LAWFLASH

STATUTORY TIME BAR APPLIES TO PRIVITY AND RPI RELATIONSHIPS ARISING AFTER FILING OF IPR PETITION

June 27, 2019

The Federal Circuit Court of Appeals recently held that the Section 315(b) time-bar analysis must assess privity and real-party-in-interest relationships that arise after the filing of an inter partes review petition; companies should take this ruling into account when considering a merger or other agreement that would result in such a relationship.

The US Court of Appeals for the Federal Circuit recently held that privity and real-party-in-interest (RPI) relationships arising after filing, but before institution, of an inter partes review (IPR) petition should be considered for determining the statutory time bar under 35 USC § 315(b). The provision 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 privity of the petitioner is served with a complaint alleging infringement of the patent."

On June 13, the Federal Circuit applied the one-year time-bar provision to a petitioner that had announced its merger with a defendant in the district court litigation before filing the IPR petition, even though the merger had not closed at the time the IPR was filed. The time-bar provision, Section 315(b) of the America Invents Act, requires the Patent Trial and Appeal Board (Board) to deny institution of an IPR even if the petition otherwise complies with Section 312(a)(3). The Federal Circuit's holding makes clear that the Section 315(b) time-bar analysis requires assessing privity and RPI relationships not only at the time of filing, but also leading up to the institution decision.

THE DECISION

On November 4, 2009, Power Integrations International Inc. filed a complaint against Fairchild Semiconductor Corporation and Fairchild (Taiwan) Corporation (collectively, Fairchild) in the Northern District

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of California, alleging infringement of several patents, including US Patent No. 6,212,079 (the '079 Patent). See Power Integrations v. Fairchild Semiconductor Int'l, Inc., et. al., CAND-3-09-cv-05235, Dkt. 1 (N.D. Cal. 2009). Fairchild was served with the complaint two days later. In March 2014, a jury found Fairchild liable for infringing the '079 Patent and awarded Power Integrations $105 million in damages.[1]

After the jury trial, Fairchild announced that it had entered into a merger agreement with ON Semiconductor (ON). In March 2016, while the merger was pending, ON filed an IPR petition challenging the '079 Patent[2] and other IPR petitions invalidating several other Power Integration patents [3]. Although the merger was disclosed in the IPR proceedings, the IPR petitions were all filed before the merger was finalized.

The Board determined that the IPR was not time barred under Section 315(b) because there was insufficient evidence to show Fairchild had any control over the IPR at the time when the petition was filed.[4] The board also denied Power Integrations' request for additional discovery regarding the relationship between ON and Fairchild, reasoning that "Patent Owner has expressed no more than a suspicion (mere speculation) that such evidence exists and would be uncovered by additional discovery". Id. The Board found the '079 Patent and other Power Integrations patents unpatentable in the final written decisions of the IPRs. Id.

On appeal, the Federal Circuit vacated the Board's final written decision and concluded that "the § 315(b) time-bar can be 'decided fully and finally at the institution stage.'" [5] In holding so, the Federal Circuit further stated that "privity and RPI relationships arising after filing but before institution may time-bar institution under § 315(b)." [6] Section 315(b) provides:

> (b) Patent Owner's Action.—An 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. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).[7]

The Federal Circuit agreed with Power Integrations' interpretation that Section 315(b) requires assessment of privity and RPI relationships arising after filing, but before institution, because the language of the statute precludes institution, not filing. "Section 315 (b) is the gatekeeper to deny institution of petitions from time barred petitioners, their real parties in interest, and their privies." [8] According to the Federal Circuit, the "is filed" phrase in Section 315 (b) only marks the end of the one-year window from the RPI's complaint service date. Although the merger was closed only four days before the institution of the IPR, the IPR was nevertheless time barred.

The Federal Circuit further reasoned that since the petitioner is under a continuing obligation to identify all PRIs in an IPR proceeding, a "time of filing" rule for assessing the time bar of Section 315(b) would make little sense in light of the ongoing obligation for updating the PRIs.

In addition, the Federal Circuit also rejected ON's arguments that Power Integrations is precluded from challenging the Section 315(b) time-bar decision by the Board because Power Integrations did not appeal the same decision from another IPR case. Although, in this case, the Federal Circuit agreed that the Board's Section 315(b) decision in the other nonappealed IPR case was essential to the final determination in that case, and also that ON has established the

requirements of issue preclusion, the lack-of-incentive-to-litigate exception applies in this case. Power Integrati appeal other IPR decisions because there was no intringement finding associated with the asserted patents in that IPR.

FUTURE IMPLICATIONS

The Federal Circuit's decision in Power Integrations emphasizes the dilemmas companies may face when they enter into a merger agreement. Companies may not rely on the IPR petition filing date as the time to determine whether any privity or PRI relationships exist, but instead need to constantly assess privy and RPI relationships up until the institution of the IPR. Companies should take into account the implications of this finding when planning a merger or any other corporate agreement that would give rise to a privity or RPI relationship.

CONTACTS

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[1] See generally Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc., et. al., , CAND-3-09-cv-05235 (N.D. Cal.).

[2] See generally ON Semiconductor Corp. v. Power Integrations, Inc., No. IPR2016-00809 (P.T.A.B.).

[3] See generally ON Semiconductor Corp. v. Power Integrations, Inc., Nos. IPR2016-01589, IPR2016-00995 and IPR2016-01597 (P.T.A.B.).

[4] See generally ON Semiconductor Corp. v. Power Integrations, Inc., No. IPR2016-00809 (P.T.A.B.).

[5] See Power Integrations, Inc. v. Semiconductor Components Indus., LLC, DBA ON Semiconductor, No. 201 13, 2019) (citing Wi-Fi One, LLC v. Broadcom Corp., 878 F.3d 1364, 1372-73 (Fed. Cir. 2018) (emphasis added)).

[6] See generally Power Integrations, Inc. v. Semiconductor Components Indus., LLC, DBA ON Semiconductor, No. 2018-1607 (Fed. Cir. June 13, 2019).

[7] 35 U.S.C. § 315(b).

[8] See Power Integrations, Inc. v. Semiconductor Components Indus., LLC, DBA ON Semiconductor, No. 2018-1607 (Fed. Cir. June 13, 2019) (citing Applications in Internet Time, LLC v. RPX Corp., 897 F.3d 1336, 1365 (Fed. Cir. 2018) (Reyna, J., concurring), cert. denied, 139 S. Ct. 1366 (2019)).