

Client Alert

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How a Merger Killed an IPR

Many parties sued – or worried about being sued – for patent infringement opt to fight back by asking the Patent Trial and Appeal Board (PTAB) to assess the validity of the patent in *inter partes* review (IPR) proceedings.

But not everyone is allowed to use this popular Patent Office procedure. Once a party is served with a complaint for patent infringement, that party, and any real parties in interest or privies, must petition to request IPR within one year, or forever be barred from doing so. 35 U.S.C. § 315(b).

What if the party's circumstances change in the time between the petition's filing, and an IPR's institution? For example, what if the party merges with a third party that was sued several years ago for infringement of the patent in question? Can an IPR be instituted if the petitioner was not barred at the time the petition was filed, but later became a privy of a time-barred party?

The Federal Circuit recently said no. In *Power Integrations, Inc. v. Semiconductor Components Indus., LLC d/b/a ON Semiconductor*,¹ the Federal Circuit was asked to interpret 35 U.S.C. § 315(b), which states,

[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[.]

to clarify whether the real party in interest and privy analysis should focus on the date the petition was filed or the date of the institution decision. The Federal Circuit held that circumstances arising after a petition is filed, but before an institution decision is issued, can prohibit institution.

In view of the Federal Circuit's decision, parties considering changes to their corporate relationships or structure should also consider whether there are any pending IPR petitions that may be affected by the changes, or risk unintentionally sinking an IPR.

First, some background on IPR procedure. After a party files a petition to challenge a patent's validity in an IPR, the patent owner has three months to respond. The PTAB then has three months to decide whether to institute the review. This procedure creates a 6-month window between filing and the PTAB's decision on institution.

In *Power Integrations*, that six months turned out to be very important. ON Semiconductor petitioned for review of Power Integrations' patent on March 29, 2016. Before the PTAB's institution decision, ON Semiconductor merged with Fairchild Semiconductor Corporation, on September 19, 2016, making Fairchild a real party in interest and privy of ON Semiconductor. In 2009, Fairchild was sued for

¹ *Power Integrations, Inc. v. Semiconductor Components Indus., LLC d/b/a ON Semiconductor*, Case No. 2018-1607 (Fed. Cir. June 13, 2019).

infringement of the Power Integrations patent at issue, and thus was barred under § 315(b) from seeking IPR.

Just four days after the merger, on September 23, 2016, the PTAB instituted the IPR requested by ON Semiconductor. The PTAB focused on the petition's filing date, concluding that the petition was permitted. The IPR proceeded, and the PTAB found the patent claims unpatentable. Power Integrations appealed to the Federal Circuit, including the PTAB's interpretation of § 315(b).

The Federal Circuit disagreed with the PTAB, pointing to the statute's statement that an IPR "may not be instituted" if the petitioner is time-barred. The statute does not preclude the filing of a petition; it precludes institution. The Court noted that this interpretation is consistent with common law preclusion principles, and with the purpose of § 315(b) to bar petitions that would benefit a proxy or privy sued for infringement more than one year prior. The Court dismissed ON Semiconductor's argument that examining § 315(b) at institution creates a "moving target" for parties, since they do not know with certainty the date on which the PTAB will issue an institution decision, because parties can assess the terms and timeline of any merger in view of a pending IPR.

The lesson for parties who are actively pursuing IPR, while also undergoing corporate changes: consider the timing and consult counsel. *Power Integrations* suggests that a slightly adjusted merger timeline could have made a difference, with the Court noting, "[w]hile the exact date that the Board institutes ... is beyond the petitioner's control, the terms and timeline of a possible merger are not."

Even if other factors dictate that the merger must close on a certain date, then a petitioner can at least be aware that there might be an issue with the IPR, and try to file the petition at an earlier date. Consider, for example, that ON Semiconductor and Fairchild entered into their merger agreement in November of 2015, ten months before the merger closed.

A similar lesson for patent owners: if there is some indication that a petitioner is changing its corporate family, pursue the available avenues of discovery in the IPR to determine whether the petition should be time-barred. Under certain circumstances, you may be able to quickly halt an IPR proceeding.

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