

No. 18-916

IN THE
Supreme Court of the United States

THRYV, INC., FORMERLY KNOWN AS DEX MEDIA, INC.,
Petitioner,

v.

CLICK-TO-CALL TECHNOLOGIES, LP, ET AL.,
Respondents.

**On Writ of Certiorari to the
United States Court of Appeals
for the Federal Circuit**

**BRIEF FOR ON SEMICONDUCTOR
CORPORATION, SEMICONDUCTOR
COMPONENTS INDUSTRIES, LLC, AND
FAIRCHILD SEMICONDUCTOR
INTERNATIONAL, INC., AS *AMICI CURIAE*
SUPPORTING PETITIONER**

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INTERESTS OF *AMICI CURIAE*¹

Amici are a group of related semiconductor manufacturing companies with a strong interest in reversal of the Federal Circuit's decision. ON Semiconductor Corporation ("ON"), the publicly traded parent entity of the group, is one of the world's leading suppliers of semiconductor-based products and systems. Semiconductor Components Industries, LLC ("SCI") is ON's subsidiary and primary U.S. operating entity. Fairchild Semiconductor International, Inc. ("Fairchild") is today a U.S.-based subsidiary of SCI. Founded in 1957, Fairchild was a pioneer in the field of integrated circuit design and manufacturing. Its employees went on to found many Silicon Valley companies, including Intel. Fairchild's storied legacy continues today as the company has been issued thousands of U.S. and foreign patents.

Amici have a strong interest in this case because they have been involved in litigation raising the same issue as that presented here, and the incorrect statutory interpretation adopted by the Federal Circuit here will have an important effect upon their manufacturing and sales operations in the global economy. In particular, in an inter partes review ("IPR") filed by SCI, the Patent Trial and Appeal Board ("PTAB") vacated all the patent claims

¹ Pursuant to Rule 37.6, *amici* affirm that no counsel for a party authored this brief in whole or in part, and that no party, counsel for a party, or any person other than *amici* and their counsel made a monetary contribution intended to fund the preparation or submission of the brief. All parties have consented to the filing of this brief.

currently being asserted in long-running series of patent litigations against Fairchild. But in a recent decision, the Federal Circuit vacated the PTAB's ruling, finding the IPR petition not timely filed under the same erroneous statutory interpretation relied upon in the case below. *See Power Integrations, Inc. v. Semiconductor Components Industries, LLC* ("SCI"), 926 F.3d 1306 (Fed. Cir. 2019). That decision contravened the intent of Congress in creating IPRs and laid waste to years of effort expended by the parties and the PTAB in conducting the IPR in full administrative proceedings in which the patentee had ample chance to defend its patent. While *SCI* involves a secondary issue about the relevant point in time for the time-bar determination that is not at issue here, reversal here would necessitate reversal in *SCI*, which will be the subject of a forthcoming petition for certiorari. SCI will respectfully urge that this Court hold that petition pending decision in this case for possible grant, vacatur and remand.

INTRODUCTION AND SUMMARY

In creating the IPR procedure, Congress sought to streamline the means by which patents mistakenly granted could be efficiently reviewed on their merits and cancelled if appropriate. Congress buttressed that goal by providing that a decision by the PTAB as to "whether to institute" an IPR is "final and nonappealable." 35 U.S.C. § 314(d). As a result, once the parties and the PTAB have expended substantial resources on an IPR and the PTAB has determined that a patent should not have been granted, Congress provided that the patent

should be cancelled unless the Federal Circuit reversed for reason of the patent's substantive merit. Under the plain text of the statute, an improperly granted patent was not intended to be revived on appeal based solely on alleged error in the institution decision.

Contrary to the Federal Circuit's decision, section 314(d) provides no exception allowing appellate review of PTAB rulings that the petition for IPR was timely under 35 U.S.C. § 315(b), which provides that "inter partes review may not be instituted if the petition ... is filed" more than one year after "the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent." In holding, beginning with *Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364 (Fed. Cir. 2018) (en banc), that IPR unpatentability rulings can be vacated based on review of the petition's timeliness, *id.* at 1374, the Federal Circuit has deviated from the plain language of section 314(d), contradicted this Court's reasoning in *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131 (2016), and frustrated the purpose of the statutory scheme.

Amici agree with Petitioner that the Federal Circuit's approach contravenes the explicit statutory prohibition of judicial review of IPR institution decisions. It also disregards the structure of the statute, which allows the PTAB to initiate *sua sponte* administrative review of patent validity even in the absence of any third-party petition.

Amici write separately here to underscore the adverse practical consequences of the Federal

Circuit's approach. *First*, the IPR system aims to leverage agency expertise to eliminate erroneously issued patents. The Federal Circuit's decision undermines that goal by allowing invalid patents to be left in play based not on their merit but rather solely because the Federal Circuit disagrees with the PTAB's decision that a petition was not time-barred. Once left in play, such invalid patents continue to impede innovation and product development and to impose detrimental costs on the public in the form of higher prices, diminished product availability, and reduced confidence in the patent system.

Second, the Federal Circuit's approach wastes substantial party and public resources. By overturning an IPR invalidity determination after a full administrative trial, a Federal Circuit decision like the one here squanders the parties' and the PTAB's substantial investment of time and effort in the briefing, discovery and oral hearing that are part of IPR proceedings. And the invalid patents may again be asserted in future litigation, requiring the expenditure of additional party and judicial resources in infringement proceedings and burdening the district courts' already congested dockets.

Third, as *amici's* own experience starkly illustrates, the Federal Circuit's erroneous review of the PTAB's petition time-bar determinations is already having these deleterious effects. In other litigation in which *amici* have been involved, the PTAB has ruled that patents asserted against them should not have been granted, only to see the Federal Circuit reverse the PTAB's invalidity determination based solely on alleged errors in the

PTAB's timeliness determination under section 315(b), without regard to the merit of the patent. Such rulings not only squander the resources invested in the IPR proceeding, but also result in needless and wasteful district court litigation. Patentees should not be so enabled to seek tens or even hundreds of millions of dollars in damages based on patent claims the Patent Office has already determined, after full administrative proceedings, are invalid and never should have been issued.

The decision below should be reversed.

ARGUMENT

I. THE FEDERAL CIRCUIT'S DECISION WRONGLY ALLOWS THE ENFORCEMENT OF INVALID PATENTS

The Federal Circuit's reversal of the PTAB's final invalidity determinations based on alleged defects in the initial institution decision allows the enforcement of patents that the Patent Office has found should never have been issued at all. Such rulings allow patents that are known to be obvious or to lack novelty to be used to extract costly licenses, impose obstacles to competitors' product development, and obtain significant patent infringement judgments in federal district courts. This results in higher prices to consumers, diminished product availability and innovation, and reduced confidence in the patent system and the presumption that issued patents are, in fact, valid. The statute should not be interpreted to achieve a result that is so contrary to public policy, the statute's purpose, and Congress's intent.

Congress created IPR proceedings by enacting the Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112-29, 125 Stat. 284 (2011). The AIA arose from growing concerns about the proliferation of invalid patents and the societal costs they imposed. See Joseph Scott Miller, *Building a Better Bounty: Litigation-Stage Rewards for Defeating Patents*, 19 BERKELEY TECH. L.J. 667, 690 (2004) (summarizing the social costs of invalid patents).

One of the most significant social costs of invalid patents is the expense of district court patent litigation. As this Court recognized a half-century ago, it is an “acknowledged fact that patent litigation is a very costly process.” *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 334 (1971); see also *Ohio Willow Wood Co. v. Thermo-Ply, Inc.*, 629 F.3d 1374, 1376-77 (Fed. Cir. 2011) (Moore, J., concurring) (“[T]he costs of patent litigation are enormous.”). Near the time of the passage of the AIA, it was estimated that “[t]he average patent litigation lasts about two years and costs about \$3 million. An appeal can add another \$2 million and one year to that estimate.” Richard D. Margiano, *Cost and Duration of Patent Litigation*, *Managing Intellectual Property: The Global IP Resource* (Feb. 1, 2009), <http://www.managingip.com/Article/2089405/Cost-and-duration-of-patent-litigation.html>; see also Ann E. Motl, Note, *Inter Partes Review: Ensuring Effective Patent Litigation Through Estoppel*, 99 MINN. L. REV. 1975, 1975 n.4 (2015) (“High-stakes patent suits cost on average \$5.5

million.”).² Patent litigation was so expensive, it had been dubbed “the sport of kings.” Douglas J. Kline, *Patent Litigation: The Sport of Kings*, MIT TECH. REV. (Apr. 28, 2004), <http://www.technologyreview.com/business/13562>.

In addition to litigation costs, “the continued existence of ... a patent can disrupt product development in a field of technology for years.” Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 FED. CIR. B.J. 539, 600 (2012). During debates on the Act, it was recognized that “protracted litigation ... dampens innovation.” 157 Cong. Rec. 2860 (2011) (statement of Sen. Whitehouse). Researchers and manufacturers may decline to conduct or continue research or product development due to uncertainty and potential costs created by the existence of invalid patents. See Shawn P. Miller, “Fuzzy” *Software Patent Boundaries and High Claim Construction Reversal Rates*, 17 STAN. TECH. L. REV. 809, 810 (2014) (emphasizing “the social cost of patent litigation in reducing incentives for producers to bring innovative products to market”). This causes “[u]nrealized gains” from “activities that ... would have led to other inventions” were it not for “fear of infringement liability” from invalid patents. Miller, *Building a Better Bounty*, *supra*, at 690.

Invalid patents also impose unwarranted costs on consumers. Because of invalid patents, “competition in the marketplace is foreclosed and the public is

² These estimates generally include only private litigation costs, neglecting the costs incurred by the federal court system and the public.

forced to pay higher prices.” *McNeil-PPC, Inc. v. L. Perrigo Co.*, 337 F.3d 1362, 1368 (Fed. Cir. 2003) (internal quotations omitted); *see also* Miller, *Building a Better Bounty*, *supra*, at 690 (noting the “[d]ead weight loss from supracompetitive pricing of offerings covered by invalid patents”).

Congress understood that these costs were attributable to the existence and assertion of invalid patents. The House Report on the AIA noted “a growing sense that questionable patents are too easily obtained and are too difficult to challenge.” H.R. Rep. No. 112–98, at 39 (2011). Senator Whitehouse similarly lamented the “numerous poor-quality patents [that] have issued in recent years, resulting in seemingly endless litigation.” 157 Cong. Rec. at 2860. Senator Leahy agreed that “[p]atents of low quality and dubious validity ... enable patent trolls who extort unreasonable licensing fees from legitimate businesses, and constitute a drag on innovation.” 157 Cong. Rec. at 3413-14; *see also id.* at 3415 (statement of Sen. Leahy) (“Patents of low quality and dubious validity, as you know, are a drag on innovation because they grant a monopoly right for an invention that should not be entitled to one ...”); *id.* at 717 (statement of Sen. Leahy) (similar). Senator Schumer argued that “[l]itigation over invalid patents places a substantial burden on U.S. courts and the U.S. economy.” *Id.* at 3416. Representative Lofgren echoed these points, stating that “dubious patents do significant damage to particular industries, like the information technology industry, as they can be used by nonpracticing entities to demand rents from

legitimate businesses and to interfere with the development of legitimate products.” *Id.* at 9784.

Congress also received testimony that new administrative procedures were necessary to deal with invalid patents. Advocates of patent reform argued that these procedures were necessary to combat “frivolous lawsuits” by allowing “the Patent Office [to] look at unmeritorious patents and invalidate them where required.” Hearing Before the Subcomm. on Intellectual Property, Competition and the Internet, Comm. on the Judiciary, 112th Cong. 122 (2011) (testimony of Mark Chandler, Senior Vice President, General Counsel, and Secretary, Cisco Systems, Inc.). It was hoped that the new procedures would provide a “lower-cost alternative to civil litigation.” 157 Cong. Rec. at 3207 (Letter to Sen. Leahy from Robert M. Berdahl, et al.).

In enacting the AIA, Congress created IPR proceedings to alleviate these problems by providing the requested alternative to costly and protracted district court litigation. Congress intended IPR proceedings to give the Patent Office additional power to prevent enforcement of invalid patents in the district courts. *See id.* at 2710 (statement of Sen. Grassley) (“These new procedures would also provide faster, less costly alternatives to civil litigation to challenge patents.”). Congressional proponents of the AIA hoped that the new procedures would allow the Patent Office to eliminate “poor quality patents” that would otherwise be used to harass competitors and harm competition. *Id.* at 9813 (statement of Rep. Watt); *see also id.* at 9784 (statement of Rep. Lofgren). In short, Congress aimed to create a “more

efficient system for challenging patents that should not have issued.” H.R. Rep. No. 112-98, at 39-40. This would avoid, among other things, unnecessary and “expensive litigation” by allowing disputes about validity to “be resolved quickly and cheaply.” 157 Cong. Rec. at 2861 (statement of Sen. Whitehouse).

This Court has agreed that “one important congressional objective” of the Act was “giving the Patent Office significant power to revisit and revise earlier patent grants.” *Cuozzo*, 136 S. Ct. at 2139-40. These proceedings “protect the public’s ‘paramount interest in seeing that patent monopolies ... are kept within their legitimate scope.’” *Id.* at 2144 (quoting *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945)).

Contrary to that “paramount interest,” the Federal Circuit’s reversal of PTAB invalidity rulings based solely on analysis of institution decisions for petition untimeliness protects patent monopolies that the Patent Office has determined should not exist. Under the Federal Circuit’s approach, patents that the Patent Office has ruled should never have issued may be left in play, based not on any analysis of the patent’s validity, but instead on alleged procedural defects in the decision to institute the proceeding. This allows invalid patents to continue to be used to extract licenses, to impede competitors’ research and product development, and to be asserted in costly litigation.³

³ Although a defendant may assert invalidity as a defense in litigation, including on the same ground relied upon by the Board, a jury may not reach the same finding, especially in light of the heightened “clear and convincing evidence”

The Federal Circuit’s ruling also creates an asymmetry in appellate rights that Congress did not intend. If the PTAB denies an IPR petition as untimely, it issues no final written decision, and the petitioner has no right to judicial review. *See* 35 U.S.C. § 319 (limiting appellate review to the “final written decision”). But where the PTAB institutes review over a time-bar objection, the Federal Circuit would allow the patentee to challenge that ruling on appeal of the final written decision. Nothing in the text, history, or purpose of the statute justifies this asymmetry in appellate rights.

The bar against judicial review of the PTAB’s institution decision is not only required by statute, as Petitioner has explained, but is also good policy that furthers Congress’s purpose. Unlike most traditional litigation, an IPR proceeding does not concern solely the interests of the litigants. An IPR implicates “the public’s paramount interest” in eliminating invalid patents, which impose social costs to innovation and productivity extending beyond the litigants. *Cuozzo*, 136 S. Ct. at 2144 (internal quotations omitted). If the PTAB’s ultimate decision that a patent claim should not have been granted is itself correct, the public benefits. If the Board finds that a patent is obvious or not novel, then that patent is invalid and never should have issued in the first place, regardless of any alleged defects in the institution decision.

standard that a defendant is required to satisfy in district court litigation. *See Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 95 (2011) (holding that a defense of invalidity to patent infringement must be proven by clear and convincing evidence).

Congress's decision to eliminate appellate review of institution decisions therefore supports the public interest in efficiently eliminating invalid patents and reducing the costs they impose. Holding otherwise permits known invalid patents to continue to impose costs on the public and damage the integrity of the patent system, contrary to Congress's aim in enacting IPR proceedings and its limitation on appellate review.

II. THE FEDERAL CIRCUIT'S DECISION IMPROPERLY IMPOSES WASTEFUL BURDENS ON THE PATENT SYSTEM

The Federal Circuit's ruling allowing review of institution decisions for their timeliness is also contrary to Congress's goal of providing an inexpensive, efficient procedure for invalidating patents that would reduce the burdensome costs of patent litigation. The passage of the AIA was preceded by a significant increase in the filing of patent infringement complaints in federal court. Throughout the first decade of the millennium, the district courts received an average of 200 to 300 patent infringement complaints per month, but "the number of cases filed in US district courts more than doubled from 2009 through 2012."⁴

The passage of the AIA in 2012 signaled an effort to shift some of that increased burden away from the district courts and toward the Patent Office, which

⁴ See Alan C. Marco et al., *Patent Litigation Data from US District Court Electronic Records (1963-2015)*, U.S. PATENT & TRADEMARK OFFICE ECONOMIC WORKING PAPER NO. 2017-06 at 4, 30-31 (March 2017), available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2942295.

could employ streamlined procedures and subject matter expertise to more quickly and accurately resolve invalidity challenges. *See* H.R. Rep. No. 112-98, at 48 (IPR is a “quick and cost effective alternative[] to litigation”); S. Rep. No. 110-259, at 20 (2008) (IPR is “a quick, inexpensive, and reliable alternative to district court litigation”). This, Congress hoped, would “make the patent system more efficient.” H.R. Rep. No. 112–98, at 48; *see also* 157 Cong. Rec. at 13166 (statement of Sen. Schumer) (noting that the AIA “streamlines review of patents to ensure that the poor-quality patents can be weeded out through administrative review rather than costly litigation”). The new IPR proceedings were intended to be a “more efficient alternative to litigation” in the district courts. 157 Cong. Rec. at 3401 (statement of Sen. Leahy).

Part of that streamlining was the foreclosure of the ability to appeal the Board’s institution decision. *See* 35 U.S.C. § 314(d). Congress reasonably concluded that, while the parties should retain the right to challenge the merits of any invalidity determination, appeals—by either party—of the institution decision itself were unnecessary and undermined the goal of an inexpensive, efficient procedure. The Federal Circuit’s ruling allowing review of institution decisions for their timeliness is contrary to that congressional determination. Where the Federal Circuit vacates a PTAB invalidity determination based on an alleged procedural defect in the institution decision, the parties will often, as a result, be required to litigate validity again in the context of a patent infringement lawsuit in district

court, further clogging the already burdened district court dockets.

In addition, the Federal Circuit's review of institution decisions for a petition's timeliness squanders the Patent Office's deployment of its own resources. The PTAB labors under an immense case load, having at any time over 9,000 pending appeals and receiving in addition over a thousand IPR petitions per year.⁵ By the time a party appeals the PTAB's institution decision, the parties will have engaged in briefing, the exchange of expert testimony, some discovery, motion practice, and an oral hearing. *See* 37 C.F.R. §§ 42.51-42.65, 42.70-42.74, 42.120.⁶ The panel of at least three administrative judges will have considered the evidence and expert testimony, analyzed the prior art and the patent, heard oral argument, and issued a detailed final written decision considering the validity of each challenged patent claim.⁷

⁵ *See* U.S. PATENT & TRADEMARK OFFICE, PATENT TRIAL AND APPEAL BOARD, TRIAL STATISTICS (July 31, 2019), available at https://www.uspto.gov/sites/default/files/documents/Trial_Statistics_2019-07-31.pdf; U.S. PATENT & TRADEMARK OFFICE, PATENT TRIAL AND APPEAL BOARD, APPEAL AND INTERFERENCE STATISTICS (July 31, 2019), available at [https://www.uspto.gov/sites/default/files/documents/Appeal %20and%20Interference %20Statistics%20-%20July.pdf](https://www.uspto.gov/sites/default/files/documents/Appeal%20and%20Interference%20Statistics%20-%20July.pdf).

⁶ The cost of these proceedings to each party has been estimated at between \$300,000 and \$800,000. *See* Matthew R. Frontz, *Staying Litigation Pending Inter Partes Review and the Effects on Patent Litigation*, 24 FED. CIR. B.J. 469, 484 (2015). This does not include the costs to the agency itself.

⁷ *See* 35 U.S.C. § 318(a); U.S. PATENT & TRADEMARK OFFICE, PATENT TRIAL AND APPEAL BOARD, STANDARD OPERATING

The Federal Circuit’s erroneously narrow reading of the statutory bar on appellate review allows all this effort to be wasted based on an alleged defect in the initial institution, unrelated to the validity of the patent. This is contrary to congressional intent, for reasons this Court has already articulated. *See Cuozzo*, 136 S. Ct. at 2139-40 (expressing doubt that Congress would have granted the Patent Office the authority to revisit earlier patent grants, “including, for example, the ability to continue proceedings even after the original petitioner settles and drops out, § 317(a), if it had thought that the agency’s final decision could be unwound under some minor statutory technicality related to its preliminary decision to institute inter partes review”). Allowing the continued existence of invalid patents based on such procedural deficiencies undermines the efficient and cost-effective review procedure that Congress sought to achieve.

That Congress would have intended such a result is even less likely when IPR proceedings are considered in the broader statutory context that includes *ex parte* reexamination. *Ex parte* reexamination is another avenue by which the Patent Office may invalidate the claims of already issued patents. Congress created *ex parte* reexaminations in 1980, and the procedure still exists today, operating in parallel with IPR proceedings. *See* 35 U.S.C. § 301 *et seq.* The statute permits “[a]ny person at any time” to “file a request

for reexamination.” *Id.* § 302. At the conclusion, the Director issues “a certificate canceling any claim of the patent finally determined to be unpatentable.” *Id.* § 307(a). Moreover, unlike in an IPR, the Patent Office need not wait for a third party to file a petition before reexamining an issued patent. Instead, “[t]he Director of the Patent Office may also, on her ‘own initiative,’ initiate such a proceeding.” *Return Mail, Inc. v. U.S. Postal Serv.*, 139 S. Ct. 1853, 1859-60 (2019) (quoting 35 U.S.C. § 303(a)); *see also SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1355 (2018) (“In the ex parte reexamination statute, Congress embraced an inquisitorial approach, authorizing the Director to investigate a question of patentability ‘[o]n his own initiative, and at any time.’”) (quoting 35 U.S.C. § 303(a)).

That Congress intended 35 U.S.C. § 314(d) to foreclose appeal of the PTAB’s time-bar determinations is even clearer when considered in light of this pre-existing power. Were the Federal Circuit empowered to review an IPR institution decision and, as a result, vacate the agency’s finding of invalidity, the Director would remain free, on his or her own initiative, to institute an ex parte reexamination and reinstate the invalidity determination on the same ground.⁸ This would, however, require an entirely redundant ex parte reexamination administrative proceeding. There is little reason to think Congress intended for the Federal Circuit to vacate the agency’s IPR invalidity

⁸ This is in addition to the agency’s power to invalidate the patent on the same grounds in response to a petition for IPR filed by a different third party.

determinations based on analysis of the institution procedure when the agency would remain free to reinstate the same result on its own initiative in an *ex parte* reexamination.⁹

That result would also be inconsistent with Congress's aim to "provid[e] quick and cost effective alternatives to litigation." H.R. Rep. No. 112-98, at 48. Congress did not design the IPR process to squander agency resources by requiring it to institute such separate proceedings simply to reinstate its own prior invalidity determinations. The most reasonable reading of the statute is that section 314(d) is designed to prevent this waste of agency resources by foreclosing appeal of, among other things, timeliness determinations made in the Board's institution decision.

III. THE FEDERAL CIRCUIT'S RULE HAS ADVERSE PRACTICAL CONSEQUENCES IN OTHER CASES

As *amici's* own litigation experience starkly illustrates, the Federal Circuit's improper review of institution decisions for the propriety of the PTAB's timeliness determinations has already allowed the

⁹ The Patent Office's power to initiate its own reexamination of the patent and invalidate the patent *sua sponte* further demonstrates the majority's error in *Wi-Fi One*. See 878 F.3d at 1374. There, the majority characterized the time bar as being "about real-world facts that limit the agency's authority to act under the IPR scheme" and "[t]he timely filing of a petition" as being "a condition precedent to the Director's authority to act." *Id.* While the timely filing of an IPR petition is a condition precedent to the institution of an IPR proceeding, it is not a condition precedent to the Director's authority to invalidate the patent.

continued enforcement of invalid patents. And the consequence of such decisions is further wasteful and expensive district court litigation, to the detriment of competition and innovation.

For example, in just one case in a long-running series of patent infringement cases brought by Power Integrations, Inc. against *amicus* Fairchild, a district court is now preparing to proceed with a new patent damages trial in a case with more than \$100 million at stake, even though an IPR petition filed by SCI resulted in a final written decision by the PTAB finding all the asserted claims of the patent invalid. That is because, in a recent decision, the Federal Circuit vacated the PTAB's invalidity decision based solely on its disagreement with the PTAB's determination that section 315(b)'s time bar does not apply. *See Power Integrations, Inc. v. Semiconductor Components Industries, LLC ("SCI")*, 926 F.3d 1306, 1308 (Fed. Cir. 2019). The Federal Circuit's ruling there, as here, depended upon its prior reviewability ruling in *Wi-Fi One*. *See id.* at 1311 ("As our court has previously held, when the PTO institutes an inter partes review, its rejection of a time-bar challenge under § 315(b) is reviewable.").

The facts underlying *SCI* vividly exemplify how the Federal Circuit's judicially-created exception to section 314(d) for section 315(b) determinations thwarts Congress's purpose in creating IPR proceedings and barring appellate review of institution decisions.

Power Integrations filed suit against Fairchild in 2009. *See SCI*, 926 F.3d at 1308. After a jury trial, Power Integrations was awarded a judgment of

infringement against Fairchild and damages of \$139.8 million. *Id.* During the pendency of that litigation, Fairchild entered into merger discussions with its then-competitor ON, which was also facing threats from Power Integrations of a similar lawsuit on the same patent. *See ON Semiconductor Corp. v. Power Integrations, Inc.*, No. 2:16-cv-02720 (D. Ariz.), Dkt. 1-2 at 76. Prior to the completion of the merger and in light of those threats, ON's subsidiary SCI petitioned for IPR of the same patent at issue in the Fairchild litigation. At the time of that filing, ON had not been served with a complaint asserting infringement of the patent. Prior to the PTAB's institution of that petition, however, ON's merger with Fairchild closed. *See SCI*, 926 F.3d at 1309. Four days later, the PTAB instituted the IPR. *Id.* Shortly thereafter, Power Integrations sued ON for infringing the patent. *See Power Integrations, Inc. v. ON Semiconductor Corp.*, No. 5:16-cv-6371 (N.D. Cal.), Dkt. 1.

During the pendency of the IPR proceedings, the Federal Circuit vacated the \$139.8 million damages award against Fairchild and remanded for a new damages trial. *See Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, 904 F.3d 965, 969 (Fed. Cir. 2018). Prior to that retrial, however, the PTAB, in the IPR proceeding initiated by SCI, issued a final written decision that every patent claim that Fairchild was found to infringe (and that ON was accused of infringing in the parallel lawsuit) was invalid. *SCI*, 926 F.3d at 1308-09.

Power Integrations appealed the PTAB's decision, arguing that the IPR never should have been instituted because Fairchild had been served with a

complaint more than one year prior to the filing of the IPR petition, and Fairchild was supposedly a real party in interest as a result of its merger with ON, the parent of SCI. On appeal, the Federal Circuit agreed with Power Integrations and vacated the IPR invalidity finding based not on the merits of the patent, but rather based solely on the conclusion that SCI's petition was time-barred—even though ON had not been served with a complaint alleging infringement of the patent when SCI filed the IPR petition. *Id.* at 1313-18.

The Federal Circuit's decision to reverse the PTAB's invalidity decision based on alleged error in the IPR institution decision thus allows invalid claims of a patent that never should have issued to continue to drive wasteful, expensive and burdensome district court and appellate litigation. The district court intends to proceed with a new trial on Power Integrations' claim for over \$100 million in damages against Fairchild. See *Power Integrations, Inc. v. Fairchild Semiconductor Corp.*, No. 3:09-cv-5235 (N.D. Cal.), Dkt. 1088. And Power Integrations continues to pursue claims against ON Semiconductor for infringing the same patent. *Power Integrations, Inc. v. ON Semiconductor Corp.*, No. 5:16-cv-6371 (N.D. Cal.).

Unless this Court reverses the Federal Circuit in this case, and thus overturns the consequences of that court's earlier en banc decision in *Wi-Fi One*, such harmful consequences will continue to proliferate. In cases like the one below and *SCI*, the PTAB's efforts in adjudicating the validity of the relevant patent claims will be squandered. Patentees like Power Integrations will be free to

assert invalid patent claims both in litigation and through licensing demands. District courts will be burdened trying infringement claims based on invalid patents. And patent defendants like *amici* will be threatened with nine-figure damages demands for infringement claims under invalid patents. These harms to litigants, the public, and the integrity of the patent system are precisely the harms Congress sought to prevent in enacting the AIA, including its prohibition on appeals of institution decisions.

CONCLUSION

The judgment should be reversed.

Respectfully submitted,

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