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THE CAFC DECIDES ON CERTAIN RULES RELATING TO IPR PROCEEDINGS

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The U.S. Court of Appeals for the Federal Circuit (CAFC) recently decided two precedential cases relating to *inter partes* review (IPR) proceedings.

(1) In *Fairchild (Taiwan) Corporation v. Power Integrations, Inc.*, Fairchild (owner of U.S. Patent No. 7,259,972, "the '972' patent'') sued Power Integrations for infringement of certain patents, including the '972 patent. Pertinent claims of the '972 patent include:

(a) a first set of claims (claims 6, 7, 18, and 19) raised at trial, and
(b) a second set of claims (claims 1, 2, 5-7, 11, 12, 15, 17-19, 22, 32, 34, and 52-66) subjected to a later IPR proceeding.

On trial, the jury found the first set of claims (claims 6, 7, 18, and 19) valid and infringed. On appeal, the CAFC similarly found the first set of claims valid, but not infringed.

Power Integrations requested an *inter partes* reexamination of the second set of claims (claims 1, 2, 5-7, 11, 12, 15, 17-19, 22, 32, 34, and 52-66) of the '972 patent. The Examiner rejected this second set of claims under 35 U.S.C. §103(a), and the U.S. PTO Board affirmed the Examiner's rejection.

Fairchild brought a motion to vacate and remand the Board's decision based on the CAFC's earlier decision of validity. In deciding on Fairchild's motion, the CAFC cited the case of *Function Media, L.L.C. v. Kappos*, and held that:

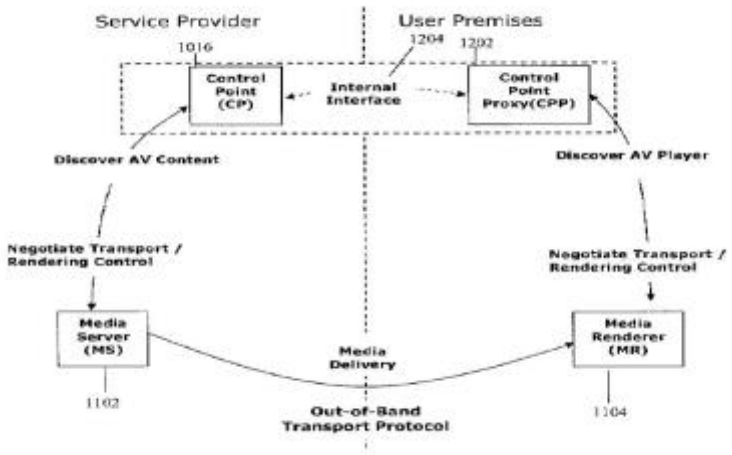
> [i]f a defendant brought an invalidity challenge in a district court and was unsuccessful, it is not permitted to bring the same challenge in an *inter partes* reexamination.

Therefore, the first set of claims (claims 6, 7, 18, and 19) remain valid based on the CAFC's earlier decision of validity.

As to the second set of claims subjected to the IPR proceeding, Fairchild did <u>not</u> appeal the U.S. PTO Board's decision affirming the rejection of these claims in the IPR proceeding, and therefore has <u>abandoned</u> its appeal on these claims. A Certificate of Reexamination invalidating claims 1, 2, 5, 11, 12, 15, 17, 22, 32, 34, and 52-66 was thus ordered.

(2) In *Aylus Networks, Inc. v. Apple Inc.*, the issue is "whether statements made by the patent owner made during an IPR proceeding can be relied on to support a finding of prosecution disclaimer during claim construction." The patent at issue is U.S. Patent No. RE 44,412 ("the '412 patent'').

Below is an illustration of the network described in the '412 patent:



A representative claim at issue is as follows:

[Claim] 2. The method of claim 1, *wherein the CPP [Control Point Proxy] logic is invoked to negotiate media content delivery between the MS [Media Server] and the MR [Media Renderer]* if the MS and MR are both in communication with the UE [User Endpoint] via a local wireless network.

During the IPR proceedings, Aylus repeatedly argued, consistent with the language of claim 2, that if "the MS and MR are both in communication with the UE via a local wireless network, then *only* the CPP [logic] is invoked to negotiate media content delivery between the MS and the MR." (Emphasis in original.) Aylus further explained that this method is important in reducing the use of expensive bandwidth by implementing the least-cost routing decision.

The CAFC agreed with the district court in deciding that Aylus statements during the IPR proceedings regarding the representative claim 2:

> constitute a *clear and unmistakable surrender* of methods invoking the CP logic in the negotiation of media content delivery between the MS and the MR if the MS and MR are both in communication with the UE via a local wireless network. [Emphasis added.]

Prosecution disclaimer, according to the CAFC, therefore applies, and because Apple Inc. practices what Aylus has surrendered, the judgment of non-infringement in favor of Apple Inc. is affirmed.

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