

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC
d/b/a ON SEMICONDUCTOR,
Petitioner,

v.

IN-DEPTH TEST LLC,
Patent Owner.

Case IPR2016-01833
Patent 6,792,373 B2

Before JUSTIN T. ARBES, MICHAEL J. FITZPATRICK, and
BARRY L. GROSSMAN, *Administrative Patent Judges*.

ARBES, *Administrative Patent Judge*.

DECISION
Denying Institution of *Inter Partes* Review
37 C.F.R. § 42.108

Petitioner Semiconductor Components Industries, LLC d/b/a ON Semiconductor (“ON Semiconductor”) filed a Petition (Paper 1, “Pet.”) requesting *inter partes* review of claims 1–20 of U.S. Patent No. 6,792,373 B2 (Ex. 1001, “the ’373 patent”) pursuant to 35 U.S.C. § 311(a). Patent Owner In-Depth Test LLC filed a Preliminary Response (Paper 15, “Prelim. Resp.”) pursuant to 35 U.S.C. § 313. For the reasons that follow, we have decided not to institute an *inter partes* review.

I. DISCUSSION

Patent Owner argues that the Petition is time-barred under 35 U.S.C. § 315(b), which provides that an *inter partes* review may not be instituted based on a petition “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.” Prelim. Resp. 1–14. Patent Owner contends that Fairchild Semiconductor Corporation (“Fairchild”) was served with a complaint alleging infringement of the ’373 patent more than one year prior to September 16, 2016, the filing date of the Petition in this proceeding, and was in privity with ON Semiconductor on September 16, 2016. *Id.* at 1. Fairchild was served with a complaint alleging infringement of the ’373 patent on September 29, 2014. Ex. 2001. Thus, the issue before us is whether the facts establish that Fairchild was a privy of ON Semiconductor on September 16, 2016. Based on the evidence of record and particular facts of this proceeding, we determine that Fairchild was a privy of ON Semiconductor on that date, and thus conclude that the Petition is time-barred under 35 U.S.C. § 315(b).

A. Legal Standard

Whether a non-party is a “real party in interest” or “privy” of the petitioner is a “highly fact-dependent question” that takes into account how courts generally have used the terms to “describe relationships and considerations sufficient to justify applying conventional principles of estoppel and preclusion.” *Office Patent Trial Practice Guide*, 77 Fed. Reg. 48,756, 48,759 (Aug. 14, 2012) (“*Trial Practice Guide*”). The one-year time bar “protect[s] patent owners from harassment via successive petitions by the same or related parties, . . . prevent[s] parties from having a ‘second bite at the apple,’ and . . . protect[s] the integrity of both the [Office] and Federal Courts by assuring that all issues are promptly raised and vetted.” *Id.*

The real party in interest requirement focuses on the relationship between a party and a proceeding, whereas the privity inquiry focuses on the relationship between the parties. “The notion of ‘privity’ is more expansive, encompassing parties that do not necessarily need to be identified in the petition as a ‘real party-in-interest.’” *Id.* The determination of whether two parties are in privity is made “consistent with the flexible and equitable considerations established under federal caselaw,” and ultimately seeks to determine, based on the practical situation at the time, whether “the relationship between the purported ‘privy’ and the relevant other party is sufficiently close such that both should be bound by the trial outcome and related estoppels.” *Id.* Depending on the circumstances, a number of factors may be relevant. *Id.* One common consideration for determining both real parties in interest and privies is “whether the non-party exercised or could have exercised control over a party’s participation in a proceeding,”

although “there is no ‘bright-line test’ for determining the necessary quantity or degree of participation to qualify.” *Id.*

As explained in the *Trial Practice Guide*, we also find guidance in the United States Supreme Court’s decision in *Taylor v. Sturgell*, 553 U.S. 880 (2008), which sets forth the general rule under federal common law that a person not a party to a lawsuit is not bound by a judgment in that suit, subject to certain exceptions, including the following:

[N]onparty preclusion may be justified based on a variety of pre-existing “substantive legal relationship[s]” between the person to be bound and a party to the judgment. Qualifying relationships include, but are not limited to, preceding and succeeding owners of property, bailee and bailor, and assignee and assignor. These exceptions originated “as much from the needs of property law as from the values of preclusion by judgment.”

Id. at 894 (citations omitted); see *Trial Practice Guide* at 48,759 (citing *Taylor*). Importantly, the preclusive effect of privity cannot be extended to those in “virtual representation,” through identity of interest and a determination that the relationship of the parties is “‘close enough’ to bring the second litigant within the judgment.” *Taylor*, 553 U.S. at 898. Only if a non-party can be said to have had a “full and fair opportunity to litigate” can the non-party be precluded as a privy. *Id.* at 892–93, 898–901.

B. Facts

1. Related Board Proceedings

The ’373 patent previously was reexamined in Reexamination Control No. 90/008,313, and all claims were confirmed. The ’373 patent also has been the subject of five previous petitions for *inter partes* review or covered business method patent review. In Cases IPR2015-00421 (filed by Linear

Technology Corporation (“Linear”)), CBM2015-00060 (filed by Fairchild), IPR2015-01627 (filed by Maxim Integrated Products Inc.), and IPR2015-01994 (filed by Linear), the Board denied the petitions.

In Case IPR2015-01998, Linear filed a petition challenging claims 1–20 of the ’373 patent as anticipated by U.S. Patent No. 4,967,381 (Ex. 1002, “Lane”) under 35 U.S.C. § 102(b), unpatentable over Lane under 35 U.S.C. § 103(a), and unpatentable over Lane and Western Electric Co., Inc., STATISTICAL QUALITY CONTROL HANDBOOK (1956) (Ex. 1003) under 35 U.S.C. § 103(a). IPR2015-01998, Paper 10, 5. On April 1, 2016, the Board instituted an *inter partes* review only as to the third asserted ground. *Id.* at 27. The review was terminated on September 7, 2016, following a settlement between the parties. IPR2015-01998, Paper 20. In its Petition in the instant proceeding, filed shortly thereafter on September 16, 2016, ON Semiconductor asserts the same ground on which the Board instituted a trial in Case IPR2015-01998, with nearly identical analysis to that presented in the petition in Case IPR2015-01998. *See* Pet. 3; Prelim. Resp. 7 (citing Exs. 2009, 2010).

2. District Court Case

Patent Owner filed a complaint against Fairchild for infringement of the ’373 patent in *In-Depth Test LLC v. Fairchild Semiconductor Corp.*, Case No. 1:14-cv-01090-GMS (D. Del.), on August 22, 2014, and served Fairchild on September 29, 2014. *See* Ex. 2001 (proof of service); Ex. 2002 (complaint). Fairchild subsequently moved to stay the district court case based on its petition seeking covered business method patent review in Case CBM2015-00060. On March 4, 2015, the district court stayed the case

against Fairchild, as well as cases against other defendants, based on Fairchild's petition and a petition seeking *inter partes* review filed by another defendant. Ex. 2005. The district court lifted the stay on October 7, 2016, following denial of the first four petitions and termination of the only instituted proceeding, Case IPR2015-01998. Ex. 3001, 7 (district court docket sheet). On November 7, 2016, the parties in the district court cases filed a joint status report in which the defendants, including Fairchild, argued that the stay should be continued pending this proceeding. Ex. 2011, 5–6. On December 7, 2016, the district court determined that it would not enter a schedule at that time, and ordered the parties to notify the court after a decision on institution in this proceeding. Ex. 3001, 7.

3. Merger

On November 18, 2015, ON Semiconductor Corporation (“OSC”), Falcon Operations Sub, Inc. (“Falcon”), and Fairchild Semiconductor International, Inc. (“Fairchild International”)¹ entered into an “Agreement and Plan of Merger” under which OSC would acquire Fairchild International by merging Falcon (a wholly owned subsidiary of OSC) with and into Fairchild International, with Fairchild International being the surviving entity and becoming a wholly owned subsidiary of OSC. Ex. 2004, 5 (“the Merger Agreement”).² The Merger Agreement required OSC (via Falcon)

¹ ON Semiconductor is a wholly owned subsidiary of OSC, and Fairchild is the “principal operating subsidiary” of Fairchild International. See Ex. 2011, 5 n.4; Ex. 2003, 4.

² When citing the Merger Agreement (Ex. 2004) and Fairchild International's subsequent filing with the U.S. Securities and Exchange

to “commence a tender offer . . . to acquire all of the issued and outstanding shares of [Fairchild International] common stock” by December 4, 2015. *Id.* at 5–6. “The closing of the tender offer [was] subject to various conditions, including there being validly tendered in the tender offer at least a majority of [Fairchild International’s] then-outstanding shares, and the receipt of customary regulatory approvals in the U.S. and other countries.” Ex. 2003, 4. The Merger Agreement further provides:

Without limiting the generality of the foregoing, except as set forth in Section 6.1(b) of the Company Disclosure Letter or as otherwise required by this Agreement, from the date of this Agreement until the [certificate of merger is filed], *unless [OSC] otherwise consents in writing (which consent shall not be unreasonably withheld, delayed or conditioned)*, [Fairchild International] shall not, nor shall [Fairchild International] permit any of its Subsidiaries to . . . (xiii) discharge, pay, compromise or settle any claim, litigation, investigation or proceeding, in each case made or pending by or against [Fairchild International] or any of [its] Subsidiaries . . . other than the compromise or settlement of claims, litigation, investigations or proceedings that [meet certain requirements and] do[] not provide for the license of any Intellectual Property rights;

...

[OSC] and [Falcon] acknowledge and agree that: (i) nothing contained in this Agreement shall give [OSC] or [Falcon], directly or indirectly, the right to control or direct [Fairchild International’s] operations prior to the Closing In addition, for the sake of clarity, *[OSC] does not have the right to direct and control the litigation, including any defenses, which right remains with [Fairchild International] or the applicable . . . Subsidiary, as appropriate.*

Commission (Ex. 2003), we refer to the page numbers in the lower right-hand corner of each page.

Ex. 2004, 42–46 (emphasis added). Thus, Fairchild could not settle the district court case against it or take a license to the '373 patent without OSC's written consent, but OSC could not "direct and control" the litigation against Fairchild.

OSC made the required tender offer on December 4, 2015, and renewed the offer multiple times in 2016 as it waited for regulatory approval for the merger. *See* Ex. 2003, 4; Ex. 2008. OSC received the final required approval on Friday, September 16, 2016, and announced the merger closing to the public on Monday, September 19, 2016. Specifically, a press release issued on September 19, 2016, states the following:

On September 16, 2016, ON Semiconductor received confirmation that clearance related to the completion of its proposed acquisition of Fairchild from the Ministry of Commerce in the People's Republic of China had been obtained and that ON Semiconductor was entitled to close the transactions under PRC law. As such, the conditions to the acquisition of Fairchild relating to the termination or expiration of required waiting periods, and receipt of required approvals, under applicable antitrust laws were *fully satisfied* and *ON Semiconductor's tender offer to purchase all of the outstanding shares of common stock of Fairchild for \$20.00 per share in cash . . . expired as scheduled one minute following 11:59 p.m., New York City time, on September 16, 2016 and was not extended.*

Ex. 2012 (emphasis added); *see also* Ex. 2013 (OSC Twitter post at 8:03 AM on September 19, 2016, announcing the merger and providing a link to the press release).

4. This Proceeding

ON Semiconductor filed its Petition in the instant proceeding on September 16, 2016, and identified OSC, ON Semiconductor, and Falcon as

real parties in interest. Pet. 1. ON Semiconductor later filed updated mandatory notice information identifying as real parties in interest OSC and ON Semiconductor, as well as Fairchild International and Fairchild “as of September 19, 2016.” Paper 13, 2.

C. Analysis

ON Semiconductor states in its Petition that

[o]n November 18, 2015, ON Semiconductor Corporation, Falcon Operations Sub, Inc., and Fairchild Semiconductor International, Inc. (“Fairchild”) entered into an Agreement and Plan of Merger, which calls for Falcon Operations Sub, Inc. to be merged with and into Fairchild, with Fairchild surviving as a wholly-owned subsidiary of ON Semiconductor Corporation. The proposed merger has not yet closed. All of the requirements and closing conditions of the Agreement and Plan of Merger have not been satisfied, and it is uncertain when or whether the merger will close. Fairchild has had no role in the decision to file this Petition, the content of this Petition, or the preparation of this Petition. Fairchild did not contribute in any manner to the funding for this Petition. Fairchild is not a real party in interest or a privy of any petitioner. The real parties in interest do not control and have not controlled any litigation between any affiliate of Fairchild and [Patent Owner].

Pet. 1–2. Patent Owner argues that ON Semiconductor was in privity with Fairchild on September 16, 2016, because (1) all of the conditions precedent for the merger were fully satisfied, such that the merger should be “deemed complete” as of that date, (2) ON Semiconductor will have a full and fair opportunity to litigate the validity of the challenged claims in the district court case, which is ongoing, (3) ON Semiconductor had sufficient control over the district court case based on OSC’s settlement authority and the fact that the case was stayed, and (4) the Petition in this proceeding was timed to

inject delay in the district court case. Prelim. Resp. 2–10. As explained below, although some facts weigh against finding Fairchild to be a privy of ON Semiconductor on September 16, 2016, assessing the record as a whole, we are persuaded that privity existed on that date.

First, the timing of the Merger Agreement, and actions pursuant to that agreement, demonstrate a close relationship between ON Semiconductor and Fairchild (as the operating subsidiaries of the merging parties OSC and Fairchild International). By Friday, September 16, 2016, the primary conditions of the Merger Agreement—regulatory approval from multiple countries and tender of a majority of shares of Fairchild International—were satisfied. *See* Ex. 2003, 4; Ex. 2012 (stating that “the conditions to the acquisition of [Fairchild International]” and “receipt of required approvals, under applicable antitrust laws,” were “fully satisfied” on September 16, 2016); Ex. 2008, 11 (stating that “approximately 50.9% of the outstanding shares of common stock” had been tendered as of July 7, 2016). Indeed, OSC’s tender offer to purchase all outstanding shares of Fairchild International expired on September 16, 2016, and “was not extended,” indicating that no more shares could be purchased as part of the merger. *See* Ex. 2012. Thus, unlike the situation where regulatory approval was still pending and could be denied, or where a majority of shares might not be reached, it appears that all necessary prerequisites for the merger were completed by September 16, 2016.

On the other hand, the merger had not yet closed as of September 16, 2016. The fact that a merger or contract between two parties has not yet been executed could indicate that the parties are not in privity. For example, a merger may still be in the process of negotiation or certain actions may

need to be completed before the merger can close. But in assessing privity, we must take into account the practical situation between the parties at the relevant time. In this case, the Merger Agreement had been in place for nearly ten months, all regulatory approvals had been obtained, and the necessary majority of shares had been tendered as of September 16, 2016. Under these circumstances, finding that ON Semiconductor was not in privity with Fairchild on Friday, September 16, 2016—but was in privity after closing on the morning of the next business day, Monday, September 19, 2016—would put form over substance and ignore the practical situation that existed on September 16, 2016.³

Second, as explained above, we consider whether the relationship between ON Semiconductor and Fairchild was sufficiently close that it can be said that ON Semiconductor had, or will have, a full and fair opportunity to litigate the validity of the '373 patent claims in the district court case. *See supra* Section I.A. There is no question that ON Semiconductor will have a full and fair opportunity to litigate the validity of the challenged claims, given that the district court case is ongoing and OSC now owns both ON Semiconductor and Fairchild. As Patent Owner correctly recognizes, this is not a situation where it would be unfair to impose the one-year time bar on a petitioner based on a litigation that “completed years ago in which it did not participate.” *See* Prelim. Resp. 7. The fact that ON Semiconductor will

³ To be clear, we are not assessing privity based on any relationship between ON Semiconductor and Fairchild that existed *after* September 16, 2016. The press release, although dated September 19, 2016, is evidence of what occurred on September 16, 2016, and what the relationship between ON Semiconductor and Fairchild was on that date. *See, e.g.*, Ex. 2012 (describing what occurred “[o]n September 16, 2016”).

have a full and fair opportunity to litigate validity in the district court case weighs in favor of finding privity with Fairchild.

Third, the Merger Agreement provides OSC (ON Semiconductor's parent) some level of control over Fairchild's actions in the litigation between Patent Owner and Fairchild. Specifically, under the Merger Agreement, OSC could not "direct and control" the litigation prior to the effective date of the merger, but Fairchild could not settle the district court case or take a license to the '373 patent without OSC's written consent. Ex. 2004, 42–46. The district court case, however, was stayed during the entire pendency of the Merger Agreement (executed on November 18, 2015, and closed on September 19, 2016). *See* Ex. 3001, 6–7. Consequently, we agree with Patent Owner that OSC's settlement authority over the litigation is significant based on the facts of this particular case, given that "the only practical litigation activity" that could have occurred during that time would have been "out of court, i.e., settlement." *See* Prelim. Resp. 4–5. Further, OSC certainly will have control over the litigation, and a full and fair opportunity to litigate, going forward because it now owns Fairchild.

Again, there are certain facts to the contrary. ON Semiconductor asserts that Fairchild had "no role" in the decision to file or the content and preparation of the Petition in this proceeding, and "did not contribute in any manner to the funding" for the Petition. Pet. 2. Control of a proceeding is the primary consideration in the real party in interest analysis, which focuses on the non-party's relationship with the proceeding. *See supra* Section I.A. Although still a factor, we find it less relevant in determining privity in this case, where the required focus is on the relationship between the non-party and petitioner. *See id.* Taking into account all of the facts, we are persuaded

that Fairchild's lack of control over this proceeding is outweighed by the evidence discussed herein indicative of the relationship between ON Semiconductor and Fairchild as of September 16, 2016, when all requirements for the merger were in place.

Fourth, we agree with Patent Owner that this case raises timing concerns that 35 U.S.C. § 315(b) was intended to address. *See* Prelim. Resp. 6–7, 13. The district court case was stayed pending the original five petitions for *inter partes* review or covered business method patent review of the '373 patent. *See* Ex. 2005; Ex. 3001, 6–7. Nine days following the termination of the last of those proceedings (Case IPR2015-01998) on September 7, 2016, ON Semiconductor filed its Petition in this proceeding. Fairchild then argued to the district court that the stay should continue based on the new petition. Ex. 2011, 5–6. It is unclear why ON Semiconductor delayed in filing its Petition until September 16, 2016, particularly given that (1) its power of attorney for this proceeding was signed on March 28, 2016, and (2) the Petition mirrors the petition in Case IPR2015-01998 and asserts the same ground of unpatentability on which a trial was instituted on April 1, 2016.⁴ *See* Paper 2; IPR2015-01998, Paper 10. Regardless, the one-year time limit for filing a petition was meant to prevent “harassment via successive petitions by the same or related parties” and assure that all issues are “promptly raised and vetted.” *See Trial Practice Guide* at 48,759.

⁴ We also note that ON Semiconductor could have filed its Petition after institution in Case IPR2015-01998 and moved to be joined as a party. *See* 35 U.S.C. § 315(b) (providing that the one-year time bar “shall not apply to a request for joinder”).

On this record, and based on the particular facts of this proceeding, we are persuaded that ON Semiconductor was in privity with Fairchild on September 16, 2016, the date the Petition was filed.⁵ Because Fairchild was served with a complaint alleging infringement of the '373 patent more than one year beforehand, the Petition is time-barred under 35 U.S.C. § 315(b). Therefore, we do not institute an *inter partes* review on the asserted ground as to any of the challenged claims.

II. ORDER

In consideration of the foregoing, it is hereby:

ORDERED that the Petition is denied as to all challenged claims of the '373 patent.

⁵ From March 29, 2016, through August 11, 2016, ON Semiconductor filed twelve other petitions seeking *inter partes* review of other patents, in Cases IPR2016-00809, IPR2016-00995, IPR2016-01588, IPR2016-01589, IPR2016-01590, IPR2016-01592, IPR2016-01594, IPR2016-01595, IPR2016-01597, IPR2016-01598, IPR2016-01599, and IPR2016-01600. Other panels of the Board have determined that those petitions were not time-barred under 35 U.S.C. § 315(b) because ON Semiconductor and Fairchild International were not in privity as of the earlier petition filing dates. The records in those cases are different from the record before us. For the reasons explained herein, we are persuaded that the evidence presented and facts of this proceeding demonstrate that ON Semiconductor was in privity with Fairchild as of the date the Petition was filed in this proceeding, September 16, 2016.

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