Power Integrations, Inc. v. Semiconductor Components Indus., LLC, 926 F.3d 1306 (Fed. Cir. 2019)

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Semiconductor Components, doing business as ON Semiconductor, petitioned for *inter partes* review (IPR) of several claims of Power Integration's U.S. Patent No. 6,212,079. The Patent Trial and Appeal Board (PTAB) instituted review and after a trial on the merits found the claim at issue to be unpatentable. The PTAB denied Power Integration's claim that the IPR should not have been instituted because Semiconductor Components was statutorily barred from seeking IPR of the '079 patent due to the one year time bar set forth under 35 U.S.C. § 315(b).

On appeal, Power Integrations sought review of the § 315(b) time bar issue. The Federal Circuit vacated the IPR decision as time-barred because Semiconductor Components had merged with an entity against whom the challenged patent was asserted in earlier litigation.

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The '079 patent had a long history before the USPTO and federal district court prior to the IPR at issue in Power Integration's appeal. It had been the subject of two ex parte reexamination requests filed by adversary Fairchild Semiconductors, as well as district court litigation, a prior appeal to the Federal Circuit, and a subsequent retrial on damages also involving Fairchild.

In November 2015, Fairchild entered into an agreement to merge with ON Semiconductor, but the merger did not close immediately. After the agreement but before the merger went into effect, ON filed several IPR petitions challenging various patents, including the '079 patent, that were being asserted against Fairchild. These petitions were filed and served more than one year after Fairchild had been served with Power Integration's complaint in the litigation involving the '079 patent. The merger closed several months later, a few days before the PTAB instituted review on ON's petitions.

The essential question presented to the PTAB was whether Fairchild and ON were in privity at the time the petitions were filed, such that the time-bar should apply to ON under the language of the statute. Power Integrations argued that the merger agreement contemplated Fairchild's and ON's then-existing common legal interests and the possibility that they would become joint defendants in pending legal proceedings. ON responded that Fairchild had no control over ON at the time that ON chose to file the petitions and did not pay for any aspect of their preparation.

The PTAB rejected Power Integration's arguments, as well as its motion for additional discovery into the timing and nature of the relationship between Fairchild and ON leading up to the filing date for the petitions. The PTAB's main reasoning was that there was no evidence that Fairchild asserted control over ON or the petition. While Fairchild was listed as a real-party-in-interest in the petition, ON filed the petition out of its own interest to be rid of patents asserted against its soon-to-be acquisition.

The relevant portion of the statute provides that "[a]n inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent." On appeal, Power Integrations argued that privity relationships that exist prior to institution, even if they did not exist the time of filing, should be considered in the time-bar inquiry. ON argued that privity should only be considered at the time of filing the petition.

On the merits, the Federal Circuit treated the issue as one of pure statutory interpretation. Both parties argued that the statute was clear and unambiguous, and that it supported their directly contrary interpretations. The court ultimately agreed with Power Integrations that the best reading of the statute requires a consideration of privity that arises after filing the petition but before institution. The court reasoned that the statute barred institution—not filing—of the petition based on the condition precedent that the petition is filed more than 1 year after the date on which a privy was served with a complaint. The court also noted that this decision was consistent with the court's prior treatment of 315(b) as a limitation on the Director's authority to institute review, and not a party's ability to file a petition. The court noted that the agency's interpretation to the contrary was not entitled to Chevron deference, as the agency regulations regarding the time bar did not provide any interpretation on point.

ON also argued that Power Integrations was precluded from challenging the time-bar issues because the PTAB essentially rendered the same time-bar decision against Power Integrations in another proceeding, and Power Integrations did not appeal that decision. The Federal Circuit found that this situation fell within one of the exceptions to the collateral estoppel doctrine, wherein a litigant is not required to appeal an issue if the economic stakes in that case are too low to make an appeal worthwhile.

Parties contemplating mergers should be cautious of the patent litigation status of prospective acquisitions. Any privity that arises up to the time of institution is properly considered in the time-bar analysis, even if no such privity existed at the time an IPR was filed. Of course, where a prospective merger is in the early enough stages to avoid such privity, the motivation to file IPRs challenging patents asserted against a then-competitor may be lacking. As the court itself noted, there is a continuing obligation for petitioners to provide updates to any changes in privity or real-party-in-interest that arise before institution, and observed that parties can control the terms and timing of mergers given the statutorily mandated three-month window for institution decisions.

RELATED STANDING CASE

- *Mayne Pharma Int'l Pty. Ltd. v. Merck Sharp & Dohme Corp.*, Appeal No. 2018-1593 (Fed. Cir. June 21, 2019) presented the question of whether amending a Petition after the statutory deadline to add a real party in interest under § 42.5(c)(3)'s late-action rule would violate the statutory time bar. Mayne Pharma argued that correcting an identification of real-parties in interest was the type of correction that could only be effected through § 42.104(c)—and not § 42.5(c)(3)—which causes the petition to lose its filing date. The Federal Circuit held that the PTAB did not err in allowing a Merck to amend its identification of real-parties-in-interest without changing the accorded filing date. In doing so, the Court also made the ancillary holding that the appeal bar of § 314(d) is not jurisdictional. The Court found that it therefore did not need to decide whether the decision to institute despite the late-identified real-parties-in-interest was appealable because there was no reversible error in the decision either way.