAB, said Deborah Sterling of Sterne Kessler Goldstein & Fox PLLC.

"Depending on who you're doing business with, you'd want to check and make sure they weren't already time-barred," she said. "It's something that petitioners should watch for because the Federal Circuit has told us it could be fatal to your petition."

The America Invents Act states that an inter partes review cannot be instituted if the petition is filed more than one year after the petitioner, its privy or a real party in interest, referred to as an RPI, is sued over the patent.

Power Integrations sued Fairchild Semiconductor over several patents in 2009, in a case that remains pending. ON Semiconductor challenged those patents in inter partes review petitions in 2016. ON had

announced plans to acquire Fairchild for \$2.4 billion in 2015, but the merger didn't close until several months after the petitions were filed. Four days after that, the PTAB instituted review.

The board found that at the time the petitions were filed, Fairchild was not an interested party because the merger had not yet closed, so ON's petitions were not time-barred. The Federal Circuit, however, said that the statute is written to preclude institution if an interested party is time-barred, not to preclude the filing of a petition. The board thus must examine the relationship as of the time of the institution decision, not at the time of the petition, the court ruled.

"We decline to construe [the statute] in a way that would have the board, when deciding whether to institute, ignore the existence of RPIs or privies who would benefit from having an IPR instituted simply because they were not RPIs or privies when the petition was filed," the court said.

The PTAB had consistently made time-bar decisions based on the relationship at the time of filing, so the Federal Circuit's decision is a marked departure and will require parties to think about the time-bar issue differently, attorneys say.

"It didn't bother [the Federal Circuit] that the board has been deciding the other way. They were basically saying, we don't care, those decisions are nothing to us," Sterling said. "They're not afraid to disagree with the board when appropriate."

The case involved a merger, but other business contact between a PTAB petitioner and a time-barred party also have the potential to doom a petition, such as customer supply agreements and indemnification arrangements, Vockrodt said.

"Companies who are working together, essentially, can be seen as single party for purposes of the time-bar," he said.

Whether or not a relationship actually triggers the time-bar is going to be a highly fact-specific inquiry, but as a result of the ruling, petitioners will no longer be able to argue that those contacts are irrelevant because they occurred after a petition was filed.

In ongoing PTAB cases where a connection between a petitioner and a time-barred party came to light after a petition was filed, patentees may now be able to seek additional discovery about that relationship, Sterling said. Discovery is limited in IPRs and is not often granted by the board, but the Federal Circuit's decision could bolster the odds, she said.

"I'm sure patent owners are potentially considering requesting conference calls with the board to find an avenue in which to protest the institution decision if their facts fit with this," she said.

The potentially more impactful issue of what types of contact between a petitioner and a time-barred party doom a petition was left to future ruling. That is because the merger between ON and Fairchild closed four days before the board instituted review, and there was no dispute that Fairchild became an interested party in ON's petitions once they merged.

Had the merger not closed at the time the PTAB made its institution decision, the case would have presented the question of whether the announcement of the yet-to-be-completed merger at the time the petition was filed was enough to make Fairchild an interested party.

"I expect that we'll have cases like this going forward where the merger does actually happen after institution," Vockrodt said, and in those cases, "the question will be, was the activity at the time of filing or the time of institution enough to consider these two parties one at that point."

In past decisions about the relationship between parties involving the time-bar, the PTAB has said the relevant inquiry is whether one party controls the other party and can tell it whether or not to file an IPR.

However, Vockrodt said the Federal Circuit's statement in Thursday's decision that relationships between parties should be analyzed broadly and take into effect practical realities suggest the court may not approve of the PTAB's approach when it eventually addresses it.

While the new decision isn't squarely on point on that issue, "the language to me suggests that rigid control might not be the right way to analyze this," he said.

The time-bar issue will likely be subject to further development at the Federal Circuit since PTAB decisions on whether a petition is time-barred became appealable for the first time only last year due to an en banc Federal Circuit decision.

In addition to ruling on whether ON's petitions were time-barred, the Federal Circuit rejected ON's argument that Power Integrations could not raise that issue because the PTAB ruled on it in a different IPR between the companies that Power Integrations chose not to appeal.

The Federal Circuit said that while failure to appeal an issue in one case can result in collateral estoppel that precludes a party from raising it in another one, there are exceptions to that principle. Here, there was no incentive for Power Integrations to appeal the other decision, the court held, since it involved a patent that is not at issue in the infringement case.

The court said that for the sake of judicial efficiency, it would not require a party to appeal every PTAB decision "even where there is little or no incentive, to preserve its ability to challenge a legal issue" like the time-bar.

That holding will be welcome news to PTAB litigants involved in more than one related IPR, since it potentially relieves them from having to appeal absolutely every case in order to preserve their arguments, Sterling said.

"This is a situation before the PTAB that's a little different from district court, where you have one litigation and it would go on appeal. In front of the PTAB, a patent can be dealing with multiple of petitions at once," she said. The court's ruling means "you may not necessarily have to appeal every IPR that has the same issue for fear of collateral estoppel," she said.

The cases are Power Integrations Inc. v. Semiconductor Components Industries, doing business as ON Semiconductor, case numbers 2018-1607, 2018-1602 and 2018-1705, in the U.S. Court of Appeals for the Federal Circuit.

--Editing by Rebecca Flanagan.

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