

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

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

v.

POWER INTEGRATIONS, INC.,
Patent Owner.

Case IPR2016-00809
Patent 6,212,079 B1

Before THOMAS L. GIANNETTI, DANIEL N. FISHMAN, and
KERRY BEGLEY, *Administrative Patent Judges*.

FISHMAN, *Administrative Patent Judge*.

ORDER

Granting-In-Part Patent Owner's Request for Rehearing and
Denying-In-Part Petitioner's Motion to Exclude
37 C.F.R. § 42.71(d)

I. INTRODUCTION

Power Integrations, Inc. (“Patent Owner”) requests rehearing (Paper 71, “Req.”) of our Final Written Decision (Paper 67, “Dec.” or “Decision”) determining that the challenged claims (31, 32, 34, 38, 39, and 42) of U.S. Patent No. 6,212,079 B1 (“’079 patent”) are unpatentable as obvious over the combination of Oda¹ and Nakamura². For the reasons below, the request is *granted-in-part*.

II. LEGAL STANDARD

In a request for rehearing, “[t]he burden of showing a decision should be modified lies with the party challenging the decision,” and “[t]he request must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed” in the record. 37 C.F.R. § 42.71(d). A request for rehearing is not an opportunity to present new arguments. *See id.*

III. DISCUSSION

A. *Oda Translation*

Patent Owner argues our Decision “includes a prejudicial misapprehension of fact” in finding that “Patent Owner did not avail itself of the opportunity to cross-examine Mr. Johnson to inquire regarding his independence in the translation process or the basis for any alleged errors in

¹ Japanese Unexamined Patent Application Publication JP H10-323028. Ex. 1029. Exhibit 1029 is a certified English translation of the original Japanese document, Exhibit 1027.

² Japanese Unexamined Patent Application Publication JP S59-144366. Ex. 1050. Exhibit 1050 is a certified English translation of the original Japanese document, Exhibit 1048.

his translation.” Req. 4 (quoting Dec. 58). Patent Owner contends it “had no such opportunity, because the Board’s ruling in Paper 24 precluded Patent Owner from cross-examining this witness on the exact topics referenced in the FWD.” *Id.* (emphasis omitted).

We are not persuaded that we erred in this regard or misapprehended any argument of Patent Owner regarding this issue. To the extent our Decision indicated Patent Owner failed to avail itself of the opportunity to cross-examine Mr. Johnson regarding the accuracy of his translation, this was in reference to Patent Owner’s opportunity to cross-examine Mr. Johnson in *routine discovery* as permitted by our rules. *See* 37 C.F.R. § 42.51(b)(1)(ii). In this, our statement was correct. Nothing in the record indicates that Patent Owner attempted such cross-examination of Mr. Johnson under *routine discovery* in accord with our rules regarding the accuracy of his translation as attested to in his affidavit (Ex. 1028). Instead, in a conference call on November 16, 2016, Patent Owner requested authorization to file a motion for *additional discovery* under § 42.51(b)(2) to examine Mr. Johnson regarding the degree of independence of Mr. Johnson in preparing his translation. We determined that this was a request for additional discovery because the degree of independence in Mr. Johnson’s translation is not a subject within the scope of Mr. Johnson’s affidavit. Paper 24, 5 (“The issue of independence of the translator’s activity, or lack thereof, is beyond the scope of the translator’s affidavit and, thus, Patent Owner’s request amounts to a request for authorization to file a Motion for Additional Discovery (i.e., under 37 C.F.R. § 42.51(b)(2)) to compel the requested cross-examination testimony beyond the scope of the translator’s direct testimony.”). We, therefore, denied Patent Owner authorization to file

a motion for additional discovery because we determined that Patent Owner had failed to meet the threshold of, at least, the third *Garmin* factor (ability to generate equivalent information by other means) by providing “its own expert translator to counter the translation provided by Petitioner’s translator.” *Id.*; see *Garmin Int’l, Inc. v. Cuozzo Speed Techs. LLC*, Case IPR2012-00001, slip op. at 6–7 (PTAB Mar. 5, 2013) (Paper 26) (precedential).

Patent Owner does not convince us that it has been prejudiced by the alleged misapprehension of fact. Req. 7. Patent Owner, instead, wants the opportunity to reargue the merits of its request for additional discovery, which is not proper on a request for rehearing of a final decision. Accordingly, we are not persuaded that we overlooked or misapprehended any fact or argument in determining that Patent Owner failed to avail itself of the opportunity to cross-examine Mr. Johnson.

For the reasons above, we are not persuaded that we overlooked or misapprehended a fact in finding Patent Owner did not avail itself of an opportunity to cross-examine Mr. Johnson to inquire regarding his lack of independence or any alleged errors in his translation of Oda.

B. Exclusion of Portions of Mr. Matthews’s Testimony

Petitioner filed a Motion to Exclude as inadmissible hearsay paragraphs 13–15, 17, 26, 29, 31, and 34–37 of Exhibit 2032 (Mr. Matthews’s Declaration) in which he testified regarding comments he received from customers pertaining to their reasons for purchasing, or not purchasing, power supply controller products from Patent Owner. Paper 47 (“Pet. Mot.”), 10–12. Our Decision granted Petitioner’s request to exclude

these paragraphs, determining Mr. Matthews's statements regarding customers to be "the epitome of hearsay." Dec. 62–64.³

Patent Owner contends our Decision overlooked "key issues" in our ruling excluding as hearsay the above-identified paragraphs, by failing to consider a District Court's ruling that the same elements were not hearsay and, by failing to consider Patent Owner's arguments that the statements relating to customer remarks fall within a "state of mind" exception to the rules against hearsay. Req. 7–11.

The identified paragraphs of Mr. Matthews's Declaration include testimony regarding what customers said to him about important features that influenced their decision to purchase power supply controllers from Power Integrations and/or from competitors. *See, e.g.*, Ex. 2032 ¶¶ 13–15 (recalling customer remarks that they needed a single power supply to meet the President's one-watt executive order), 17 (recalling "about a dozen customers" that switched to a competitor's products that integrated features of the '079 patent at a lower cost), 26 ("customers required a low output ripple and high standby efficiency"), 29 ("customers were willing to pay

³ Our Decision also granted Petitioner's Motion to Exclude paragraphs 8, 10, and 19 of Mr. Matthews's Declaration as hearsay. Dec. 64–65. In paragraphs 8 and 10 of Exhibit 2032, Mr. Matthews testifies about product demonstrations by Mr. Balakrishnan at meetings Mr. Matthews did not attend. Instead, Mr. Matthews's testimony relates to his understanding of events at those meetings based on Mr. Balakrishnan's testimony in a related litigation. *See* Ex. 2032 ¶¶ 8, 10. In paragraph 19 of Exhibit 2032, Mr. Matthews testifies regarding the volume of sales of Patent Owner's products based on prior testimony by Dr. Putnam in a related litigation but does not testify to any personal knowledge of that number. *See id.* ¶ 19. We do not perceive Patent Owner's Request for Rehearing to argue that the "state of mind" exception should have been addressed in our Decision excluding paragraphs 8, 10, and 19 as hearsay.

more [] because it was the only way to meet the specifications they had to meet”), 31 (“[i]t is clear [] from my own interactions with customers, that the commercial success [] is directly tied to [] inclusion of the ’079 patented invention”), and 34–37 (recalling discussions with customers comparing features and costs of competing products that use features of the ’079 patent).

We are persuaded by Patent Owner that our Decision overlooked the issue of whether Mr. Matthews’s statements regarding customers’ comments, after finding them to be hearsay, fall within the “state of mind” exception of Federal Rule of Evidence (“FRE”) § 803(3). Patent Owner argued in its Opposition to Petitioner’s Motion to Exclude that these statements fall within the hearsay exception under FRE 803(3) because the statements are expressing the state of mind of customers in their decisions to purchase power supply controllers from Power Integrations. Paper 55, 10–11. Our Decision overlooked this aspect of Patent Owner’s argument. Although we stand by our determination that the identified paragraphs are “the epitome of hearsay,” we are persuaded that the testimony of these identified paragraphs falls within the exception of FRE § 803(3) as admissible evidence of the state of mind of customers.

Accordingly, we modify our Decision to *deny* Petitioner’s request to exclude as hearsay paragraphs 13–15, 17, 26, 29, 31, and 34–37 of Exhibit 2032 and determine that these statements fall within the exception of FRE § 803(3) as admissible evidence of the state of mind of customers.

Turning now to consider the above-identified paragraphs as newly admissible evidence, Patent Owner proffered Mr. Matthews’s testimony as evidence in support of its assertions of commercial success—i.e., evidence

of secondary considerations of non-obviousness. PO Resp. 52–58. In particular, Patent Owner referred to Mr. Matthews’s testimony in support of its contention that the claimed feature of maintaining pulse width modulation control in both fixed frequency and frequency reducing modes was important to the commercial success of Patent Owner’s products. *Id.* at 53–55 (citing Ex. 2032 ¶¶ 12–15, 21–27).

However, Mr. Matthews’s previously excluded testimony regarding the state of mind of customers adds little weight to the evidence of commercial success that we already addressed in our Decision. Specifically, our Decision observed that Mr. Matthews also previously testified that features customers liked about Patent Owner’s products varied on a customer-by-customer basis. Dec. 35 (citing Ex. 1075, 6). We also observed that Mr. Renouard (Patent Owner’s Vice President of Worldwide Sales) testified that other features of Patent Owner’s products drove sales of the products, features other than the key disputed feature of maintaining pulse width modulation control in both fixed frequency and frequency reducing modes. *Id.* (citing Ex. 1071, 9, 12 (referring to other features as the “key” and “granddaddy” of features that drove sales)). Our Decision determined “[s]uch conflicting testimony diminishes the weight we ascribe to Mr. Matthews’s testimony regarding key features driving customer purchase decisions.” *Id.* For the same reasons, Mr. Matthews’s testimony in the newly admitted identified paragraphs is out-weighed by the contrary testimony regarding other features that influenced customers’ purchases.

Patent Owner further relies on Mr. Matthews’s previously excluded testimony in support of its assertion that there is a nexus between the key feature of maintaining pulse width modulation control in both fixed

frequency and frequency reducing modes and the commercial success of certain of Patent Owner's products. Paper 55, 55–58 (citing Ex. 2032 ¶¶ 28–35).

However, in our Decision, we expressly concluded that, even if we consider th[e excluded] testimony [of Mr. Matthews] regarding customer feedback, it would not impact our conclusion in view of the record evidence, discussed below, that undermines a showing of nexus, including Patent Owner's sales chart comparing FX and GX sales, the existence of additional members of the GX family providing higher power capabilities, and conflicting testimony from Patent Owner's witnesses regarding features that were important to customers. Dec. 32 n.13. In addition, we determined that, even assuming adequate support for a nexus, there was insufficient evidence in support of the alleged commercial success. *Id.* at 36–37 (“Without evidence of market share, we have no way to determine the impact that the GX product family had on a specific market, and hence, its commercial success as objective evidence of non-obviousness.”).

Having considered the record anew in light of Mr. Matthews's previously excluded testimony regarding the state of mind of Patent Owner's customers, we remain persuaded that it adds nothing to cure this fundamental deficiency in Patent Owner's arguments regarding commercial success of its products. The newly admitted testimony of Mr. Matthews adds little weight to the other evidence we had considered regarding Patent Owner's assertions of commercial success as objective indicia of non-obviousness. Mr. Matthews's testimony regarding customers' states of mind amounts to little more than imprecise, anecdotal, recollections rather than more meaningful, statistically significant, customer survey information from a broad base of customers in the relevant marketplace. Thus, adding

Mr. Matthews's previously excluded testimony to the evidence of record does not change our ultimate determination that the challenged claims have been shown, by a preponderance of the evidence, to be unpatentable.

IV. CONCLUSION

We have reviewed all of the arguments in the Request for Rehearing and find them to be persuasive that we erred in excluding, as inadmissible hearsay, portions of Mr. Matthews's Declaration.

Accordingly, we grant Patent Owner's Request for Rehearing and modify our decision to *deny* Petitioner's Motion to Exclude paragraphs 13–15, 17, 26, 29, and 31–37 of Exhibit 2032.

We further modify our Decision to consider the previously excluded portions of Mr. Matthews's Declaration as evidence of commercial success of Patent Owner's products indicative of objective evidence of non-obviousness. However, our ultimate determination of unpatentability, based on a preponderance of the evidence, remains unchanged.

V. ORDERS

In view of the foregoing discussion, it is hereby:

ORDERED that Patent Owner's Request for Rehearing is *granted* with respect to its request that we modify our decision granting Petitioner's Motion to Exclude, but is *denied* with respect to its request that we modify our finding that Patent Owner did not avail itself of an opportunity to cross-examine Mr. Johnson regarding the accuracy of his translation;

FURTHER ORDERED that, based on our Final Written Decision (Paper 67) and the instant decision, claims 31, 32, 34, 38, 39, and 42 of the '079 patent are *unpatentable*; and

FURTHER ORDERED that Petitioner's Motion to Exclude paragraphs 13–15, 17, 26, 29, 31, and 34–37 of Exhibit 2032 is *denied*.

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