

Judge: patent defense not barred by statutory estoppel

Case maps standards for 'prior art' searches

By Pat Murphy

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SAYLOR
Addresses issues of 1st impression

A patent infringement defendant was not statutorily estopped from raising invalidity defenses based on new "prior art" references the company failed to discover in the course of a preliminary administrative review of the claims concerning the plaintiff's patent, a U.S. District Court judge has decided.

Plaintiff Palomar Technologies sued defendant MRSI Systems for allegedly infringing a patented method for the precision attachment of machined parts to one another.

The Patent Trial and Appeal Board granted the defendant's request for an inter partes review to address the defendant's contention that the plaintiff's patent was anticipated and obvious in light of certain prior art. After the board upheld the validity of all but one of

the first of its kind in the country.

In addition, the defense attorneys said Saylor's decision addressed issues of first impression that arose in the wake of the U.S. Supreme Court's decision in *SAS Institute, Inc. v. Iancu*. The court held in the 2018 case that when the U.S. Patent and Trademark Office institutes an inter partes review, it must decide the patentability of all the claims the petitioner has challenged.

"This opinion is likely to lay an important foundation for future decisions on the application of IPR estoppel," defense counsel said of Saylor's ruling.

They also found particularly instructive Saylor's decision to discount the opinions of the plaintiff's expert as to the reasonableness of the defendant's prior art search before the IPR because that opinion was formulated with the benefit of hindsight.

Springfield patent attorney J. Kevin Grogan said he was impressed that Saylor's decision reflected the realities facing patent attorneys in searching for prior art, which is generally defined as all publicly available information in any form before a given date that might be relevant to a patent's claims of originality.

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anticipation or obviousness in light of five prior art references.

The PTAB issued a final written decision in 2017 that upheld the validity of 47 of the plaintiff's 48 claims relating to the '327 Patent.

Back in federal court, the defendant filed invalidity and non-infringement contentions based on two prior art references that had not been raised during the course of the IPR. The plaintiff moved for partial summary judgment arguing that, pursuant to §315(e)(2), the defendant was estopped from using those references to challenge the validity of its patent.

In October 2019, the judge conducted an evidentiary hearing on the issue of whether statutory estoppel applied to the two prior art references.

prior-art reference could not reasonably ... have been raised in the IPR proceeding."

Finding the plaintiff made a prima facie showing of estoppel and that the defendant did not have actual knowledge of the disputed references before the PTAB, Saylor turned to the question of whether a skilled searcher conducting a diligent search reasonably could not have been expected to discover those references. The plaintiff's expert opined that a skilled researcher would have done so.

However, Saylor concluded that the expert's testimony was flawed in that it was influenced by "hindsight analysis."

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the plaintiff's 48 patent claims, the defendant sought to raise in federal court additional invalidity defenses based on prior art not raised in the IPR proceeding.

The plaintiff moved for partial summary judgment, arguing the defendant was barred from raising the new defenses pursuant to statutory estoppel under 35 U.S.C. §315(e)(2).

In a wide-ranging opinion addressing issues of first impression, Chief Judge F. Dennis Saylor IV crafted a burden-shifting framework for addressing assertions of "IPR estoppel." He also identified factors to consider in determining whether a party's search for prior art achieved a standard of reasonableness such that statutory estoppel would not apply.

He concluded that estoppel did not apply to bar MRSI's newly advanced invalidity defenses.

"Because both the subjective and objective prongs [of the estoppel bar] have been resolved in favor of MRSI, the statutory estoppel bar of §315(e)(2) will not prohibit it from asserting invalidity grounds based on the [disputed prior art] references," Saylor wrote.

The 32-page decision is *Palomar Technologies, Inc. v. MRSI Systems, LLC*, Lawyers Weekly No. 02-213-20. The full text of the ruling can be found at masslawyersweekly.com.

Case of 'firsts'

The defendant is represented by Peter A. Nieves and Robert R. Lucic, of Manchester, New Hampshire, and New York attorney Brian P. Gearing. The defense team declined to comment on the case individually, instead issuing a joint statement in which it noted that the three-day bench trial on IPR estoppel was

so much data and so many sources to search that you're just overwhelmed."

It is important for prior art searches to be conducted employing a variety of strategies so as to reduce the risk of missing relevant information, he added.

"You really need to approach searching in a lot of different ways," Grogan said. "I've never relied on word searches alone. Something can always be called something else and you just miss it. It's not perfection. You can't have that high a standard."

Boston intellectual property litigator Thomas P. McNulty said Saylor made wise choices in terms of allocating the burdens of proof and persuasion in determining whether estoppel applies.

"The Federal Circuit hadn't spoken on the issue of the allocation of the burdens," McNulty said. "It's good to have an established framework to look at. At least we know where we're starting from."

Boston attorney Randy J. Pritzker represents the plaintiff. Pritzker did not respond to a request for comment.

Estoppel claim

The plaintiff is the owner of the '327 Patent, which relates to a method used to attach electronic applications, dies or semiconductor devices to circuit bodies. In 2016, the plaintiff sued the defendant, alleging the defendant's manufacturing operations employed a method that infringed on the '327 Patent.

The defendant responded by petitioning the PTAB for inter partes review of all 48 claims relating to the '327 Patent. All of the defendant's grounds for invalidity alleged

Reasonable search

Section 315(e)(2) provides that a petitioner in an inter partes review of a patent claim that results in a final written decision may not assert that the claim is invalid "on any ground that the petitioner raised or reasonably could have raised during that inter partes review."

Saylor recognized that it was well established that a prior art reference not raised in an IPR proceeding is subject to §315(e)(2)'s statutory bar if: (1) the petitioner actually knew of the reference; or (2) "a skilled searcher conducting a diligent search reasonably could have been expected to discover the reference."

The judge noted that the statute does not expressly allocate the burden of proof on those issues and that the Federal Circuit, which has exclusive appellate jurisdiction in patent cases, has not addressed them.

In the absence of statutory or appellate guidance, Saylor concluded that the "most sensible solution" is to allocate the burden of proof in a manner similar to statutes of limitations and discovery rules, meaning that "the initial burden to assert estoppel should be on the party seeking to invoke it (by raising it as a defense, and making a prima facie showing that it applies), after which the burden shifts to the responding party to show that the

the challenged patent (otherwise, the party would not be attempting to assert the disputed reference)," he wrote. "It stands to reason, therefore, that in hindsight there will almost always be a seemingly simple search pathway that could have led a searcher from the patent to the reference."

In holding that estoppel did not apply, Saylor concluded that the evidence demonstrated the defendant conducted an objectively reasonable search. In that regard, the judge noted the hours invested by the defendant's patent professional in conducting the search.

"A reasonably diligent searcher, in this case, could conclude after spending more than 30 hours searching, and after locating prior art that provided reasonably strong rejections against all of the claims of the patent, that the search could be concluded," he wrote.

Saylor also found that the search at issue was complicated by the "large number of claims in the '327 Patent."

He explained that, because of that large number, the use of common terms in the patent, the lack of overlap of principal terms, and other similar factors, there was a "substantially increased likelihood" that a reasonable search could fail to uncover either of the disputed references.

Palomar Technologies, Inc. v. MRSI Systems, LLC

THE ISSUE	Is a patent infringement defendant statutorily estopped from raising invalidity defenses based on new "prior art" references the company failed to discover in the course of a preliminary administrative review of the claims regarding the plaintiff's patent?
DECISION	No (U.S. District Court)
LAWYERS	Randy J. Pritzker of Wolf, Greenfield & Sacks, Boston (plaintiff) Peter A. Nieves, Robert R. Lucic, James P. Harris and Bryanna K. Devonshire, of Sheehan Phinney, (Manchester, NH and Boston, MA); Brian P. Gearing and Michelle Chipetine (New York City), Ali H. K. Tehrani and Zachary I. Ruby (Washington, D.C.), of Crowell & Moring (defense)