

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION**

GREE, INC.,

Plaintiff,

v.

SUPERCELL OY,

Defendant.

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Case No. 2:19-cv-00071-JRG-RSP

REPORT AND RECOMMENDATION

Before the Court is the Motion for Partial Summary Judgment as to Supercell’s Affirmative Defense of Invalidity (“Motion”), filed by Plaintiff GREE, Inc. (“GREE”). Dkt. No. 180. After consideration, the Court recommends that GREE’s Motion be **GRANTED**.

I. BACKGROUND

For the past few years, GREE and Defendant Supercell Oy (“Supercell”) have been engaged in various legal proceedings. Relevantly, Supercell filed a petition for post grant review (“PGR”) of all claims of U.S. Patent No. 9,597,594 (“the ’594 patent”) before the Patent Trial and Appeal Board (“Board”) on November 7, 2017. The lone ground Supercell raised in its petition was patent ineligibility under 35 U.S.C. § 101. Dkt. No. 20-2 at 5. Supercell asserts that it did not conduct a prior art search related to the ’594 patent before filing its petition for PGR. Dkt. No. 180-2 at 10.

On January 2, 2019, the Board issued a final written decision finding claims 1, 8, and 10–20 of the ’594 patent unpatentable. Dkt. No. 20-2 at 58. However, the Board determined Supercell had not met its burden of showing claims 2–4 and 9 were unpatentable. *Id.* at 43.

On February 28, 2019, GREE filed the complaint in this matter, “asserting at least claim 2 of the ’594 patent against Supercell and its Clash of Clans game.” Dkt. No. 180 at 3; *see also* Dkt.

No. 1. On May 16, 2019, Supercell filed an answer to GREE’s Complaint raising an affirmative defense of invalidity pursuant to 35 U.S.C. §§ 102, 103, and/or 112. Dkt. No. 18 at 6.

GREE then filed a motion to strike Supercell’s affirmative defense of invalidity. Dkt. No. 20. In the motion to strike, GREE asked the Court to find that Supercell was estopped under 35 U.S.C. § 325(e)(2) from using certain prior art references in support of its invalidity defense due to its previous PGR petition. On October 30, 2019, the Court issued its decision. Dkt. No. 81. The Court found that “Supercell is estopped under § 325(e)(2) from using prior art references it either used or reasonably could have found and used during the PGR of the ’594 Patent.” *Id.* at 8–9. However, the Court denied the motion since it found that “[t]here exists a question of fact as to whether a diligent, skilled searcher would have found, at the time the PGR of the ’594 Patent was filed, any prior art references that Supercell desires to assert as a defense in this action.” *Id.* at 9.

Around August 2019, Supercell contends that it conducted a prior art search. Supercell now seeks to assert as prior art: (1) Version 4.120 of Supercell’s Clash of Clans game as well as (2) Version 5.2 of Clash of Clans; (3) Mastermind’s In Game-Builder Post (“Mastermind”);¹ (4) Madden NFL 25 (PS3) (“Madden”); (5) U.S. Patent No. 9,079,105 (“Kim”); and (6) the Gratuitous Tank Battles game (“GTB”) (collectively, the “Prior Art References”). The following chart exhibits the specific grounds that Supercell’s invalidity expert, Dr. Mark Claypool, opines on:

<u>Ground</u>	<u>Invalidity Defense</u>
1	GTB anticipates or renders obvious claim 2 of the ’594 patent
2	Madden anticipates or renders obvious claim 2 of the ’594 patent

¹ Mastermind is a series of posts made between September 11 and 12, 2013 in a Clash of Clans community forum.

3	Clash of Clans in view of Mastermind, further in view of Kim, renders claim 2 of the '594 patent obvious
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II. LEGAL STANDARD

a. Summary Judgment

Summary judgment should be granted “if the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law.” FED. R. CIV. P. 56(a). The court must consider evidence in the light most favorable to the nonmovant and draw all reasonable inferences in favor of that party. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986) (citing *Adickes v. S.H. Kress & Co.*, 398 U.S. 144, 158–59 (1970)). A dispute about a material fact is “genuine” when the evidence is “such that a reasonable jury could return a verdict for the nonmoving party.” *Id.* at 248. A movant fails to carry this burden unless it demonstrates that the other party has the burden of proof at trial and has failed to “make a showing sufficient to establish the existence of an element essential to [its] case.” *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986). If the movant meets this burden, the burden shifts to the nonmovant to respond with competent evidence proving the existence of a genuine issue of material fact. *See Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586–87 (1986).

b. PGR Estoppel Under 35 U.S.C. § 325(e)(2)

In a post-grant review, the petitioner may assert invalidity defenses based on §§ 101, 102, 103, 112 and also rely on public use prior art—the same invalidity grounds that are available in district court litigation. *See* 35 U.S.C. § 321(b) (citing 35 U.S.C. § 282(b)(2)–(3)). However, if the PGR results in a final written decision, estoppel applies:

The petitioner in a post-grant review of a claim in a patent under this chapter that results in a final written decision under section 328(a) . . . may not assert either in a civil action arising in whole or in part under section 1338 of title 28 . . . that the claim is invalid on any

ground that the petitioner raised or reasonably could have raised during that post-grant review.

35 U.S.C. § 325(e)(2).

“Reasonably could have raised” includes prior art that a petitioner knew about or that a skilled searcher conducting a diligent search reasonably could have been expected to discover. Dkt. No. 81 at 8; *see also Biscotti Inc. v. Microsoft Corp.*, No. 2:13-CV-01015-JRG-RSP, 2017 WL 2526231, at *6 (E.D. Tex. May 11, 2017) (using the same definition when dealing with 35 U.S.C. § 315(e)(2), the *inter partes* review (“IPR”) estoppel provision).

In sum, a defendant-petitioner is estopped from using three types of prior art references in later district court litigation if its petition for PGR resulted in a final written decision. First, references it “raised” in its petition. Second, references it knew of but decided not to assert in its petition because it “reasonably could have raised” them. Third, references that a skilled searcher conducting a diligent search reasonably could have been expected to discover before the petition for PGR was filed because the defendant “reasonably could have raised” those references.

III. ANALYSIS

Supercell is barred from using the Prior Art References because it either admittedly knew about the references prior to filing its PGR petition or the un rebutted evidence shows that a diligent prior art searcher could have found them at that time.

a. Known

GREE argues that Supercell should be estopped from using the Clash of Clans and Mastermind references since Supercell knew of them before filing its November 2017 PGR petition. Supercell concedes that “it had knowledge of the Clash of Clans (versions 4.12 and 5.2) and Mastermind references before filing” its petition for PGR. Dkt. No. 212 at 14. However, it argues these references should not be estopped in light of *Shaw Indus. Grp., Inc. v. Automated*

Creel Sys., Inc., 817 F.3d 1293 (Fed. Cir. 2016). Specifically, Supercell maintains the position that § 325(e) estoppel does not apply to non-*petitioned* grounds as opposed to non-*instituted* grounds.

In 2016, the Federal Circuit in *Shaw* interpreted the scope of estoppel under § 315(e)(2) while seeking to determine whether non-instituted grounds were estopped from district court litigation. *Id.* at 1300. The Federal Circuit determined that because the “IPR does not begin until it is instituted,” only arguments made after institution are made “*during*” that IPR. *Id.* (citation omitted). As a result, the Federal Circuit ruled that estoppel did not apply to non-instituted grounds. *Id.*; see also *Credit Acceptance Corp. v. Westlake Servs.*, 859 F.3d 1044, 1052–53 (Fed. Cir. 2017) (discussing *Shaw* in the context of PGR). By logical extension, Supercell argues this would include non-petitioned grounds.

In 2018, the Supreme Court held that the Board could not continue this practice of partial institution, finding that 35 U.S.C. § 318(a) means the Board “*must address every claim the petitioner has challenged.*” *SAS Inst., Inc. v. Iancu*, 138 S.Ct. 1348, 1354 (2018). The Court did not explicitly rule that the Board must institute review on every ground asserted in the petition. Nonetheless, the Federal Circuit later observed that “[e]qual treatment of claims and grounds for institution purposes has pervasive support in *SAS.*” *PGS Geophysical AS v. Iancu*, 891 F.3d 1354, 1360 (Fed. Cir. 2018); see also *BioDelivery Sci. Int’l, Inc. v. Aquestive Therapeutics, Inc.*, 898 F.3d 1205, 1209 (Fed. Cir. 2018) (“We agree that *SAS* requires institution on all challenged claims and all challenged grounds.”). While *SAS* dealt with IPR, the PGR and IPR estoppel provisions are substantively identical in this context. Compare 35 U.S.C. § 325(e)(2) (PGR estoppel) with 35 U.S.C. § 315(e)(2) (IPR estoppel).

Since then, the Board has effectively banned the practice of having non-instituted grounds. See U.S. Patent & Trademark Office, *Guidance on the Impact of SAS on AIA Trial Proceedings*

(Apr. 26, 2018), <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/trials/guidance-impact-sas-aia-trial> (“the PTAB will institute on all challenges raised in the petition”). This Court therefore concluded that “for the words ‘reasonably could have raised’ to have any meaning at all,” they must refer to *non-petitioned* grounds. Dkt. No. 81 at 6.

The majority of district courts who have reached this issue agree. *Biscotti*, 2017 WL 2526231, at *6 (finding this understanding consistent with the legislative history of the America Invents Act); *Wi-LAN Inc. v. LG Elecs., Inc.*, 421 F. Supp. 3d 911, 924 (S.D. Cal. 2019) (finding all post-SAS cases have held the same); *Palomar Techs., Inc. v. MRSI Sys., LLC*, 373 F. Supp. 3d 322, 331 (D. Mass. 2019) (collecting cases); *Oil-Dri Corp. of Am. v. Nestle Purina Petcare Co.*, No. 15-CV-1067, 2017 WL 3278915, at *7–8 (N.D. Ill. Aug. 2, 2017); *see also Return Mail, Inc. v. U.S. Postal Serv.*, 139 S. Ct. 1853, 1867 n.10 (2019) (discussing how AIA estoppel precludes people from relitigating issues in subsequent proceedings before the Board and district court).

It is also consistent with the purpose of the estoppel statute—to prevent a party from pursuing one round of invalidity at the PTAB and another in district court. *Cobalt Boats, LLC v. Sea Ray Boats, Inc.*, No. 2:15-cv-21, 2017 WL 2605977, at *3 (E.D. Va. June 5, 2017); *Parallel Networks Licensing, LLC v. Int’l Bus. Machs. Corp.*, No. CV 13-2072 (KAJ), 2017 WL 1045912, at *12 (D. Del. Feb. 22, 2017) (“Allowing [the petitioner] to raise arguments here that it elected not to raise [before the PTAB] would give it a second bite at the apple and allow it to reap the benefits of the IPR without the downside of meaningful estoppel.”).

With this understanding, Supercell’s argument cannot stand. Supercell knew of the Clash of Clans (versions 4.12 and 5.2) and Mastermind references before filing its petition for PGR. Even though it chose not to include these references in its petition, it reasonably could have raised them. As such, it is estopped from raising these references at trial or their combination with the

Kim reference pursuant to § 325(e)(2).² Since Supercell’s expert only opined on using Kim in combination with these estopped references, Kim also cannot be used at trial.

b. Reasonably could have discovered

GREE also argues that Supercell should be estopped from using the Madden and GTB references since Supercell could have found them through a diligent search before filing its PGR petition in November 2017. For the following reasons, the Court agrees and finds Supercell is estopped from using the references at trial.

First, GREE relies heavily on the fact that when Supercell eventually searched the games post-PGR, it was able to find them. It argues that this alone is dispositive of this motion as it provides undisputed evidence that Supercell could have located and raised these references in its petition for PGR. GREE also argues the games were publicly available by 2017, when Supercell filed its petition for PGR. GREE contends that Madden has been internationally known since its release on August 27, 2013. In support, it points to statements made by Supercell and its invalidity expert, Dr. Claypool. Dkt. No. 180-2 at 9 (“Supercell believes that at least one employee would have learned of the sheer existence of those games . . . within one year of the release of each game.”); Dkt. No. 180-6 at 221:1–9; 224:3–7; 198:8–13 (“A. I played Madden NFL 25 a long time ago. A long time ago being . . . sometime in the past, eight years or so, seven years.”). Similarly, GREE describes that YouTube videos about GTB were viewed thousands of times and GTB was reviewed by PC Gamer in 2012 and highlighted by Gamasutra, a prominent website used by game developers, indicating its public availability prior to 2017. Dkt. No. 180-10 at ¶ 144.

Supercell responds by relying on the expert report of Dr. Claypool, its invalidity expert who also has some very limited professional experience conducting prior art searches. Dkt. No.

² This also moots the parties’ disagreement over whether Clash of Clans version 5.20 is prior art.

212-5 at 196:8–16. He opined that a “skilled diligent researcher may not have found” Madden and GTB. Dkt. No. 212-4 at ¶ 162. He explained that, in his opinion, the relevance of these references only became apparent in light of GREE’s infringement contentions, which purportedly contain an expansive understanding of the asserted patent. Supercell also argues that GREE presented no evidence to show that a reasonably diligent search may have resulted in the discovery of the alleged prior art.

Furthermore, Dr. Claypool opined that a “diligent, skilled researcher engaged in a reasonable search for prior art would not have found GTB as a prior art reference even with the benefit of GREE’s infringement contentions before the filing of the Petition for Post-Grant Review.” *Id.* at ¶ 163. Dr. Claypool disclosed several reasons in support of opinion: (1) GTB was not a well-known or commercially successful game; (2) it was developed by an independent game developer; (3) it received little industry press; (4) the features that invalidate the asserted claims were not widely publicized because the concept and technology underlying those features were already well-established in the gaming industry. *Id.*

GREE counters that Dr. Claypool admitted during deposition that he was never asked to search for any prior art to the ’594 patent. Dkt. No. 180-6 at 196:20–23. Therefore, GREE argues he cannot comment what a diligent, skilled prior art searcher could have located as he is not an expert on that subject. GREE argues that its position is bolstered by Supercell’s failure to even attempt to locate prior art before filing its PGR petition. Most importantly, GREE contends that Supercell never presents credible evidence that Madden or GTB were actually hard to discover once Supercell searched for prior art. Additionally, GREE argues that allowing the scope of a defendant’s reasonable pre-PGR prior art search to be driven by the plaintiff’s infringement contentions in the later filed case has no support and would set a dangerous precedent.

In the end, GREE has provided enough un rebutted evidence to show that use of Madden and GTB should be estopped under § 325(e). As an initial matter, this Court holds that when a reference is found in a later prior art search, there is a reasonable inference that it could have been found earlier by a skilled searcher. *See e.g., Wi-LAN*, 421 F. Supp. 3d at 925–26 (“Evidence that [petitioner-defendant] discovered these references through a prior art search is clear evidence that [petitioner-defendant] reasonably could have discovered these references through a diligent search.”). Therefore, GREE met its burden when it provided evidence that Supercell found the references in a later prior art search.

Supercell argues that this approach conflates the fact that the reference was eventually found with the conclusion that a reasonably diligent search would have resulted in its discovery prior to filing the petition. Yet, the references were eventually found, and this is highly persuasive evidence that the references reasonably could have been found pre-petition. Furthermore, GREE provided other evidence in support, showing that the games were publicly available and relatively well-known through reviews and other sources of information. Thus, GREE persuasively answered the question of whether a diligent, skilled searcher would have found the Prior Art References at the time the PGR of the ’594 Patent was filed.

In the face of this evidence, Supercell has failed to offer evidence to explain why it could not have reasonably found the references earlier. Supercell has no evidence showing why it was able to discover the prior art references after filing its PGR petition but not before.³

Often a party would be able to point to its diligent pre-petition prior art search as evidence of the difficulty in finding a particular reference that was not found. However, Supercell claims it

³ Prior art essentially is evidence that the claimed invention was already publicly known or available, in whole or in part, before the effective filing date of the claimed invention’s patent application. *See* 35 U.S.C. § 102(a). So meeting the definition of prior art is, itself, some evidence that it was discoverable.

did not conduct a prior art search before filing its petition for PGR here. Supercell may argue that it did not feel a prior art search was necessary since the sole ground in its petition was subject matter ineligibility under § 101. Yet, Supercell—and Supercell alone—decided which arguments to bring during its petition for PGR. *See* Dkt. No. 81 at 7 (citation omitted). A petitioner can bring a broad number of grounds in its PGR petition in its attempt to invalidate another’s patent. The counterbalance is that the resulting estoppel is proportionally broad in scope.

Supercell primarily relies on Dr. Claypool, its invalidity expert. However, Supercell has not shown that Dr. Claypool is an expert in prior art searching as he can recall only locating prior art “three or four times” in his career. Dkt. No. 212-5 at 3; *see also Asetek Danmark A/S v. CoolIT Sys. Inc.*, No. 19-CV-00410-EMC, 2019 WL 7589209, at *10–11 (N.D. Cal. Dec. 30, 2019) (identifying expert searchers as prior art searchers at search firms). He also was not involved in the August 2019 prior art search, which purportedly resulted in the discovery of Madden and GTB. Therefore, his opinions about the results of a prior art search in 2017 are merely conclusory.

Furthermore, his argument that GREE’s infringement contentions changed Supercell’s understanding of the asserted patent fails. As noted by GREE, allowing such an argument would set a dangerous precedent, one contradictory to the purpose of the estoppel statute. Supercell will not get two bites at the apple just because it contends that it understood the patent more narrowly than GREE. Such a holding would provide the perverse incentive for a petitioner to take a purposefully narrow construction before the Board and, if unsuccessful, try again in district court when the patent holder takes a more expansive view. Parties often disagree over the meaning of important claim terms—this is not sufficient to override the estoppel provision put in place by Congress. Furthermore, Supercell does not adequately explain how GREE’s infringement position

changed the scope of a diligent search such that it would not have previously encompassed the Madden and GTB references.

In sum, when viewing the evidence in the light most favorable to Supercell, the evidence of record establishes that Supercell “reasonably could have raised” in its PGR the anticipation and obviousness defenses based on the cited references. Accordingly, Supercell is estopped from raising the Prior Art References at trial pursuant to § 325(e)(2).

IV. CONCLUSION

After consideration, the Court recommends that GREE’s Motion be **GRANTED**.

A party’s failure to file written objections to the findings, conclusions, and recommendations contained in this report within 14 days bars that party from *de novo* review by the District Judge of those findings, conclusions, and recommendations and, except on grounds of plain error, from appellate review of unobjected-to factual findings and legal conclusions accepted and adopted by the district court. Fed. R. Civ. P. 72(b)(2); see *Douglass v. United Servs. Auto. Ass’n*, 79 F.3d 1415, 1430 (5th Cir. 1996) (*en banc*). Any objection to this Report and Recommendation must be filed in ECF under the event “Objection to Report and Recommendations [cv, respoth]” or it may not be considered by the District Judge.

SIGNED this 9th day of July, 2020.


ROY S. PAYNE
UNITED STATES MAGISTRATE JUDGE