

PTAB's Institutions of IPRs Found Immune from Arbitration

In re: Maxpower Semiconductor, Inc., No. 2021-146 (Fed. Cir. September 8, 2021)

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On September 8, 2021, the Federal Circuit, (“CAFC”), found that the Patent Trial and Appeal Board’s (“PTAB”) decision to institute *inter partes* review (“IPR”) of four MaxPower patents, despite an agreement to arbitrate disputes regarding those patents, was unappealable. The CAFC also denied granting a writ of mandamus to stay or terminate the IPRs.

The dispute arose between ROHM Semiconductor (“ROHM”) and MaxPower Semiconductor (“MaxPower”) over four patents relating to semiconductors. In 2007, ROHM and MaxPower entered into a technology licensing agreement (“TLA”) allegedly covering the four patents, which included an agreement to arbitrate “[a]ny dispute, controversy, or claim arising out of or in relation to this Agreement or at law, or the breach, termination, or validity thereof.” Ultimately, by 2019, disputes arose between ROHM and MaxPower regarding whether the TLA covered ROHM’s products. In early September 2020, MaxPower notified ROHM of its intent to initiate arbitration. On September 23, 2020, ROHM filed (1) a declaratory judgment of noninfringement of the four MaxPower patents, and (2) four IPR petitions on the same four patents. While the district court promptly dismissed ROHM’s declaratory judgment action, stating that the TLA “unmistakably delegate[s] the question of arbitrability to the arbitrator,” the PTAB instituted ROHM’s petitions, finding “the arbitration clause is not a reason to decline institution.”

The CAFC began by citing to 35 U.S.C. § 314(d), which states that “[t]he determination by the Director whether to instate an [IPR] under this section shall be final and nonappealable.” The majority then rejected MaxPower’s argument regarding the collateral estoppel doctrine because MaxPower would have the opportunity to raise its arbitration-related challenges after the PTAB decides the IPRs. The majority then stated that the permissible appeals enumerated in 9 U.S.C. § 16(a)(1) did not apply to the PTAB’s decision to institute IPRs. Finally, the majority stated that (1) MaxPower failed to meet its burden of meeting the “demanding standards for mandamus,” (2) the “Board is not bound by the private contract between MaxPower and ROHM,” and (3) 35 U.S.C. § 294 “does not by its terms task the agency with enforcing private arbitration agreements.”

However, the dissent noted that Congress intended for agreements to arbitrate patent validity to be “valid, irrevocable, and enforceable” under 35 U.S.C. § 294 and that the majority opinion would add “a new caveat to Congress’s clear instruction” regarding arbitration with respect to IPRs. Such an exception runs afoul of the “strong policy favoring arbitration repeatedly confirmed by the Supreme Court.” Accordingly, the dissent believed that the PTAB needed to only “defer to the arbitration agreement by staying or terminating its own proceedings until the arbitration issue is resolved,” and the majority and PTAB instead permitted ROHM to “escape resolution in an arbitral forum.”

Although non-precedential, this decision is important because it permits parties to circumvent agreements to arbitrate regarding patent validity by seeking an IPR. While the majority does not foreclose an appeal on arbitrability of the issue *after* the PTAB’s decisions, this decision may permit the first step to weakening strong policies favoring arbitration. Additionally, although not directly addressed by the CAFC, a party avoiding arbitration in this manner may open itself up to a claim of breach of the arbitration agreement in a separate action.