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Client Alert

Federal Circuit clarifies that a post-filing change in RPI status can trigger the § 315(b) time-bar and that there are exceptions to issue preclusion in IPR appeals

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On June 13, 2019, the Court of Appeals for the Federal Circuit ("CAFC") vacated a final written decision by the Patent Trial and Appeal Board ("Board") in an *inter partes* review ("IPR") proceeding as time-barred under 35 U.S.C. § 315(b) because of a change in privity and real party in interest ("RPI")-status arising after the petition filing but before institution. The Court also found that issue preclusion did not bar the patent owner's appeal of the Board's § 315(b) determination.[1] Both aspects of this decision are important to those facing or considering filing petitions for IPR.

Section 315(b) requires consideration of privity and RPI relationships arising after filing but before institution.

In November 2015, Semiconductor Components Industries, LLC, doing business as ON Semiconductor ("ON"), entered into an agreement to merge with Fairchild Semiconductor Corporation and Fairchild (Taiwan) Corporation (collectively, "Fairchild"). While the deal was still pending and not yet closed, ON petitioned for IPR of several claims of U.S. Patent No. 6,212,079 ("the '079 patent"). In the time period between filing the petition and the Board's institution decision, the Fairchild-ON merger closed.

While Power Integrations had never asserted its patents against ON, it had served Fairchild with a complaint alleging infringement of the '079 patent more than one year before ON filed the petition for IPR. Power Integrations argued that the petition was time-barred based on this complaint. The Board focused its analysis on the filing date rather than institution date and rejected Power Integrations' argument, concluding that the petition was not time-barred. Having found the IPR not time-barred, the Board proceeded to address the merits of the challenged claims and found them unpatentable.

On appeal, the CAFC relied on a literal reading of the statutory language to find that the Board had erred in its 315(b) finding. Section 315(b) states that an IPR "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,"[2] but it does not say that a petition may not be *filed*. In other words, the Court reasoned, the statute specifically precludes *institution*, not filing. As the Court pointed out: "When the Board finds that an IPR is barred under § 315(b), it denies institution. It does not reject the petitioner's filing. The focus of § 315(b) is on institution."[3] The Court thus concludes that the "language of the statute, in our view, makes privity and RPI relationships that may arise after filing but before institution relevant to the § 315(b) time-bar analysis."

This case makes clear that even if a petitioner is not time-barred from filing an IPR petition at the time of filing, it may still become so if, prior to institution, it merges with a party that is time-barred. The Court expressly did not address "the impact of a change in RPI, privity, or ownership occurring after institution."[4]

One practical implication of the Court's ruling is that parties who are in the midst of corporate transactions that could alter who must be identified as a privy or RPI in a petition for IPR should be mindful of how such transactions can impact IPR institution.

Related IPR proceedings that are not appealed can trigger collateral estoppel, but there are exceptions that may apply.

During the appeal, ON filed a motion contending that Power Integrations was precluded from challenging the Board's § 315(b) determination because it did not appeal the Board's final written decision reaching the same § 315(b) determination in a different IPR proceeding on a different patent. The Court agreed that the situation presented as a classic situation of issue preclusion because Power Integrations: raised the same § 315(b) time-bar argument in this appeal that it did in the non-appealed IPR; actually litigated that issue in the non-appealed IPR; and the § 315(b) determination in the non-appealed IPR was essential to the final decision in that proceeding.[5] However, the CAFC also recognized that the "lack-of-incentive-to-litigate exception" to issue preclusion applied here.

Specifically, in the related litigation, Fairchild had been found to infringe the patent underlying the appealed IPR decision—resulting in a jury award of over $100 million in damages—but *not* the patent underlying the non-appealed IPR decision. Thus, whereas there was a damages award associated with the patent underlying the appealed IPR, there was none associated with the patent underlying the non-appealed decision. Based on this, the Court concluded that Power Integrations "had a considerably greater incentive to continue litigating the § 315(b) issue in the IPR underlying this appeal than it had in the non-appealed IPR concerning a patent unassociated with any infringement finding or damages award."[6] The Court also noted that judicial efficiency, particularly when there are multiple underlying IPRs, supported its finding.[7]

This holding serves as a valuable reminder to those appealing multiple, related proceedings from the PTAB that a decision not to appeal one may, absent some exception, have issue preclusive effect on the appeal of another. The Court's recognition that issue preclusion applies across IPRs is a relatively new legal development and one that is continuing to evolve. [8] Nonetheless, this case makes clear that *exceptions* to issue preclusion likewise apply to IPR proceedings.

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[1] *Power Integrations, Inc. v. Semiconductor Components Industries, LLC*, No 2018-1607 (Fed. Cir. June 13, 2019) (emphasis in original).
[2] 35 U.S.C. 315(b)
[3] *Power Integrations*, Slip op.at 14.
[4] Id. at 14 n.8.
[5] *Id.* at 10.
[6] *Id.* at 11.
[7] *Id.* at 12 n.7
[8] *Papst Licensing GmbH v. Samsung Elec. America, Inc.*, No. 2018-1777 (Fed. Cir. May 23, 2019)

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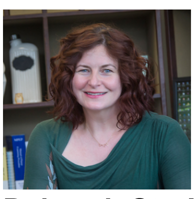

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