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PTAB Alert: Estoppel and the “Skilled Searcher” Standard

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Yesterday, in *Ironburg Inventions Ltd. v. Valve Corp.*, Case No. 21-2296 (Fed. Cir. Apr. 3, 2023), the Federal Circuit held that for estoppel to apply under 35 U.S.C. § 315(e)(2), a patent holder must prove, by a preponderance of the evidence, that a skilled searcher exercising reasonable diligence would have identified the prior art at issue.

Ironburg owns patents covering “a hand held controller for a video game console” that “includes one or more additional controls located on the back of the controller in a position to be operated by the user’s [middle, ring, or little] fingers.” Slip at 3. Ironburg sued Valve for patent infringement, and Valve filed an IPR petition challenging the asserted patent. *Id*. at 6. The IPR was partially instituted (pre-SAS) and resulted in a final written decision finding some, but not all, of the challenged claims unpatentable. *Id.* Ironburg argued in the district court that Valve was estopped from raising validity arguments based on the non-instituted grounds as well as prior art that could have been raised in the IPR petition. *Id.* at 29. The Court, relying in part on Valve's failure to seek remand post-SAS, affirmed the district court’s holding that Valve was estopped as to the non-instituted grounds. *Id.* at 31.

The Court then turned to the validity arguments that were not raised in the IPR petition (“Non-Petitioned Grounds”). The court first addressed the burden of proof and found that the district court “improperly placed the burden of proof on Valve, to show that it could not 'reasonably . . . have raised' the Non-Petitioned Grounds in its petition,” stating that the burden of proof instead rests with Ironburg to prove the grounds could reasonably have been raised. Slip at 32. As to the appropriate standard, the Court first noted that some district courts had considered and rejected a standard that would apply even when "only a scorched-earth search around the world would have uncovered the prior art in question.” *Id.* The Court then held that the “skilled searcher” standard is the appropriate standard and most consistent with the statute. *Id.* at 33. In other words, "the burden of proving, by a preponderance of the evidence, that a skilled searcher exercising reasonable diligence would have identified an invalidity ground rests on the patent holder." *Id.* at 35.

The Federal Circuit found (1) “the district court was imposing the burden of proof on Valve,” and (2) the “district court’s estoppel conclusion rests . . . on an assumption, not yet proven on the record, that the prior art search undertaken by [a different IPR petitioner] was only ‘reasonably’ diligent and did not involve extraordinary measures.” Slip at 34. The Federal Circuit vacated the estoppel finding with regards to the Non-Petitioned Grounds and remanded for further proceedings consistent with the standard and burden of proof. *Id.* at 36.

This case demonstrates the tension between the need to file the petition as soon as is practicable after being served with a complaint and the importance of diligently searching for prior art when developing grounds for an IPR petition.