

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

KINIK COMPANY,
Petitioner

v.

CHIEN-MIN SUNG,
Patent Owner

IPR2021-00638
U.S. Patent No.9,724,802

PATENT OWNER DR. CHIEN-MIN SUNG'S PRELIMINARY RESPONSE
TO PETITION FOR *INTER PARTES* REVIEW OF UNITED STATES
PATENT NO. 9,724,802 PURSUANT TO 35 U.S.C. §313 AND 37 C.F.R.
§42.107

Mail Stop PATENT BOARD
Patent Trial and Appeal Board
U.S. Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450
Submitted Electronically via PTAB E2E

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Exhibit	Description
Ex. 2001	Complaint for Patent Infringement (Dkt. 1) filed in <i>Sung v. Kinik</i> (Case No. 20-247-RGA) (D. Del.)
Ex. 2002	Petitioner's Opening Brief (Dkt. 13) In Support Of Its Motion To Stay filed in <i>Sung v. Kinik</i> (Case No. 20-247-RGA) (D. Del.)
Ex. 2003	Declaration of Thomas Hsieh In Support Of Petitioner's Motion To Stay filed in <i>Sung v. Kinik</i> (Case No. 20-247-RGA) (D. Del.)
Ex. 2004	Ordering Denying Motion to Stay Filed by Petitioner in <i>Sung v. Kinik</i> (Case No. 20-247-RGA) (D. Del.)

I. INTRODUCTION

Through the undersigned Counsel, Patent Owner Dr. Chien-Min Sung (“Dr. Sung” or “Patent Owner”) submits the following Patent Owner Preliminary Response pursuant to 37 C.F.R. § 42.107 (a) in response to the *Inter Partes Review* Petition filed by Petitioner Kinik Company (“Kinik”) against U.S. Patent No. 9,724,802 (“’802 Patent”).

Patent Owner respectfully requests that the Patent Trial and Appeal Board (the “Board”) decline to institute review of the ’802 patent because Petitioner has failed to establish standing required to support this proceeding.

The decision of whether to institute trial is statutorily within the discretion of the Board. Here, the issue of ownership surrounding the ’802 patent begs for the Board’s discretionary denial to institute the IPR trial requested here.

Specifically, a fiercely contested dispute over the question of who is the actual owner of the ’802 patent (and its family members) spans two countries and is pending in two tribunals; namely, in the District of Delaware and at the Court of First Instance in Taiwan. In addition, in Taiwan, three other related litigations(all involving the ownership of the ’802 patent’s family members) are pending before either the Supreme Court of Taiwan (the highest court in Taiwan) or the Court of Second Instance (which serves as an appellate court and hears appeals of decisions

by the Court of First Instance)—decisions that will likely have a significant impact on the ownership of the '802 patent.

Moreover, prudence and efficiency demand that such discretion be exercised to deny the petition in these circumstances. The alternative is that the Board might render a moot decision that is likely not binding on Kinik on the issue of unpatentability should Kinik be judicially found to have “complete ownership” of the '802 patent.

Because two tribunals spanning four courtrooms are already involved in reviewing and resolving the ownership dispute surrounding the '802 patent and its family members, the Board is respectfully requested to exercise its discretion in denying institution of trial over the '802 patent.

II. THE OWNERSHIP DISPUTE OVER THE '802 PATENT REQUIRES DENIAL OF THE PETITION TO INSTITUTE TRIAL

A. The Petitioner Has Claimed Ownership of the '802 Patent In U.S. and International Tribunals

Conspicuously absent in the IPR petition is any mention that the Petitioner has repeatedly claimed ownership of the '802 before the U.S. and Taiwanese courts. Until this ownership dispute is judicially decided, it would be inappropriate to consume the Board, party, and judicial resources to institute the present proceeding under these circumstances.

1. Petitioner Has Repeatedly Pointed to Its Joint Venture Agreement With Dr. Sung As Evidence of Ownership of the '802 Patent in U.S. and Taiwanese Courts

Dr. Sung, a U.S. citizen and a Taiwanese national, is the sole inventor of the '802 patent. He is a pioneer of so-called “diamond disk” technology and is the named inventor on over 400 domestic and foreign patents related to diamond disk technology, including chemical mechanical polishing (“CMP”) disk technology. CMP disks are an integral component in the manufacture of virtually every integrated circuit made today.

In 1996, Dr. Sung and Kinik executed a joint venture (“JV”) agreement (the “original JV Agreement”). Subsequently, the parties amended the original JV Agreement through a series of amendments and memoranda (“Amendments”) (Ex. 2002 at 16 n.43.) The original JV Agreement and the Amendments (collectively, “JV Agreements”) established a joint venture for manufacturing diamond tools. (*Id.* at ¶ 7.) According to Kinik, these JV Agreements govern the ownership of the '802 patent. This issue of ownership is now being adjudicated in two tribunals; namely, in the District of Delaware and at the First Instance of IP Court in Taiwan.

a. Petitioner Made Binding Representations in U.S. and Taiwanese Courts That It Is The Owner of The '802 Patent And That Taiwan Law Governs The Parties' Ownership Dispute

On February 20, 2020, Dr. Sung sued Kinik in the District of Delaware for infringing the '802 patent (*Sung v. Kinik*, No. 20-247-RGA (D. Del. 2020))

(“Delaware Action”). *See* Ex. 2001. Shortly thereafter, on June 10, 2020, Kinik filed a lawsuit in Taiwan (“Taiwan Action”) seeking declaratory judgment of Kinik’s ownership interest of, and right to practice, the ’802 patent. (Ex. 2002 at 11-12.) About a month later, on July 6, 2020, Kinik filed a Motion to Stay (“Stay Motion”) in the Delaware Action (which was denied by the Court; *see* Ex. 2004) seeking to stay Dr. Sung’s infringement suit pending resolution of the Taiwan Action involving the ownership of the ’802 patent as well as three other pending Taiwan litigations involving the ownership of ’802 patent’s family members. (Ex. 2002 at 4-5.) These three Taiwan litigations are currently under review by either the Supreme Court of Taiwan or the Court of Second Instance. (Ex. 2002 at 7-11.)

In its Stay Motion, Kinik and its CEO Mr. Thomas Hsieh claimed that the JV Agreements provide Kinik with “complete ownership” of “patents generated from the joint venture of Dr. Sung and Kinik.” (Ex. 2002 at 5-6; Ex. 2003 at ¶ 9.) These patents include the ’802 patent as well as its family members (“JV Patents”) because the ’802 patent and its family members, according to Kinik and its CEO, were purportedly developed during the joint venture (Ex. 2002 at 6; Ex. 2003 at ¶ 10-11), and that Dr. Sung was under obligation “to transfer to Kinik complete ownership of the JV Patents by no later than January 7, 2014.” (Ex. 2003 at ¶ 10-11; Ex. 2002 at 6.) As evidence of its purported ownership of the ’802 patent, Kinik pointed to the priority chain of the ’802 patent, including “provisional

applications that were filed in 2005, 2007, and 2009-2011, which are during the parties' joint venture and before the expiration of the term of the JV Agreement.” (Ex. 2002 at 6-7.) Kinik and its CEO also pointed out that “the technical content of the '802 Patent” is disclosed in a corresponding Taiwanese Patent No. TW 101112625 (“Taiwan '625 Patent”) where, according to Kinik, “the Taiwanese courts have already held that Taiwan '625 Patent indeed resulted from the parties' joint venture.” (Ex. 2002 at 7; *see also* Ex. 2003 at ¶ 13.)

Additionally, Kinik informed the Court in the Delaware Action that “patent ownership and the rights to practice with respect to the '802 Patent . . . fall squarely within the scope of the JV Agreements that must be adjudicated by the Taiwanese courts in accordance with Taiwan law.” (Ex. 2002 at 13.) In support of this claim, Kinik pointed to the fact that “the JV Agreements are mostly in Chinese and were executed in Taiwan under Taiwan law.” (Ex. 2002 at 16; *see also id.* n.43.) As Kinik itself admits, PTAB is not the proper forum; instead, the Taiwanese courts “have a material interest in adjudicating the interpretation of the Taiwanese JV Agreements because they were executed between a Taiwanese company [Kinik] and a Taiwanese national [Dr. Sung].” (Ex. 2002 at 16.)

Based on Kinik's own admission, the court system, not the Board, is best equipped to resolve the parties' ownership dispute because courts are able to apply

contract law, whether U.S. or Taiwan, in interpreting the JV Agreements and deciding on the ultimate ownership of the '802 patent.

2. The Board Should Deny Institution Because Kinik's Standing Is Disputed And That The Board Has No Statutory Mechanism To Resolve The Ownership Dispute Surrounding The '802 Patent

The AIA defines a “party” to an IPR proceeding as “at least the petitioner and the patent owner.” 37 C.F.R. § 42.2. In order for a trial to begin, a petition must also identify “all real parties in interest.” 35 U.S.C. § 312. Thus, an IPR trial may not proceed unless the true patent owner (and the true petitioner) is a party to the proceeding.

Dr. Sung was identified as the Patent Owner by the Petitioner and Dr. Sung maintains that he is the actual owner of the '802 patent. However, as alluded to above, Dr. Sung's ownership in the '802 patent has been challenged by Kinik in two different forums with Kinik repeatedly asserting that it is the owner of the '802 patent. Therefore, both Kinik and Dr. Sung believe that they are the actual owner of the '802 patent. If Kinik were found to be the true owner of the '802 patent in the Delaware or Taiwan Action, Kinik surely would not and could not challenge the validity of the '802 patent as a petitioner in the proposed IPR proceeding. In that same vein, Dr. Sung would lack standing to defend in this proceeding if the court in either the Delaware or Taiwan Action grants Kinik “complete ownership”

of the '802 patent.¹ In this latter scenario, Kinik's challenges to the patentability of the '802 claims could not be answered by any party. But in all cases, ***neither the AIA nor any controlling statute provide the means by which Kinik can challenge the patentability of the '802 patent as both a petitioner and a patent owner in the same IPR proceeding.***

The AIA requires participation of the “patent owner.” Kinik's judicial contentions regarding ownership ***must be accepted as true*** by the Board for purposes of determining statutory authority to proceed. See Fed. R. Civ. P. 11. If Kinik's ownership contentions are assumed by the Board to be true, this proceeding has not complied, and cannot comply, with a number of applicable statutory provisions—the AIA is replete with references to “the patent owner,” including (but not limited to): “the patent owner shall have the right to file a preliminary response to the petition (35 U.S.C. § 313); and “The Director shall prescribe regulations . . . (8) providing for the filing by the patent owner of a response to the petition under section 313 after a post-grant review has been instituted . . . (35 U.S.C. § 316(a)(8)). Similarly, the petitioner must be one who has been “served with a complaint alleging infringement of the patent.” See 35

¹ Unlike the patent owner in *Legend3D Inc. v. Prime Focus Creative* in which the Board found that the patent owner had standing where not all owners were properly identified because “[a]n owner of a part interest in the subject patent may move to act to the exclusion of an inventor or a co-owner,” Dr. Sung's standing as a patent owner would be completely eviscerated by Kinik's “complete ownership” claim, if judicially granted. See *Legend3D Inc. v. Prime Focus Creative Services Canada Inc.*, IPR2015-01350, Paper 12 at *5 (P.T.A.B., Nov. 19, 2015) (Kinder, APJ).

U.S.C. § 315(b). If Kinik is correct that it owns the '802 patent, these statutory provisions have not been met (e.g., Kinik has not filed a preliminary patent owner response and has not been served with a complaint alleging infringement of the '802 patent as the true patent owner) and, in cases where the specified action has already occurred, cannot be met.

To that end, even where no petitioner remains (e.g., where, hypothetically speaking, Kinik were judicially found to be the true owner and subsequently withdraws from the IPR proceeding after such a finding), ***the standing issue remains since there is no controlling statute that would allow Kinik, a once-petitioner, to “substitute in” as the new patent owner.*** The integrity of any resulting instituted proceeding would also be called into question because a “former” or “false” patent owner cannot make arguments or statements in an IPR proceeding that could bind the actual patent owner. Thus, the Board risks invalidating a patent in a proceeding that is devoid of constitutional due process.

More fundamentally, there is no statutory mechanism for the Board to resolve the ownership of a patent. As patents statutorily have the “attributes of personal property,” only Article III courts have the authority to decide on ownership. See 35 U.S.C. § 261; see also 35 U.S.C. § 311 (restricting IPR to only “ground that could be raised under section 102 or 103”). No statutory grant of authority to the Board for resolution of ownership disputes exists, and the

governing regulations contain no suggestion of procedures by which the Board could resolve such ownership disputes. Accordingly, the Board should not institute this IPR proceeding until the judicial adjudication of Petitioner's ownership contentions becomes final.

Kinik also admits this much when it argued in the Delaware Action that “[a] temporary stay of the present action, while ***the questions regarding the ownership of and right to practice the '802 Patent are resolved in the Taiwan Litigations,*** will allow for the most efficient use of time and resources for the parties and the Court, since ***those issues are governed by Taiwan law and are dispositive of whether Dr. Sung has standing to bring the present suit.***” (Ex. 2002 at 4.)

The existence of the parties' pending ownership dispute, regardless of what the U.S. or Taiwanese court decides and how long such a ruling would take, dictates that the present Petition be denied. If this IPR proceeding were instituted and Kinik were found to be the actual owner of the '802 patent, then the legitimacy of this IPR proceeding as well as its outcome would be in serious question as the AIA does not provide any authority that would allow a patent owner to challenge its own patent via IPR (in addition to the fact that Kinik would not meet the AIA requirement that the petitioner (not the patent owner) must have been served with an infringement complaint; 35 U.S.C. § 315(b)). If this happens, the IPR proceeding would also be a wasted effort with a questionable and potentially non-

binding resolution since Dr. Sung and Kinik would have no standing to defend and challenge the '802 patent, respectively.

Given the possibilities that both parties may lack standing and that the outcome of this IPR proceeding, if instituted, may not be binding, this IPR petition begs for a discretionary denial from the Board. Moreover, prudence and efficiency demand that such discretion be exercised to deny the petition in these circumstances. The alternative is that the Board might render a moot, non-binding, and worthless decision after spending 15 months (from the filing of this response) to resolve the issue of unpatentability.

For all of the foregoing reasons, the Board should exercise its discretion under § 314(a) and deny the Petition because institution of this proceeding would not be consistent with the objective of the AIA to “provide an effective and efficient alternative to district court litigation.”

III. CONCLUSION

For at least the foregoing reasons, Petitioner's IPR petition should be denied.

Dated: June 10, 2021

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CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME LIMITS

This Patent Owner Preliminary Response consists of 2,417 words, excluding cover page, table of contents, table of authorities, certificate of service, this certificate, or table of exhibits. The POPR complies with the type-volume limitation of 14,000 words as mandated in 37 C.F.R. §42.24. In preparing this certificate, counsel has relied on the word count of the word-processing system used to prepare the paper (Microsoft Word).

Respectfully submitted,

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CERTIFICATE OF SERVICE

Pursuant to 37 C.F.R. § 42.6(e), the undersigned certifies that on June 10, 2021, the foregoing document is being served via electronic mail upon the following counsel of record for Petitioner:

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