

Palomar Fails To Get Past Alice In Manufacturing Patent Suit

By **Tiffany Hu**

Law360 (May 28, 2020, 9:53 PM EDT) -- A Massachusetts federal judge on Thursday threw out Palomar Technologies Inc.'s lawsuit accusing rival MRSI Systems LLC of infringing its manufacturing patent, concluding there is "dramatically less to the claimed invention than meets the eye."

In a 26-page order, U.S. District Judge F. Dennis Saylor IV ruled that Palomar's patent for high-precision manufacturing was invalid under the U.S. Supreme Court's Alice ruling, which holds that abstract ideas are ineligible for patent protection absent an added inventive concept.

Palomar had argued that its patent claimed a way to solve the technical issue of accurately picking and placing workpieces in chip manufacturing. But the judge was unmoved, noting that a method to achieve a certain result is not patentable if the method itself is abstract.

"At first blush, the patent appears to cover a sophisticated method for using robotics and computer analytics to assemble electronic parts, such as computer chips, with high precision," Judge Saylor wrote. "Upon closer inspection, however, there is dramatically less to the claimed invention than meets the eye."

The patent, instead, covered the abstract idea of "placing an item at a final location more accurately by first moving it to an intermediate location," the judge found.

Brian Paul Gearing of Crowell & Moring LLP, an attorney for MRSI, told Law360 in an email Thursday that he and his client are pleased with the outcome.

"We believe that Judge Saylor arrived at a thorough and well-reasoned opinion after carefully considering all arguments and evidence in view of the applicable legal framework for invalidity under 35 U.S.C. Section 101," Gearing said. "Pending any appeals, this opinion is likely to provide important guidance for future decisions on the application of Section 101."

Counsel for Palomar did not immediately respond to a request for comment Thursday.

Thursday's order stems from a patent dispute that dates back to 2015, when Palomar accused MRSI of making and selling high-precision die-attach and epoxy dispensing tools that infringed the patent-at-issue.

MRSI then petitioned for inter partes review, claiming each of the claims in Palomar's patent were invalid as either anticipated or obvious. The PTAB agreed to review the patent in 2016, and the district court case was put on hold during the proceedings.

In March 2017, the PTAB upheld the validity of all but one patent claim, and MRSI did not appeal the board's ruling, according to court documents. The case, originally filed in California federal court, was then transferred to Massachusetts.

After the review proceedings, MRSI sought to challenge the patent's validity in the district court case based on a number of prior art references, prompting Palomar to file a motion for partial summary judgment that the rival was barred from using those references.

Last March, Judge Saylor granted Palomar's request with regard to several references, but found that whether a diligent search would have uncovered some of the other references not raised in the inter partes review was a question of fact.

A three-day hearing was held in October on whether estoppel barred MRSI from asserting two prior art references — a patent known as Harigane and a patent publication known as Ueno. Gearing told Law360 earlier this month that it was the "first bench trial related to the IPR estoppel standard that we are aware of in the country."

On May 4, Judge Saylor denied Palomar's bid to bar MRSI from arguing that the patent-at-issue was invalid based on those prior art references.

That dispute largely hinged on whether it was "objectively reasonable" that MRSI could have found the references while conducting a prior art search. The judge ruled in the negative, but had expressed some reservation regarding MRSI's expert testimony.

The patent-in-suit is U.S. Patent No. 6,776,327.

Palomar is represented by Jan P. Weir and Kathrine J. Brandt of Glaser Weil Fink Howard Avchen & Shapiro LLP and Randy Pritzker, Nathan Speed and Michael Greene of Wolf Greenfield & Sacks PC.

MRSI is represented by Brian Paul Gearing, Ali H. K. Tehrani, Zachary Ian Ruby and Michelle Chipetine of Crowell & Moring LLP and Robert R. Lucic, Peter A. Nieves and James P. Harris of Sheehan Phinney Bass & Green PA.

The case is Palomar Technologies Inc. v. MRSI Systems LLC, case number 1:18-cv-10236, in the U.S. District Court for the District of Massachusetts.

--Editing by Daniel King.