

EFFECT OF THE REGULATORY ACCOUNTABILITY ACT OF  
2017 ON *INTER PARTES* REVIEW: A LOOK AT *TELEBRANDS*  
*CORP., V. TINNUS ENTERS., LLC*

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INTRODUCTION

Josh Malone, a devoted and hardworking father, was looking for a means to entertain his children on the weekends.<sup>1</sup> Loving water balloon fights as a child, Josh thought his children would share in his childhood nostalgia, however Josh despised the process of filling each balloon with water.<sup>2</sup> Whenever Josh found a few minutes of free time, he contemplated creation of a machine to fill multiple water balloons at once.<sup>3</sup> Subsequently developing a prototype designed to fill 100 water balloons quickly, he sought and obtained patent protection for his invention.<sup>4</sup>

Becoming the fastest selling spring and summer toy for children had its downsides, as others quickly infringed his patent, developing almost identical and cheaper versions of his invention.<sup>5</sup> Those other companies soon brought suit against Josh to challenge the validity of his granted patent through post-grant proceedings (such as, *inter partes* reviews, covered business method challenges, derivation proceedings, and post-grant reviews), akin to adjudicatory hearings, in an attempt to avoid any liability for patent infringement.<sup>6</sup>

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<sup>1</sup> Adriene Hill & Emily Henderson, *Reinventing a Summer Classic, Water Balloons*, MARKETPLACE (July 17, 2017), <https://www.marketplace.org/2017/07/17/business/reinventing-summer-classic-water-balloons>.

<sup>2</sup> *See id.*

<sup>3</sup> *See id.*; U.S. Patent No. 9,315,282 B2 (issued Apr. 19, 2016).

<sup>4</sup> *See id.*

<sup>5</sup> *See* Steve Brachmann, *Telebrands Loses \$12.3 Million Verdict for Willful Patent Infringement of Bunch O Balloons*, IPWATCHDOG, (December 8, 2017), <http://www.ipwatchdog.com/2017/12/08/telebrands-loses-willful-patent-infringement-bunch-o-balloons/id=90797/>.

<sup>6</sup> *See id.*

Unfortunately, the federal agency of the United States Patent and Trademark Office (hereinafter “USPTO”) that granted Josh a patent later found his patent invalid, showcasing a lack of definiteness and consistency in the organizations’ assessment of patentable subject matter.<sup>7</sup>

Created by statute,<sup>8</sup> the administrative panel of the Patent Trial and Appeal Board (hereinafter “PTAB”) is tasked as the last line of defense at the USPTO to determine the validity of granted patents via trials, appeals, and interferences, as well as post-grant proceedings.<sup>9</sup> Since a patent does not conform to Schrödinger’s paradox<sup>10</sup> and cannot be both valid and invalid at the same time,<sup>11</sup> confusion arises when a patent’s validity is upheld by a court and is then later invalidated at the PTAB. A recent study shows that out of 220 patents upheld as valid in court and also subject to a final written decision at the PTAB, the PTAB only agreed with the court’s ruling on fifty-two occasions—indicating a 76% error rate by the PTAB.<sup>12</sup> Blatant errors<sup>13</sup> and inconsistent rulings<sup>14</sup> have forced parties to invoke their statutory right<sup>15</sup> to seek judicial review by the United States Court of Appeals for the Federal Circuit (hereinafter “Court of Appeals”). The need to oversee the decision-making authority of the PTAB has never been clearer, and this Note proffers that this can be met through passage of the Regulatory Accountability Act of 2017 (hereinafter “Regulatory Accountability Act”).<sup>16</sup>

Specifically, Part I of this Note discusses the historical foundation

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<sup>7</sup> See *Telebrands Corp. v. Tinnus Enterprises, LLC*, No. PGR2015-00018, 5, 34 (P.T.A.B. December 30, 2016).

<sup>8</sup> See 35 U.S.C. § 6(a) (2018).

<sup>9</sup> See 35 U.S.C. § 6(b).

<sup>10</sup> See, e.g., Daniel Sutter, *Leaving the Fox in the Henhouse: ePlus v. Lawson Software, Inc and the Court’s Submission to the Executive Branch*, 25 FED. CIR. B.J. 489, 508 (2016) (“Not surprisingly, Schrödinger’s cat hypothesis represents a paradox: although people’s concept of reality suggests a cat cannot be simultaneously dead and alive, Schrödinger’s theory suggests otherwise.”); John D. Trimmer, *The Present Situation in Quantum Mechanics: A Translation of Schrödinger’s “Cat Paradox” Paper*, 124 PROC. AM. PHIL. SOC’Y 323, 328 (1980).

<sup>11</sup> Josh Malone & Steve Brachmann, *PTAB Errors Fatal to Hundreds of Legitimate Patents*, IPWATCHDOG (Jan. 7, 2018), <http://www.ipwatchdog.com/2018/01/07/ptab-errors-fatal-legitimate-patents/id=91457/>.

<sup>12</sup> See *id.*

<sup>13</sup> See *Telebrands Corp.*, No. PGR2015-00018, at 27 n.16 (P.T.A.B. December 30, 2016) (such as failing to consider evidence on inconsistent expert testimony from a related district court case); see also 37 C.F.R. § 42.65(a) (2018) (“Expert testimony that does not disclose the underlying facts or data on which the opinion is based is entitled to little or not weight.”).

<sup>14</sup> See *infra* Part II. B. I. (such as failing to follow Supreme Court precedent when ruling on a matter).

<sup>15</sup> See 35 U.S.C. § 141 (2018).

<sup>16</sup> See Regulatory Accountability Act of 2017, H.R. 5, 115th Cong. (2017) (hereinafter Regulatory Accountability Act).

of the United States patent law system and Part II discusses the varying levels of deference and differing patentability standards of review between the district court, the Court of Appeals, and the PTAB. Part III discusses one specific instance of an inconsistent ruling by the PTAB in *Telebrands Corp., v. Tinnus Enters., LLC*. Moreover, Part IV discusses the PTAB's vanishing deference in response to the proposed legislation of the Regulatory Accountability Act and the effects the Act will have, specifically in relation to the *Tinnus* case and post-grant proceedings.

### I. HISTORICAL FOUNDATION OF THE U.S. PATENT LAW SYSTEM

Federal recognition of intellectual property rights in the United States began with the adoption of the United States Constitution on September 17, 1787, with Article I, Section 8 providing that, “[t]he Congress shall have Power . . . [t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”<sup>17</sup> Since this adoption, the patent system in the United States has been a vehicle used to encourage competition and innovation, in exchange for granting inventors a limited duration monopoly to exclude others from “making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States.”<sup>18</sup>

A significant change to the United States patent system came with the United States Patent Act of 1952, which sought to, “foster[] innovation and competition primarily through examining patent applications and determining which inventions warrant the grant of a patent.”<sup>19</sup> However, the federal circuit continuously refused to grant deference to the USPTO's interpretations of the Patent Act, and as such, this Act showcased the lack of “robust substantive rule-making authority” of the USPTO.<sup>20</sup> Therefore, it is not surprising that the USPTO has been previously regarded as a “weak administrative agency.”<sup>21</sup>

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<sup>17</sup> U.S. CONST. art. I, § 8, cl. 1, 8; see Louis Gentilucci, *The Day the Constitution was Adopted*, NAT'L CONST. CTR. (June 25, 2015), <https://constitutioncenter.org/blog/the-day-the-constitution-was-adopted>.

<sup>18</sup> 35 U.S.C. § 154(a)(1) (2018).

<sup>19</sup> Melissa F. Wasserman, *The Changing Guard of Patent Law: Chevron Deference for the PTO*, 54 WM. & MARY L. REV. 1959, 1967 (2013); see Patent Act of 1952, Pub. L. No. 82-593, 66 Stat. 792 (1952) (hereinafter “Patent Act”) (codified as amended at 35 U.S.C. §§ 1–376 (2018)).

<sup>20</sup> See *id.* at 1962.

<sup>21</sup> See Paul R. Gugliuzza, *The Federal Circuit as a Federal Court*, 54 WM. & MARY L. REV.

*A. Federal Leahy-Smith America Invents Act*

The most significant change to the United States patent law system since the Patent Act came with the creation of the America Invents Act (hereinafter “AIA”) in 2012.<sup>22</sup> First and foremost, the AIA expanded the USPTO’s power and reshaped the United States patent litigation landscape. The AIA additionally changed the way in which patent applications are examined and the number and scope of post-grant challenges available to test the validity of an issued patent.<sup>23</sup> Moreover, the AIA extinguished the main judicial body at the USPTO, the Board of Patent Appeals and Interferences (hereinafter as “BPAI”), with the creation of the PTAB on September 16, 2012.<sup>24</sup>

*1. Post-Grant Proceedings*

Between September 16, 2012, and August 7, 2014, 1,793 post-grant proceedings were instituted to question the validity of granted patents, and of those challenges, 1,585 were *inter partes* reviews, 201 were covered business method challenges, six were derivation proceedings, and one was a post-grant review.<sup>25</sup> Both trial proceedings conducted by the PTAB, post-grant review and *inter partes* review replaced *inter partes* reexamination on September 16, 2012.<sup>26</sup> Though post-grant review and *inter partes* review differ with respect to several aspects,<sup>27</sup> both proceedings result in a “final

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1791, 1820 (2013).

<sup>22</sup> See Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011).

<sup>23</sup> See *id.* at § 321, 125 Stat. 306.

<sup>24</sup> See *id.* at § 6, 125 Stat. 313; see also Gene Quinn, *PTAB Judges Shockingly Inexperienced Compared to District Court Judges*, IPWATCHDOG (Mar. 6, 2018), <http://www.ipwatchdog.com/2018/03/06/ptab-judges-shockingly-inexperienced/id=94438/> (describing the variance in experience between the adjudicative bodies within the United States Patent and Trademark Office and the United States District Courts). Approximately 12.64% of the PTAB’s administrative patent judges (hereinafter “APJs”) were appointed with less than five years of experience, where “experience” is defined as the number of years after one graduated from law school, and approximately 46.55% of the APJs were appointed while they were still senior associates. See *id.* It seems quite troubling that these PTAB judges who hold the power to both grant a patent and extinguish the property rights a patent asserts have little and significantly less experience than district court judges.

<sup>25</sup> Gene Quinn, *The Past, Present and Future of Post Grant Administrative Trials*, IPWATCHDOG (Sept. 18, 2014), <http://www.ipwatchdog.com/2014/09/18/the-past-present-and-future-of-post-grant-administrative-trials/id=51298/>.

<sup>26</sup> See America Invents Act, 125 Stat. 306; *Post-Grant Proceedings: Inter Partes Review*, FISH & RICHARDSON, <http://fishpostgrant.com/inter-partes-review/> (last accessed Oct. 5, 2018).

<sup>27</sup> These differences include: (a) the time frame in which these mechanisms are available; (b) the threshold showing to be made to institute the proceeding; (c) the time given to the USPTO to reach a final determination on the instituted matter; (d) invalidity arguments

written decision with respect to the patentability of any [challenged] patent claim.”<sup>28</sup>

A challenger may petition for the institution of an *inter partes* review within nine months of the issuance of a patent to review one or more claims on a patentability ground raiseable under 35 U.S.C. §§ 102 or 103 on the basis of prior art (e.g., printed publications or patents).<sup>29</sup> The USPTO will institute this proceeding if the USPTO Director determines that the challengers’ petition meets the threshold “show[ing] that there is a reasonable likelihood that the [challenger] w[ill] prevail with respect to at least [one] of the claims challenged.”<sup>30</sup>

Alternatively, the scope of post-grant review is broader than *inter partes* review, as a post-grant review challenge may be sought on any ground challenging the validity of one or more claims in an issued patent (except for failure to disclose the best mode).<sup>31</sup> For a post-grant review, bases to challenge the validity of an issued patent include: (a) other patents; (b) printed publications; (c) evidence of prior public use; (d) evidence of prior on-sale activity; and/or (e) other prior public disclosures.<sup>32</sup> A post-grant review proceeding will be commenced if the USPTO Director determines the challengers’ petition reaches the threshold “that it is more likely than not that at least one of the claims challenged” will be found to be invalid.<sup>33</sup>

## II. DISTINCTIONS AMONG THE COURTS

With the available post-grant proceedings in mind, one must next assess the varying levels of deference afforded and the differing patentability standards of review between the district court, the

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available to the challenger; and (e) the trier of the determination. *See Post-Grant Proceedings: Inter Partes Review*, *supra* note 26.

<sup>28</sup> 35 U.S.C. § 328(a) (2018).

<sup>29</sup> *See* 35 U.S.C. § 311(b), (c)(1) (2018); 37 C.F.R. § 42.104(b)(2) (2018); *Inter Partes Review*, USPTO, <https://www.uspto.gov/patents-application-process/appealing-patent-decisions/trials/inter-partes-review> (last modified May 9, 2017).

<sup>30</sup> 35 U.S.C. § 314(a) (2018); *see* 37 C.F.R. § 42.108(c) (2018).

<sup>31</sup> *See* 37 C.F.R. § 42.208(a) (2018); Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 48,680, 48,717 (Aug. 14, 2012) (to be codified at 37 C.F.R. pt. 42); *Post-Grant Proceedings: Inter Partes Review*, *supra* note 26.

<sup>32</sup> *See* 35 U.S.C. § 102(a)(1) (2018); 37 C.F.R. § 42.104(b)(2) (2018).

<sup>33</sup> 37 C.F.R. § 42.208(c) (2018); *see* Eugene T. Perez & Kelly E. Rose, *Starting an AIA Post-Grant Proceeding: The Different Threshold Standards*, BIRCH, STEWART, KOLASCH & BIRCH, LLP, [http://www.postgrantproceedings.com/resources/procedures/Threshold\\_Standards.html](http://www.postgrantproceedings.com/resources/procedures/Threshold_Standards.html) (last visited Oct. 5, 2018).

Court of Appeals, and the PTAB.<sup>34</sup> These levels of deference and differing patentability standards of review lead to confusion for parties bringing claims, where parties are often unsure of: (a) what court is bound by the decisions of another, (b) how the party may utilize these patentability differences to shape an outcome favorable to the party, and (c) what procedural ramifications occur due to these differences. A firm grasp of these concepts will be an imperative tool to use during the assessment of alleged violations at the PTAB.

### A. Deference Afforded

#### 1. *Chevron*<sup>35</sup> Deference

As the patent system has maintained a strained relationship with administrative law, courts have traditionally been held responsible for defining and expressing patent policy.<sup>36</sup> Though courts generally fail to apply deferential regimes to the USPTO, a groundbreaking and influential analytical and deferential framework was derived from *Chevron U.S.A., Inc. v. Nat. Res. Def. Council, Inc.*<sup>37</sup> In *Chevron*, the Court developed a test governing judicial review of agency interpretations.<sup>38</sup> Under the *Chevron* test, the court must first determine if Congress has answered a specific question at issue.<sup>39</sup> If Congress has done so and if there is no ambiguity in the Congressional intent of that decision, the court and agency must follow that intent.<sup>40</sup> If the specific question remains unanswered by Congress, the interpretive power shifts to the agency, where the agency may provide a reasonable interpretation of that statute and

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<sup>34</sup> See Russell B. Dunlap, *What Standard Should the Patent Trial and Appeal Board Apply in Interpreting Patent Claims During Inter Partes Review? Is the Institution of Inter Partes Review Ever Appealable?* ABA Supreme Court Preview, TAYLOR ENGLISH (Apr. 25, 2016), <https://www.taylorenglish.com/newsroom-publications-297.html>; Samuel Kassa, *PTAB v. District Court — Finality of Findings of Fact*, LEXOLOGY (Jun. 1, 2016), <https://www.lexology.com/library/detail.aspx?g=5eb57a68-0e83-402a-bbb1-961f7664aedd>; Jacob Oylo, *Claim Constructions In PTAB vs. District Court*, LAW360 (Oct. 6, 2014, 10:50 AM), <https://www.law360.com/articles/581715/claim-constructions-in-ptab-vs-district-court>.

<sup>35</sup> *Chevron U.S.A., Inc. v. Nat. Res. Def. Council, Inc.*, 467 U.S. 837 (1984).

<sup>36</sup> See Cass R. Sunstein, *Law and Administration After Chevron*, 90 COLUM. L. REV. 2071, 2074 (1990); David Boundy, *Administrative Law Observations on Cuozzo Speed Technologies v. Lee*, LANDSLIDE, [https://www.americanbar.org/publications/landslide/2016-17/january-february/administrative\\_law\\_observations\\_cuozzo\\_speed\\_technologies\\_v\\_lee.html](https://www.americanbar.org/publications/landslide/2016-17/january-february/administrative_law_observations_cuozzo_speed_technologies_v_lee.html) (last visited Oct. 7, 2018).

<sup>37</sup> See *Chevron*, 476 U.S. at 842–43; Boundy, *supra* note 36.

<sup>38</sup> See *Chevron*, 476 U.S. at 842–43.

<sup>39</sup> See *id.* at 842.

<sup>40</sup> See *id.* at 842–43.

the court must defer to that interpretation.<sup>41</sup> Essentially, *Chevron*'s "reasonableness" standard creates a framework for appellate court review.

Though *Chevron* deference may remedy executive agency overreach, this review is not free from fault, as it additionally raises constitutional separation of powers concerns.<sup>42</sup> In a famous concurrence, Supreme Court Justice Neil Gorsuch, while sitting on the Tenth Circuit, condemned this doctrine and heralded it as, "a judge-made doctrine for the abdication of the judicial duty," as the second step in the *Chevron* test explains that, "an executive agency [must be allowed] to resolve the meaning of any ambiguous statutory provision," which is especially troubling when judicial deference to agency interpretation allows the, "agency [to] [] reverse its current view 180 degrees anytime based merely on the shift of political winds and *still* prevail."<sup>43</sup> Justice Gorsuch's opinion is further supported under the circumstances when agencies make laws, a power constitutionally designated to the legislature.<sup>44</sup>

Justice Gorsuch is not the only critic of the *Chevron* standard. For example, Justice Thomas has explained, "[w]e most often describe Congress' supposed choice to leave matters to agency discretion as an allocation of interpretive authority. . . . But we sometimes treat that discretion as though it were a form of legislative power. . . . Either way, *Chevron* deference raises serious separation-of-powers questions."<sup>45</sup>

Shedding light on the *Chevron* framework, the Court in *United States v. Mead Corp.*<sup>46</sup> held that an agency is entitled to *Chevron* deference when it appears as if, "Congress [has] delegated authority to the agency generally to make rules carrying the force of law, and . . . the agency interpretation claiming deference was promulgated in the exercise of that authority," where this delegation may be shown by, "an agency's power to engage in adjudication or notice-and-comment rulemaking, or by some other indication of a comparable congressional intent."<sup>47</sup>

As both *inter partes* review and post-grant review share

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<sup>41</sup> *See id.* at 843–44.

<sup>42</sup> *See Michigan v. EPA*, 135 S. Ct. 2699, 2712 (2015) (Thomas, J., concurring) (citing *Chevron*, 467 U.S. at 837).

<sup>43</sup> *Gutierrez-Brizuela v. Lynch*, 834 F.3d 1142, 1152 (10th Cir. 2016) (Gorsuch, J., concurring).

<sup>44</sup> *See id.*

<sup>45</sup> *Michigan*, 135 S. Ct. at 2712 (Thomas, J., concurring).

<sup>46</sup> *United States v. Mead Corp.*, 533 U.S. 218 (2001).

<sup>47</sup> *Id.* at 226–27.

characteristics with judicial proceedings,<sup>48</sup> by their very nature one may contend that Congress fashioned these proceedings to trigger the standard articulated in *Chevron*. This assumption is supported by the trial-like and adversarial manner of these AIA post-grant proceedings, as evidenced by a requirement for each party to have the right to: (a) an oral hearing,<sup>49</sup> (b) a discovery period,<sup>50</sup> and (c) a right to be heard before an APJ.<sup>51</sup> Furthermore, it may be argued that Congress intended the USPTO to play a more significant policy-making function in these post-grant proceedings, since, for example, a post-grant review may be instituted on the ground that, “the petition raises a novel or unsettled legal question that is important to other patents or patent applications.”<sup>52</sup> Despite these realizations, it remains unclear if application of the deferential *Chevron* standard to the USPTO would permit the USPTO to adopt *any* reasonable interpretation it chooses at any time, and if so, this leads one to question if *de novo* review is more appropriate to implement, placing interpretive power in the forum of federal courts.

## 2. *Auer*<sup>53</sup> Deference

When the *Chevron* standard fails, *Auer* deference is utilized.<sup>54</sup> Originating from *Auer v. Robbins*, *Auer* deference holds that an agency’s construction of a regulation is of “controlling weight unless it is plainly erroneous or inconsistent with the regulation.”<sup>55</sup> In *Auer*, the Supreme Court analyzed the standard the Court should apply when reviewing an executive department’s interpretation of a federal regulation.<sup>56</sup> Specifically, the Court examined whether the Fair Labor Standards Act of 1938 overtime pay requirement for private-sector employees applied equally to public-sector employees, in light of U.S. Department of Labor regulations.<sup>57</sup> The Court supported compliance with work rules in the public sector, reinforcing the 1974 extension to the Fair Labor Standards Act of 1938 to cover a majority

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<sup>48</sup> Compare 35 U.S.C. § 316 (2017) (conduct of *inter partes* review) with 35 U.S.C. § 326 (2017) (conduct of post grant review).

<sup>49</sup> See 37 C.F.R. § 41.73 (2018).

<sup>50</sup> See 37 C.F.R. § 42.51 (2018).

<sup>51</sup> See 37 C.F.R. § 41.47(d) (2018).

<sup>52</sup> 35 U.S.C. § 324(b) (2011).

<sup>53</sup> *Auer v. Robbins*, 519 U.S. 452 (1997).

<sup>54</sup> See *id.* at 459.

<sup>55</sup> *Bowles v. Seminole Rock & Sand Co.*, 325 U.S. 410, 414 (1945); see *Auer* 519 U.S. at 461 (quoting *Robertson v. Methow Valley Citizens Council*, 490 U.S. 332, 359 (1989)).

<sup>56</sup> See *Auer*, 519 U.S. at 454–55.

<sup>57</sup> See *id.* at 454.



of public sector employees.<sup>58</sup>

Though the *Auer* and *Chevron* deferential standards are both binding unless the interpretation is found to be unreasonable, the *Auer* and *Chevron* deferential standards differ in some respects. Where *Chevron* utilizes a two-step standard of review, *Auer* utilizes a single step standard of review.<sup>59</sup> Furthermore, where *Chevron* referred to the interpretation of an agency's enabling statute, the Court in *Auer* gave the agency the highest level of deference to interpret the agencies' own rules and regulatory schemes, but deference was warranted only when the language of the regulation was ambiguous, unless it was "plainly erroneous or inconsistent with the regulation."<sup>60</sup> Ultimately, both deferential standards have widespread implication in administrative law, and, more specifically, with respect to the deference afforded to the USPTO in the creation of and interpretation of the USPTO's own rules and regulations.<sup>61</sup>

### 3. *Skidmore*<sup>62</sup> Deference

When the *Chevron* and *Auer* deferential standards both fail, the framework of *Skidmore v. Swift & Co.* may be applied.<sup>63</sup> Though *Chevron* allows courts to defer to reasonable interpretations, *Skidmore* utilizes an *ad hoc* sliding-scale approach to determine the appropriate weight to afford to an administrative interpretation based on, "[1] the thoroughness evident in its consideration, [2] the validity of its reasoning, [3] its consistency with earlier and later pronouncements, and [4] all those factors which give it power to persuade, if lacking power to control."<sup>64</sup> Essentially, *Skidmore* releases the court from being bound to a specified level of deference depending on the level of agency interpretation.<sup>65</sup> Moreover, though agency interpretations under *Skidmore* are not binding, the

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<sup>58</sup> See *id.* at 457 (citing *Garcia v. San Antonio Metro. Transit Auth.*, 469 U.S. 528, 531 (1985)).

<sup>59</sup> See *Auer*, 519 U.S. at 457; *Chevron, U.S.A., Inc. v. NRDC, Inc.*, 467 U.S. 837, 842–43 (1984).

<sup>60</sup> *Auer*, 519 U.S. at 461 ("Because the salary-basis test is a creature of the Secretary's own regulations, his interpretation of it is, under our jurisprudence, controlling unless 'plainly erroneous or inconsistent with the regulation.'") (quoting *Robertson*, 490 U.S. at 359); *Chevron*, 467 U.S. at 844.

<sup>61</sup> See *Auer*, 519 U.S. at 462 (holding that deference should be given to the administrator's interpretation); *Chevron*, 467 U.S. at 863 (holding that deference should be given to an agency interpretation when dealing with a complex regulatory scheme).

<sup>62</sup> *Skidmore v. Swift & Co.*, 323 U.S. 134 (1944).

<sup>63</sup> See *id.* at 140.

<sup>64</sup> *Id.*

<sup>65</sup> See *id.* at 139–40.

interpretations carry persuasive weight.<sup>66</sup>

*B. Patentability Standards of Review*

1. District Court and PTAB

Confusion additionally arises with regards to what standard of review may be applied in which court. In *Novartis AG v. Noven Pharmaceuticals, Inc.*,<sup>67</sup> Appellants argued that the PTAB, utilizing the same evidence, unlawfully reached a differing conclusion from that reached by the U.S. District Court for the District of Delaware.<sup>68</sup> The court responded by explaining that the Appellants' argument would fail as a matter of law, as [t]he PTAB determined that a "petitioner in an *inter partes* review proves unpatentability by a preponderance of the evidence rather than by clear and convincing evidence[] as required in district court litigation," meaning that *the PTAB properly may reach a different conclusion based on the same evidence.*<sup>69</sup>

The court further explained that this position corresponded to Supreme Court precedent in *Cuozzo Speed Technologies, LLC v. Lee*,<sup>70</sup> which held that,

[a] district court may find a patent claim to be valid, and the [USPTO] may later cancel that claim in its own review. . . . This possibility, however, has long been present in our patent system, which provides different tracks—one in the [USPTO] and one in the courts—for the review and adjudication of patent claims. As we have explained . . . , *inter partes* review imposes a different burden of proof on the challenger.<sup>71</sup>

These conflicting evidentiary burdens, as offered by the court, "mean that the possibility of inconsistent results is inherent to

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<sup>66</sup> *See id.* at 140.

<sup>67</sup> *Novartis AG v. Noven Pharms., Inc.*, 853 F.3d 1289 (Fed. Cir. 2017).

<sup>68</sup> *Id.* at 1293.

<sup>69</sup> *Id.* at 1294 (emphasis added); *see Noven Pharmaceuticals, Inc. v. Novartis AG*, No. IPR2014-00549, 2015 Pat. App. LEXIS 12259, at \*6–7 (P.T.A.B. Sep. 28, 2015); *see also* 35 U.S.C. § 316(e) (2018) ("In an *inter partes* review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.").

<sup>70</sup> *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131 (2016).

<sup>71</sup> *Id.* at 2146.

Congress' regulatory design."<sup>72</sup> As such, differing standards exist for the petitioner to challenge the validity of and prove unpatentability of an issued patent in an *inter partes* review between the district court and the PTAB. Further support for this premise is found in *Versata Development Group, Inc. v. SAP America, Inc.*,<sup>73</sup> where the PTAB rejected the Appellants argument that *stare decisis* bound the PTAB to adopt the district courts' claim construction.<sup>74</sup>

### III. FEDERAL CIRCUIT

In a case arising from a district court proceeding, the Federal Circuit recently confirmed that claim construction is a question of law, reviewed *de novo*.<sup>75</sup> But unlike district courts, the PTAB construes claims under a "broadest reasonable [interpretation]" standard in post-grant proceedings.<sup>76</sup> However, Circuit Judge Plager noted that the Federal Circuit applies "two (possibly three . . .) inconsistent standards, mostly without acknowledging that the other standard[s] exists" when reviewing the PTAB's "broadest reasonable interpretation" of claim terms, leading to great unpredictability.<sup>77</sup>

Moreover, the final written decision of an AIA post-grant proceeding is not solidified and an applicant dissatisfied with the final written decision may seek judicial review, as explained *supra*, by appeal to the Court of Appeals.<sup>78</sup> Most appeals from final written decisions of post-grant proceedings take this traditional route as direct appeals, though, thus far, the Court of Appeals has generally

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<sup>72</sup> *Id. Cf. One Lot Emerald Cut Stones & One Ring v. United States*, 409 U.S. 232, 234–35 (1972) (*per curiam*) (explaining that the conflicting evidentiary requirements for criminal unlawful importation and civil forfeiture preclude the application of the doctrine of collateral estoppel).

<sup>73</sup> *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306 (Fed. Cir. 2015).

<sup>74</sup> *See id.* at 1328.

<sup>75</sup> *See Lighting Ballast Control LLC v. Philips Elecs. N. Am. Corp.*, 744 F.3d 1272, 1281, 1292 (Fed. Cir. 2014) (en banc).

<sup>76</sup> *See* 37 C.F.R. § 42.300(b) (2012).

<sup>77</sup> *See* Manual of Patent Examining Procedure § 2111 (2012) (citing 37 C.F.R. § 1); 37 C.F.R. § 1.56(b)(2)(ii) (2017) (where during patent examination, the pending claims must be given their "broadest reasonable [interpretation] consistent with the specification."); *see also* *Phillips v. AWH Corp.*, 415 F.3d 1303, 1316–17 (Fed. Cir. 2005) ("application claims must 'conform to the invention as set forth in the remainder of the specification and the terms and phrases used in the claims must find clear support or antecedent basis in the description so that the meaning of the terms in the claims may be ascertainable by reference to the description.'" (quoting 37 C.F.R. § 1.75(d)(1) (2017))).

<sup>78</sup> The Federal Circuit is the only appellate-level court with jurisdiction to hear patent appeals, and its rulings are binding on all United States District Courts. *See* 35 U.S.C. § 141(a), (c) (2012).

declined to contradict PTAB decisions.<sup>79</sup>

The Court of Appeals reviews PTAB determinations regarding questions of law, including enablement, obviousness, indefiniteness, and patentable subject matter, *de novo*.<sup>80</sup> Alternatively, for questions of fact regarding anticipation, written-description, obviousness, and enablement, the Federal Circuit applies the highly deferential “substantial evidence” test to PTAB determinations.<sup>81</sup> Review using the “substantial evidence” standard first involves examination of the record as a whole and then “asks whether a reasonable fact finder could have arrived at the agency’s decision.”<sup>82</sup> Essentially, the PTAB’s decision is upheld on appeal unless the reasonable fact-finder concludes that it is unsupported by such “substantial evidence.”<sup>83</sup>

The Supreme Court has described the “[s]ubstantial evidence” standard as, “more than a mere scintilla. It means such relevant evidence as a reasonable mind might accept as adequate to support a conclusion. . . . Mere uncorroborated hearsay or rumor does not constitute substantial evidence.”<sup>84</sup>

Though the Federal Circuit explained that, “[o]n judicial review, the correctness of the decision appealed from can be defended by the [A]ppellee on any ground that is supported by the record,”<sup>85</sup> the Federal Circuit may, “affirm the Board on grounds other than those relied upon in rendering its decision, when upholding the Board’s decision does not depend upon making a determination of fact not previously made by the Board.”<sup>86</sup> Additionally, “[p]ursuant to Supreme Court precedent . . . and Federal Circuit precedent . . . , federal court validity decisions do not bind the PTAB as a matter of law, because the burden of proof [differs].”<sup>87</sup>

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<sup>79</sup> See Daniel C. Cooley et al., *Navigating PTAB Appeals Before the Federal Circuit*, FINNEGAN (Jun. 2014), <https://www.finnegan.com/en/insights/navigating-ptab-appeals-before-the-federal-circuit.html>; see also 35 U.S.C. §§ 319, 329 (2012) (outlining the avenues for review); cf. *In re MCM Portfolio, LLC*, 554 F. App’x 944, 945 n.\* (Fed. Cir. 2014) (“‘Privy’ generally refers to a ‘sufficiently close relationship’ between the purported privy and the relevant other party such that both should be bound by the trial outcome and related estoppel provisions.”) (citing Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48759 (Aug. 14, 2012)).

<sup>80</sup> See Cooley et al., *supra* note 79.

<sup>81</sup> See *id.*

<sup>82</sup> *In re Gartside*, 203 F.3d 1305, 1312 (Fed. Cir. 2000) (citing *Consolidated Edison Co. v. NLRB*, 305 U.S. 197, 229 (1938)); see *Universal Camera Corp. v. NLRB*, 340 U.S. 474, 490 (1951).

<sup>83</sup> See *Universal Camera Corp.*, 340 U.S. at 490–91.

<sup>84</sup> *In re Gartside*, 203 F.3d at 1312 (quoting *Consol. Edison*, 305 U.S. at 229–30); see *A.K. Steel Corp. v. United States*, 192 F.3d 1367, 1371 (Fed. Cir. 1999).

<sup>85</sup> *Rexnord Indus., LLC v. Kappos*, 705 F.3d 1347, 1356 (Fed. Cir. 2013) (citing *Jaffke v. Dunham*, 352 U.S. 280, 281 (1957)).

<sup>86</sup> *Killip v. Office of Pers. Mgmt.*, 991 F.2d 1564, 1568–69 (Fed. Cir. 1993).

<sup>87</sup> Robert Schaffer & Joseph Robinson, *Federal Court Validity Decisions Do Not Bind the*

Moreover, additional case law shows that the Federal Circuit is bound by Congress and the Supreme Court in patentability standards of review under the AIA.<sup>88</sup> For example, the Federal Circuit in *Merck & Cie v. Gnosis S.P.A. et al.*<sup>89</sup> “recognized [it] is bound by the Supreme Court precedent in *Dickinson v. Zurko*,<sup>90</sup> and its own precedent in *In re Gartside*.”<sup>91</sup> In *Merck & Cie*, Judge O’Malley further explained that, “[t]o the extent IPR proceedings were intended to replace district court litigation, it would make sense for this court to review factual findings by the Board *in these new IPR proceedings* under the same standard we employ when reviewing factual findings of district judges—for clear error.”<sup>92</sup> Thus, when authorizing post-grant proceedings, the courts seem to be taking actions that coincide with the legislative history of the AIA and Congressional intent of these post-grant proceedings by treating these “proceedings as cost-efficient substitutes for litigation in federal district courts.”<sup>93</sup>

#### IV. PTAB VIOLATIONS IN TELEBRANDS CORP., V. TINNUS ENTERS., LLC

Information regarding available post-grant proceedings, varying deferential standards, and differing patentability standards of review among the courts will be used to assess alleged PTAB violations in a recent decision.

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PTAB, IPWATCHDOG (Apr. 14, 2017), <http://www.ipwatchdog.com/2017/04/14/federal-court-validity-decisions-do-not-bind-ptab/id=82071/>; see *Cuzzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016); *In re Baxter Int’l, Inc.*, 678 F.3d 1357, 1360–61 (Fed. Cir. 2012).

<sup>88</sup> See Parithosh K. Tungaturthi, *Federal Circuit Confirms That It Is Bound By Congress and Supreme Court in Its Standard of Review of Appeals Under the AIA*, BIOLOQUITUR (May 3, 2016), <https://www.bioloquitur.com/federal-circuit-confirms-that-it-is-bound-by-congress-and-supreme-court-in-its-standard-of-review-of-appeals-under-the-aia/>.

<sup>89</sup> *Merck & Cie v. Gnosis S.P.A.*, 820 F.3d 432 (Fed. Cir. 2016).

<sup>90</sup> *Dickinson v. Zurko*, 527 U.S. 150 (1999).

<sup>91</sup> Tungaturthi, *supra* note 88.

<sup>92</sup> *Merck & Cie*, 820 F.3d at 434–35.

<sup>93</sup> *Id.* at 434; see 157 Cong. Rec. S5319, 5319 (daily ed. Sept. 6, 2011) (statement of Sen. Kyl) (“By allowing post-grant review of patents . . . the bill creates an inexpensive substitute for district court litigation.”); 157 Cong. Rec. S1323, 1326 (daily ed. March 7, 2011) (statement of Sen. Sessions) (“This will allow invalid patents that were mistakenly issued by the [US]PTO to be fixed early in their life, before they disrupt an entire industry or result in expensive litigation.”); 157 Cong. Rec. S1052, 1053 (daily ed. Mar. 1, 2011) (statement of Sen. Whitehouse) (“[T]he bill will improve administrative processes so that disputes over patents can be resolved quickly and cheaply without patents being tied up for years in expensive litigation.”).

A. *United States District Court for the Eastern District of Texas*

On June 9, 2015, plaintiff, Tinnus Enterprises, LLC (hereinafter “Tinnus”), and its exclusive licensee, ZURU Limited, commenced an action in the United States District Court for the Eastern District of Texas<sup>94</sup> against defendants, Telebrands Corp. (hereinafter “Telebrands”) and Bed Bath & Beyond, Inc., alleging infringement of U.S. Patent No. 9,051,066 B1 (hereinafter “’066 Patent”) issued to Tinnus and entitled “System and Method for Filling Containers with Fluids,” with the associated product named “Bunch O Balloons.”<sup>95</sup> Independent claim 1 of the ‘066 Patent is as follows:

1. An apparatus comprising:

a housing comprising an opening at a first end, and a plurality of holes extending through a common face of the housing at a second end;

a plurality of flexible hollow tubes, each hollow tube attached to the housing at a respective one of the holes at the second end of the housing;

a plurality of containers, each container removably attached to a respective one of the hollow tubes; and

a plurality of elastic fasteners, each elastic fastener clamping a respective one of the plurality of containers to a corresponding hollow tube, and each elastic fastener configured to provide a connecting force that is not less than a weight of one of the containers when substantially filled with water, and to automatically seal its respective one of the plurality of containers upon detaching the container from its corresponding hollow tube, such that shaking the hollow tubes in a state in which the containers are substantially filled with water overcomes the connecting force and causes the containers to detach from the hollow tubes thereby causing the elastic fasteners to automatically seal the containers,

wherein the apparatus is configured to fill the containers substantially simultaneously with a fluid.<sup>96</sup>

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<sup>94</sup> Known as a popular destination for patent cases and widely considered to be a “plaintiff’s best bet.” See Marius Meland, *Eastern District of Texas: A Plaintiff’s Best Bet*, LAW360 (Dec. 9, 2005), <https://www.law360.co/articles/4738/print?section=illinois>.

<sup>95</sup> Tinnus Enters., LLC v. Telebrands Corp., No. 6:15-cv-00551 RWS-JDL, 2015 WL 11089479 at \*1 (E.D. Tex. Sept. 11, 2015); see U.S. Patent No. 9,051,066 B1 (filed Sept. 22, 2014).

<sup>96</sup> U.S. Patent No. 9,051,066 col. 6 l. 30–53 (filed Sept. 22, 2014).

The plaintiffs requested a preliminary injunction be issued, contending “that it is more likely than not that” defendants’ Balloon Bonanza product infringed the plaintiffs’ Bunch O Balloons product.<sup>97</sup> United States Magistrate Judge John D. Love issued a Report and Recommendation to grant the plaintiffs a preliminary injunction.<sup>98</sup>

The District Court has the discretion to grant a preliminary injunction where the decision is based on the following factors: “(1) the likelihood of the patentee’s success on the merits; (2) irreparable harm if the injunction is not granted; (3) the balance of hardships between the parties; and (4) the public interest.”<sup>99</sup> A patentee seeking a preliminary injunction must show a likelihood of infringement in light of the claims.<sup>100</sup> The United States District Judge Robert W. Schroeder III adopted the Report and Recommendation from United States Magistrate Judge John D. Love, and finding the elements satisfied, granted the preliminary injunction while overruling the outstanding objections.<sup>101</sup>

### *B. Federal Circuit*

On appeal, “Telebrands alleg[ed] that the district court abused its discretion by concluding that (1) the asserted claims were likely infringed; (2) the claims were not subject to indefiniteness or obviousness [rejections]; and (3) Tinnus made a showing of irreparable harm.”<sup>102</sup> In finding no abuse of discretion by the District Court, the Federal Circuit affirmed the District Court’s judgment.<sup>103</sup>

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<sup>97</sup> See Plaintiffs’ Motion for a Preliminary Injunction and Memorandum in Support at 7, *Tinnus Enters., LLC v. Telebrands Corp.*, No. 6:15-cv-00551 (E.D. Tex. Jun. 18, 2015).

<sup>98</sup> See *Tinnus Enters., LLC v. Telebrands Corp.*, No. 6:15-cv-00551, 2015 U.S. Dist. LEXIS 189351, at \*32 (E.D. Tex. Sept. 11, 2015) (Report and Recommendation of Magistrate Judge).

<sup>99</sup> *Abbott Labs. v. Sandoz, Inc.*, 566 F.3d 1282, 1298 (Fed. Cir. 2009) (citing *Erico Int’l Corp. v. Vutec Corp.*, 516 F.3d 1350, 1353–54 (Fed. Cir. 2008)); see also *Purdue Pharma L.P. v. Boehringer Ingelheim GmbH*, 237 F.3d 1359, 1363 (Fed. Cir. 2001) (“The decision to grant a preliminary injunction is within the discretion of the district court.”).

<sup>100</sup> See *Titan Tire Corp. v. Case New Holland, Inc.*, 566 F.3d 1372, 1376 (Fed. Cir. 2009); *Pfizer, Inc. v. Teva Pharms. USA, Inc.*, 429 F.3d 1364, 1372 (Fed. Cir. 2005).

<sup>101</sup> *Tinnus Enters., LLC v. Telebrands Corp.*, No. 6:15-cv-00551, 2016 U.S. Dist. LEXIS 86721, at \*6 (E.D. Tex. Dec. 2, 2015) (Order Adopting Report and Recommendation of Magistrate Judge).

<sup>102</sup> *Tinnus Enters., LLC v. Telebrands Corp.*, 846 F.3d 1190, 1194 (Fed. Cir. 2017).

<sup>103</sup> See *id.* at 1208.

*C. PTAB*

On June 22, 2015, Telebrands filed a petition requesting post-grant review pursuant to 35 U.S.C. §§ 321–328 and C.F.R. § 42.200 *et seq.* of claims 1–14 of the ‘066 Patent.<sup>104</sup> Tinnus filed a preliminary response, as well as a statutory disclaimer disclaiming claims 7 and 9.<sup>105</sup> On January 4, 2016, the PTAB issued a decision to institute the post-grant review of claims 1–6, 8, and 10–14 on several grounds.<sup>106</sup> For example, claims 1–6, 8, and 10–14 were argued as allegedly indefinite under 35 U.S.C. § 112(b),<sup>107</sup> claims 1–4, 8, and 14 were challenged as unpatentable under 35 U.S.C. § 103(a) in view of the combination of the following references: U.S. Patent No. 5,826,803.<sup>108</sup> U.S. Patent Application Publication No. 2013/0118640 A1<sup>109</sup> and U.S. Patent Application Publication No. 2005/0004430 A1,<sup>110</sup> and, further, claims 11–13 were challenged as unpatentable under 35 U.S.C. § 103(a) in view of the combination of the following references: U.S. Patent No. 8,479,776 B2,<sup>111</sup> the ‘803 Patent, the ‘640 Publication, and the ‘430 Publication.<sup>112</sup> In a final written decision of the instituted proceeding,<sup>113</sup> the PTAB openly refused to follow Supreme Court precedent and ruled divergently from the district court.<sup>114</sup>

## 1. PTAB Final Written Decision

On December 30, 2016, a final written decision under 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73 was granted in the post-grant review of

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<sup>104</sup> See Petition for Post-Grant Review of U.S. Patent No. 9,051,066 at 1, Telebrands Corp. v. Tinnus Enters., LLC, No. PGR2015-00018, (P.T.A.B. Jun. 22, 2015).

<sup>105</sup> See Preliminary Response by Patent Owner at 1, 62, Telebrands Corp. v. Tinnus Enterprises, LLC, No. PGR2015-00018 (P.T.A.B. Oct. 7, 2015).

<sup>106</sup> See Decision - Institution of Post-Grant Review at 2, Telebrands Corp. v. Tinnus Enterprises, LLC, No. PGR2015-00018 (P.T.A.B. Jan. 4, 2016) (hereinafter “Decision – Institution of Post-Grant Review”).

<sup>107</sup> See *id.* at 14.

<sup>108</sup> U.S. Patent No. 5,826,803 A (filed May 12, 1997).

<sup>109</sup> U.S. Patent Application Serial No. 13/556,346 (filed July 24, 2012) (published on May 16, 2013 as U.S. Patent Application Publ’n No. 2013/0118640 A1) [hereinafter ‘640 Publication].

<sup>110</sup> Telebrands Corp. v. Tinnus Enters., LLC, No. PGR2015-00018, 2016 WL 270152, at \*2–3 (P.T.A.B. Jan. 4, 2016); U.S. Patent Application Serial No. 10/867,511 (filed June 14, 2004) (published on Jan. 6, 2005 as U.S. Patent App. Publ’n No. 2005/0004430 A1) [hereinafter ‘430 Publication].

<sup>111</sup> U.S. Patent No. 8,479,776 B2 (filed Nov. 30, 2012).

<sup>112</sup> *Telebrands Corp.*, 2016 WL 270152, at \*2–3.

<sup>113</sup> See *Telebrands Corp., v. Tinnus Enters., LLC*, No. PGR2015-00018, 2016 Pat. App. LEXIS 13262, at \*1 (P.T.A.B. Dec. 30, 2016).

<sup>114</sup> See *id.* at \*22.



claims 1–6, 8, and 10–14 of the '066 Patent.<sup>115</sup> Instead of utilizing the standard for a post-grant review, the PTAB utilized the standard for an *inter partes* review, explaining that claim terms in an issued patent are given their “broadest reasonable interpretation” in light of the specification.<sup>116</sup>

In the post-grant review, several claim terms were at issue, including the terms “filled” and “substantially filled” from the following limitation of claim 1:

[A] plurality of elastic fasteners, each elastic fastener clamping a respective one of the plurality of containers to a corresponding hollow tube, and each elastic fastener configured to provide a connecting force that is not less than a weight of one of the containers when substantially filled with water, and to automatically seal its respective one of the plurality of containers upon detaching the container from its corresponding hollow tube, such that shaking the hollow tubes in a state in which the containers are substantially filled with water overcomes the connecting force and causes the containers to detach from the hollow tubes thereby causing the elastic fasteners to automatically seal the containers, wherein the apparatus is configured to fill the containers substantially simultaneously with a fluid.<sup>117</sup>

Telebrands contended that the claim term “substantially filled” was indefinite under 35 U.S.C. § 112(b), since “[t]he lack of clarity of the term ‘filled’ is further enhanced by the modifier, ‘substantially,’ which is a term of degree.”<sup>118</sup> The petitioner further asserted that, “[t]he specification and prosecution history do not provide objective boundaries for those of ordinary skill in the art for the term ‘filled,’ let alone the term ‘substantially filled.’”<sup>119</sup> Tinnus argued that the meaning of “filled” in the context of the claims was “evident in the very experimental, plain and ordinary meaning of the word.”<sup>120</sup>

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<sup>115</sup> *Id.* at \*1–2.

<sup>116</sup> *Id.* at \*8 (citing *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144–46 (2016)).

<sup>117</sup> *Telebrands Corp.*, 2016 Pat. App. LEXIS 13262, at \*6–7 (emphasis added).

<sup>118</sup> *Id.* at \*12 (alteration in original).

<sup>119</sup> *Id.* (alteration in original).

<sup>120</sup> *Id.* at \*14.

## 2. PTAB's Rationale Behind Holding

In regards to which indefiniteness standard to apply, Telebrands argued that the most recent Supreme Court precedent of *Nautilus, Inc. v. Biosig Instruments, Inc.*<sup>121</sup> was inapplicable to proceedings before the PTAB under the AIA.<sup>122</sup> Instead, Telebrands argued that the Federal Circuit standard of *In re Packard*<sup>123</sup> should be applied.<sup>124</sup> The PTAB explained that they “apply the test for indefiniteness approved by the Federal Circuit in *Packard*, i.e., ‘a claim is indefinite when it contains words or phrases whose meaning is unclear.’”<sup>125</sup> The PTAB acknowledged,

We also recognize that subsequent to the *Packard* decision, the Supreme Court in *Nautilus* enunciated a differently worded definiteness requirement in the context of patent infringement litigation. We do not understand *Nautilus*, however, to mandate the Board's approach to indefiniteness in patent examination or reexamination matters or in AIA proceedings, in which the claims are interpreted under the broadest reasonable interpretation standard, and an opportunity to amend the claims is afforded. The test for indefiniteness approved in *Packard*, which is applied by the USPTO in patent examination, sets a threshold for indefiniteness that demands at least as much clarity, and potentially more clarity, than the *Nautilus* definiteness requirement.<sup>126</sup>

Further, the PTAB explained their use of the *Packard* standard since the Applicant has an ability to amend pending claims during prosecution to ensure that claim language is clear and definite.<sup>127</sup> The PTAB argued that these differing approaches, “stem from the distinct roles that the [US]PTO and the courts play in the patent system.”<sup>128</sup>

The PTAB ultimately found that Telebrands had established, by a

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<sup>121</sup> *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120 (2014).

<sup>122</sup> *Telebrands Corp.*, 2016 Pat. App. LEXIS 13262, at \*17.

<sup>123</sup> *In re Packard*, 751 F.3d 1307 (Fed. Cir. 2014).

<sup>124</sup> *Telebrands Corp.*, 2016 Pat. App. LEXIS 13262, at \*17.

<sup>125</sup> *Id.* at \*21 (quoting *Packard*, 751 F.3d at 1322 (Plager, J., concurring)).

<sup>126</sup> *Telebrands Corp.*, 2016 Pat. App. LEXIS 13262, at \*22.

<sup>127</sup> *Id.* at \*22 n.11.

<sup>128</sup> *Id.* at \*24.

preponderance of the evidence, that claims 1–6, 8, and 10–14 were indefinite under 35 U.S.C. § 112(b).<sup>129</sup> The PTAB took the position that the limitation “substantially filled” was unclear and indefinite as, “[a] person of ordinary skill in the art could not interpret the metes and bounds of the phrase so as to understand how to avoid infringement,”<sup>130</sup> because the claims and the specification both failed to provide any objective standard for measuring the scope of these terms.<sup>131</sup> However, since the scope of a post-grant review is much broader than that of an *inter partes* review, the violation by the PTAB in utilizing the standard articulated for an *inter partes* review arguably renders the PTAB’s final written decision null and void.

Though *stare decisis* does not bind the PTAB to follow district court decisions, the PTAB failed to follow Supreme Court precedent regarding indefiniteness.<sup>132</sup> However, even if the PTAB insisted on utilizing the *Packard* standard, one can argue that there is no reason why the PTAB could not additionally apply the *Nautilus* standard as, “[t]here is nothing internally or irreconcilably divergent with respect to [these two standards].”<sup>133</sup> This leads one to question what remedies are available to control such an agency that has unyielding power to first grant the property right of a patent and subsequently invalidate and extinguish this right.

#### D. Court of Appeals

Tinnus appealed the final written decision to the Court of Appeals,<sup>134</sup> challenging the PTAB’s decision to grant institution of the post-grant review proceeding since the PTAB utilized the incorrect statutory standard for institution.<sup>135</sup> Tinnus further argued that regardless of this error,<sup>136</sup> the ‘066 Patent survives both standards.<sup>137</sup> In response, the Court of Appeals distinguished both standards,

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<sup>129</sup> *Id.* at \*11, \*49.

<sup>130</sup> *Id.* at \*35.

<sup>131</sup> *Id.*

<sup>132</sup> *See id.* at \*24.

<sup>133</sup> Gene Quinn, *USPTO, PTAB Refuse to Follow Supreme Court Nautilus Decision*, IPWATCHDOG (Sep. 5, 2017), <http://www.ipwatchdog.com/2017/09/05/uspto-ptab-refuse-follow-supreme-court-nautilus-decision/id=87580/>.

<sup>134</sup> *Tinnus Enters., LLC v. Telebrands Corp.*, No. 2017-1726, 2018 U.S. App. LEXIS 14495, at \*1–2 (Fed. Cir. May 30, 2018) (citing *Telebrands Corp.*, 2016 Pat. App. LEXIS 13262, at \*3–4).

<sup>135</sup> *Tinnus*, 2018 U.S. App. LEXIS 14495, at \*2.

<sup>136</sup> *Id.* at \*12 (“[E]ven if this issue were appealable, we would find that the Board did not err in instituting the [post-grant review] because it made explicit determinations under the correct, ‘more likely than not’ standard . . .”).

<sup>137</sup> *Id.* at \*2.

explaining that in *Nautilus*, the indefiniteness concern was addressed in the context of issued patent claims, whereas in *Packard*, indefiniteness was addressed in the context of pre-issuance claims.<sup>138</sup> Further, since “[n]either party point[ed] to any binding precedent that directly address[ed] [whether the *Nautilus* or the *Packard* standard should apply], and the PTO has not promulgated a rule addressing [what] standard should apply,”<sup>139</sup> the Court of Appeals found that reference to “a reasonable likelihood” standard was harmless.<sup>140</sup>

Finding the term “substantially” definite<sup>141</sup> and satisfying the *Nautilus* test<sup>142</sup> in view of the claim language,<sup>143</sup> the specification,<sup>144</sup> and the prosecution history,<sup>145</sup> the Court of Appeals reversed the

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<sup>138</sup> See *id.* at \*12–13 (first citing *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2126–27 (2014); then quoting *In re Packard*, 751 F.3d 1307, 1309 (Fed. Cir. 2014)).

<sup>139</sup> *Tinnus*, 2018 U.S. App. LEXIS 14495, at \*14.

<sup>140</sup> *Id.* at \*12.

<sup>141</sup> *Id.* at \*16 (quoting *Deere & Co. v. Bush Hog, LLC*, 703 F.3d 1349, 1359 (Fed. Cir. 2012)) (“[R]elative terms such as ‘substantially’ do not render patent claims so unclear as to prevent a person of skill in the art from ascertaining the scope of the claim.”).

<sup>142</sup> *Tinnus*, 2018 U.S. App. LEXIS 14495, at \*16 (quoting *One-E-Way, Inc. v. Int’l Trade Comm’n*, 859 F.3d 1059, 1063 (Fed. Cir. 2017)) (“[A]s long as claim terms satisfy [the *Nautilus*] test, relative terms and words of degree do not render patent claims invalid.”).

<sup>143</sup> The Court of Appeals found that the PTAB had erred for first reading the disputed claim terms in isolation, rather than in the surrounding claim language, as this error led to the conclusion that “substantially filled” erroneously referred to the volume of fluid in the container. *Tinnus*, 2018 U.S. App. LEXIS 14495, at \*21–22 (citing *Power-One, Inc. v. Artesyn Techs, Inc.*, 599 F.3d 1343, 1350 (Fed. Cir. 2010)). When “substantially filled” is read in light of the surrounding claim language, it is obvious that this phrase refers to the strength of the elastic fastener. *Tinnus*, 2018 U.S. App. LEXIS 14495, at \*21–22 (citing *Hill-Rom Servs., Inc. v. Stryker Corp.*, 755 F.3d 1367, 1371 (Fed. Cir. 2014)). The relevant claim language recites,

a plurality of elastic fasteners, each elastic fastener clamping a respective one of the plurality of containers to a corresponding hollow tube, and each elastic fastener configured to provide a connecting force that is not less than a weight of one of the containers when substantially filled with water, and to automatically seal its respective one of the plurality of containers upon detaching the container from its corresponding hollow tube, such that shaking the hollow tubes in a state in which the containers are substantially filled with water overcomes the connecting force and causes the containers to detach from the hollow tubes thereby causing the elastic fasteners to automatically seal the containers, wherein the apparatus is configured to fill the containers substantially simultaneously with a fluid.

*Id.* at \*17–18 (emphasis omitted). One of ordinary skill in the art would understand that one could select an elastic fastener that is weak enough that the container would fall off without shaking to avoid infringement. *Id.* at \*18.

<sup>144</sup> See *id.* at \*18–19 (explaining that the specification describes the ways in which a container could detach from the tubes, such as gravity and pulling, which serve to inform one of ordinary skill in the art of the metes and bounds of the invention).

<sup>145</sup> See *id.* at \*5, \*20. The examiner prompted the addition of the term “substantially” to the claims, as shown in the examiner’s amendment in the Notice of Allowance mailed April 7, 2015. See *id.* at \*5, Petition for Post-Grant Review of U.S. Patent No. 9,051,066 at 9, *Telebrands Corp. v. Tinnus Enters., LLC*, No. PGR2015-00018, (P.T.A.B. Jun. 22, 2015). Specifically, the

PTAB's finding of indefiniteness and remanded the case to allow the PTAB to address an alleged obviousness ground of rejection.<sup>146</sup> Though the Court of Appeals was able to reverse the PTAB's findings in this instance with regards to the improper indefiniteness rejection, does this force the Court of Appeals to continuously act in a supervisory role to review and remedy improper decisions of the PTAB? A more stream-lined approach is necessary.

## V. THE REGULATORY ACCOUNTABILITY ACT OF 2017

### A. *Metes and Bounds of the Act*

With the introduction of the AIA, as explained earlier, the USPTO gained authority to interpret guidelines in creating new post-grant challenges.<sup>147</sup> The PTAB's rules are held to *Chevron* deference, since "Congress [has] delegated authority to the [USPTO] generally to make rules carrying the force of law, and . . . the [USPTO] interpretation claiming deference was promulgated in the exercise of that authority,"<sup>148</sup> where this delegation may be shown by, "[the USPTO's] power to engage in adjudication or notice-and-comment rulemaking, or by some other indication of a comparable congressional intent."<sup>149</sup> However, this deference allows the PTAB to modify rules whenever they see fit, a power extinguishable by the passage of the proposed Regulatory Accountability Act.<sup>150</sup>

When the Senate received this proposed legislation in January of 2017, the Senate referred it to the Committee on Homeland Security and Governmental Affairs.<sup>151</sup> The proposed legislation passed the House of Representatives with a vote of 238–183 on January 11,

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examiner suggested adding in part, "each elastic fastener configured to provide a connecting force that is not less than a weight of one of the containers when substantially filled with water," to claim 1. *Tinnus*, 2018 U.S. App. LEXIS 14495, at \*5. This addition by the examiner implies that the claim language informs one of ordinary skill in the art of the objective boundaries of the claim terms. *Id.* at \*21.

<sup>146</sup> *Id.* at \*2.

<sup>147</sup> See Gugliuzza, *supra* note 21, at 1826.

<sup>148</sup> *United States v. Mead Corp.*, 533 U.S. 218, 226–27 (2001).

<sup>149</sup> *Id.* at 227.

<sup>150</sup> Regulatory Accountability Act of 2017, H.R. 5, 115th Cong. § 202 (2017); See, e.g., REPUBLICAN POLICY COMMITTEE, H.R. 5, REGULATORY ACCOUNTABILITY ACT OF 2017, LEGIS. DIG. (Jan. 11, 2017), <https://policy.house.gov/legislative/bills/hr-5-regulatory-accountability-act-2017> ("[The Regulatory Accountability Act] repeals the *Chevron* and *Auer* doctrines to end judicial deference to bureaucrats' statutory and regulatory interpretations.").

<sup>151</sup> See H.R. 5 (explaining in history of bill that the Senate referred the Regulatory Accountability Act to the Committee on Homeland Security and Governmental Affairs).

2017.<sup>152</sup> If passed and signed by the current commander-in-chief, President Donald J. Trump, this legislation will have a profound effect on many areas of patent law, including post-grant proceedings before the PTAB and prosecution practice before the USPTO.

*B. Ending the Doctrine of Judicial Deference*

Specifically, this proposed legislation is aimed at “wip[ing] out abusive regulation”<sup>153</sup> and ending the doctrine of judicial deference to agency legal interpretations for regulatory agencies. Title II, Section 202 of the Regulatory Accountability Act of 2017<sup>154</sup> provides modification to the scope of judicial review of agency actions, which includes authorizing courts, reviewing agency actions, to decide *de novo* all relevant questions of law, including interpretations of: (1) constitutional and statutory provisions and (2) rules made by agencies.<sup>155</sup> For example:

[i]f the reviewing court determines that a statutory or regulatory provision relevant to its decision contains a gap or ambiguity, the court shall not interpret that gap or ambiguity as an implicit delegation to the agency of legislative rule making authority and shall not rely on such gap or ambiguity as a justification either for interpreting agency authority expansively or for deferring to the agency’s interpretation on the question of law.<sup>156</sup>

Section 103 of the Regulatory Accountability Act<sup>157</sup> revises federal rulemaking procedures under the Administrative Procedure Act (“APA”)<sup>158</sup> enacted on June 11, 1946. As a federal statute, the APA governs the ways in which administrative agencies (e.g., the USPTO) of the federal government propose and establish regulations.<sup>159</sup> Further, the APA also grants the judiciary oversight over all agency actions.<sup>160</sup> Section 103 of the Regulatory Accountability Act requires

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<sup>152</sup> Lisa Lambert, *Republicans Pass Sweeping Bill to Reform ‘Abusive’ U.S. Regulation*, REUTERS (Jan. 11, 2017), <https://www.reuters.com/article/us-usa-congress-regulations-idUSKBN14W02N>.

<sup>153</sup> *Id.*

<sup>154</sup> H.R. 5, § 202.

<sup>155</sup> *Id.*

<sup>156</sup> *Id.*

<sup>157</sup> *Id.* § 103.

<sup>158</sup> Administrative Procedure Act, 5 U.S.C. §§ 551–559 (2012).

<sup>159</sup> *See id.* § 553.

<sup>160</sup> *See id.* §§ 702, 704 (granting the right of review over agency action).

a federal agency to make all preliminary and final factual determinations based on evidence, while considering:

- [1] The legal authority under which a rule may be proposed . . . .
- [2] The specific nature and significance of the problem the agency may address with a rule . . . .
- [3] Whether existing rules have created or contributed to the problem the agency may address with a rule and whether those rules could be amended or rescinded . . . .
- [4] Any reasonable alternatives for a new rule . . . . [and]
- [5] the potential costs and benefits associated with potential alternative rules . . . . including impacts on low-income populations . . . .<sup>161</sup>

This Act allows courts (e.g., the Federal Circuit) to more stringently review and modify the decisions from the PTAB. Further, the Regulatory Accountability Act requires agencies to conduct cost-benefit analyses on proposed rules and alternatives, and forbids courts from deferring to such cost-benefit analyses if the associated agency fails to conform to guidelines established by the White House’s Office of Information and Regulatory Affairs.<sup>162</sup>

### C. Effects on *Inter Partes* Review in View of *Tinnus*

The result of the *Tinnus* case would differ under the Regulatory Accountability Act for several reasons. As explained earlier in *Tinnus*, the PTAB instituted a post-grant review on a subset of claims of the ‘066 Patent on the grounds of indefiniteness under 35 U.S.C. § 112(b) and obviousness under 35 U.S.C. § 103(a).<sup>163</sup> The post-grant review was instituted with the lower institution threshold of *inter partes* review (i.e., the “reasonable likelihood” standard).<sup>164</sup> It is unlikely that the petitioners would have met the higher threshold, the “more likely than not”<sup>165</sup> standard governing post-grant reviews.

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<sup>161</sup> H.R. 5, § 103(b).

<sup>162</sup> See *id.* at §§ 103(d)(1)(F), (k)(1)(A), 107(c)(1).

<sup>163</sup> See *Telebrands Corp., v. Tinnus Enters., LLC*, No. PGR2015-00018, 2016 Pat. App. LEXIS 13262, at \*11, \*49 (P.T.A.B. Dec. 30, 2016).

<sup>164</sup> See *id.* at \*21 (applying the lower institution threshold in *Packard*).

<sup>165</sup> See *Tinnus Enters., LLC v. Telebrands Corp.*, 2018 U.S. App. LEXIS 14495, at \*9–10 (Fed. Cir. May 30, 2018) (explaining that the USPTO will institute a post-grant review if the USPTO Director determines that the challengers’ petition meets the threshold showing that more likely than not at least one challenged claim will be found to be invalid).

As such, this section assumes that an *inter partes* review was instituted initially in *Tinnus* to comply with the institution threshold standard utilized by the PTAB. As an initial note, passage of the Regulatory Accountability Act would remove the necessity of appealing to the Court of Appeals to receive a fair and just decision.<sup>166</sup>

### 1. Broadest Reasonable Interpretation

The Regulatory Accountability Act will have unforeseen impacts on well-settled issues and will eliminate *stare decisis* over earlier court approval of USPTO rules. For example, though affirmed in a recent decision,<sup>167</sup> it is unclear if the USPTO will continue to use the “broadest reasonable interpretation” standard to interpret patent claims in an instituted *inter partes* review, as the Act will change the type of deference a court must provide to USPTO regulations.

As explained in *Cuozzo*, the Supreme Court relied on *Chevron* in analyzing whether the USPTO’s imposition of the “broadest reasonable interpretation” standard during an *inter partes* review proceeding was a reasonable exercise of authority that Congress delegated to the USPTO.<sup>168</sup> Finding that, “neither the statutory language, [nor] its purpose, [nor] . . . its [legislative] history suggest[ed] that Congress considered what standard the [USPTO] should apply when reviewing a patent claim in [an] *inter partes* review,”<sup>169</sup> the Court found existence of, “an express delegation of rulemaking authority, a ‘gap’ that rules might fill, and [an] ‘ambiguity’ in respect to the boundaries of that gap.”<sup>170</sup>

Following the rationale in *Chevron* and *Mead*, the Court held that when an ambiguity or gap exists and no statutory provision directs the agency to use one standard, the statute then allows the agency (e.g., the USPTO) to, “express[ly] . . . engage in the process of rulemaking” or adjudication that produces regulations or rulings for which deference is claimed to address the ambiguity or gap.<sup>171</sup> The

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<sup>166</sup> See H.R. 5, § 202.

<sup>167</sup> *Harmonic Inc. v. Avid Tech., Inc.*, 815 F.3d 1356, 1368 (Fed. Cir. 2016) (citing *Chevron*, U.S.A., Inc. v. Nat. Res. Def. Council, Inc., 467 U.S. 837, 844 (1984)).

<sup>168</sup> See *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016) (first citing *Chevron*, 467 U.S. 837 and then citing *United States v. Mead Corp.*, 533 U.S. 218, 229 (2001)); see also 37 C.F.R. § 42.100(b) (2018) (allowing a claim in an unexpired patent to be construed via its broadest reasonable interpretation in light of the specification of the patent in which it appears).

<sup>169</sup> *Cuozzo*, 136 S. Ct. at 2144.

<sup>170</sup> *Id.* (quoting *Mead Corp.*, 533 U.S. at 229) (citing *Chevron*, 467 U.S. at 843).

<sup>171</sup> *Cuozzo*, 136 S. Ct. at 2142 (quoting *Mead Corp.*, 533 U.S. at 229). See also *Christensen v. Harris County*, 529 U.S. 576, 596–97 (2000) (Breyer, J., dissenting) (explaining that if it is



Court concluded that the USPTO regulation of selecting the “broadest reasonable interpretation” standard is reasonable in light of policy rationales and the Code of Federal Regulations,<sup>172</sup> and as such, the Court, “do[es] not decide whether there is a better alternative as a policy matter. That is a question that Congress left to the particular expertise of the [USPTO].”<sup>173</sup> This proposition is supported by the fact that the patent examiner’s use of the broadest reasonable interpretation standard,

increases the possibility that the examiner will find the claim too broad (and deny it) . . . encourag[ing] the applicant to draft [claims] narrowly. This helps ensure precision while avoiding overly broad claims, and thereby helps prevent a patent from tying up too much knowledge, while helping members of the public draw useful information from the disclosed invention and better understand the lawful limits of the claim.<sup>174</sup>

Moreover, the USPTO has used this standard for more than 100 years<sup>175</sup> in proceedings which, similar to the pending case, resemble district court litigation.<sup>176</sup>

In addition, assuming in light of this Act that the USPTO will no longer utilize the “broadest reasonable interpretation” standard to interpret patent claims in an instituted *inter partes* review, deference would be provided to the reviewing court to determine if terms, such as “filled” and “substantially filled,” find support in the specification or in the prosecution history of *Tinnus*. Removal of this standard may further allow the patent holder to argue the definitional bounds of specific claim terms more broadly. Moreover, removal of this standard may allow the patent holder to introduce additional sources of evidence to support a proffered definition. The methods

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in doubt that Congress actually intended to delegate particular interpretive authority to an agency, *Chevron* deference is inapplicable, but *Skidmore* retains vitality); Equal Emp’t Opportunity Comm’n v. Arabian Am. Oil Co., 499 U.S. 244, 257 (1991) (quoting Gen. Elec. Co. v. Gilbert, 429 U.S. 125, 141, 142 (1976)) (explaining that the Court did not apply *Chevron* deference to agency guidelines where congressional delegation did not include the power to promulgate rules or regulations).

<sup>172</sup> See 37 C.F.R. § 42.100(b) (2018).

<sup>173</sup> *Cuozzo*, 136 S. Ct. at 2146.

<sup>174</sup> *Id.* at 2145 (first citing *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2128–29 (2014); then citing *In re Yamamoto*, 740 F. 2d 1569, 1571 (Fed. Cir. 1984)).

<sup>175</sup> *Cuozzo*, 136 S. Ct. at 2145 (citing *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1276 (Fed. Cir. 2015)).

<sup>176</sup> *Cuozzo*, 136 S. Ct. at 2145 (citing *Bamberger v. Cheruvu*, 55 U.S.P.Q. 2d 1523, 1527 (B.P.A.I. 1998)).

and sources of proof for defining the scope of patent terms may be endless if this standard is recycled.

## 2. Institution on a Subset of Grounds

Similar to the Supreme Court in *Cuozzo*, the Federal Circuit in *Harmonic Inc. v. Avid Tech., Inc.* refrained from conducting *de novo* review over the USPTO guidelines on the subset of grounds question.<sup>177</sup> With passage of the Regulatory Accountability Act, the question of lawfulness regarding institution of an *inter partes* review on a “subset of challenge grounds” will be pried open. Also, several recent decisions affirming the USPTO’s non-statutory institution on only a subset of grounds presented by an *inter partes* review<sup>178</sup> petitioner may be undermined.

Previously, the USPTO instituted an *inter partes* review petition on a subset of challenged grounds when the PTAB found that the *inter partes* review petition met a threshold likelihood of success (e.g., “there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition”),<sup>179</sup> making additional grounds redundant to consider<sup>180</sup> and rendering them moot to litigate.<sup>181</sup> This is consistent with AIA ideology, which mandates the USPTO to, “consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings . . .,”<sup>182</sup> providing for timely completion<sup>183</sup> of *inter partes* review petitions.

With passage of the Regulatory Accountability Act, the subset of grounds question will no longer be settled law. If an appellate body extinguishes this requirement, post-grant proceedings may only be instituted on a single ground, which may deter individuals lacking a

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<sup>177</sup> See *Harmonic Inc. v. Avid Tech., Inc.*, 815 F.3d 1356, 1366 (Fed. Cir. 2016).

<sup>178</sup> See *id.* (citing *Synopsys, Inc. v. Mentor Graphic Corp.*, 814 F.3d 1309, 1316–17 (Fed. Cir. 2016)).

<sup>179</sup> 35 U.S.C. § 314(a) (2012).

<sup>180</sup> See, e.g., *Harmonic*, 815 F.3d at 1364, 1367 (quoting *Harmonic, Inc. v. Avid Tech., Inc.*, No. IPR2013-00252, Paper 12, at 36 (P.T.A.B. Sept. 25, 2013)) (explaining that other grounds for institution of an *inter partes* review petition are redundant where the PTAB determined that the petitioner had a reasonable likelihood of success in prevailing to at least one challenged claim in the *inter partes* review petition with a combination of references).

<sup>181</sup> See *Harmonic*, 815 F.3d at 1364, 1367.

<sup>182</sup> 35 U.S.C. § 316(b) (2012).

<sup>183</sup> See 35 U.S.C. § 316(a)(11) (“[R]equiring that the final determination in an *inter partes* review be issued not later than 1 year after the date on which the Director notices the institution of a review . . .”).

sufficient basis to challenge a granted patent to bring a post-grant proceeding in the first place. Under these hypothetical circumstances, the post-grant proceeding of *Tinnus* may not have been instituted due to a lack of a singular ground to challenge the granted patent and, moreover, a lack of a sole ground to meet the associated post-grant proceeding institution threshold.

## VI. PARTIAL INSTITUTION ON A SUBSET OF CLAIMS

### A. *Historical Foundation*

Additionally, though the Federal Circuit has ruled it permissible for the USPTO to institute an *inter partes* review on a subset of grounds, the effect that introduction of the Regulatory Accountability Act will have on institution of an *inter partes* review on a subset of claims is less clear. For example, the Federal Circuit has approved the “subset of claims” rulemaking on statutory language grounds and merely resorted to a *Chevron* analysis in *dictum*.<sup>184</sup>

In *Synopsys, Inc. v. Mentor Graphics Corp.*, the Federal Circuit explained that an *inter partes* review proceeds in two stages.<sup>185</sup> In the first stage, the PTAB reviews the *inter partes* review petition and any patent owner preliminary response to decide whether there is a reasonable likelihood that the petitioner would prevail with respect to at least one claim challenged in the petition.<sup>186</sup> The USPTO has previously allowed the PTAB to initiate an *inter partes* review, “on all or some of the challenged claims[.]”<sup>187</sup> Then, at the second stage, the PTAB conducts the *inter partes* review, which results in a final written decision with respect to any patent claim challenged by the petitioner.<sup>188</sup>

In *Synopsys, Inc.*, the Appellant did not challenge the decision to institute the post-grant proceeding, but rather, only challenged the scope of the final written decision.<sup>189</sup> The Appellant further argued that 35 U.S.C. § 318(a), “directs the Board to issue a final written

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<sup>184</sup> See *Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309, 1316 (Fed. Cir. 2016) (“Although we find that the [statutory] language is clear, if there were any doubt about the Board’s authority and the statute were deemed ambiguous, the [US]PTO has promulgated a regulation allowing the Board to institute as to some or all of the claims.”).

<sup>185</sup> *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1375–76 (Fed. Cir. 2014).

<sup>186</sup> See 35 U.S.C. § 314(a) (2012); 37 C.F.R. § 42.4(a) (2017).

<sup>187</sup> See 37 C.F.R. § 42.108(a) (2017).

<sup>188</sup> See 35 U.S.C. § 318(a) (2012).

<sup>189</sup> *Synopsys, Inc.*, 814 F.3d at 1314.

decision with respect to ‘any patent claim challenged by the petitioner,’ [and therefore,] the Board’s final decision must address every claim raised in the petition.”<sup>190</sup> The Federal Circuit dismissed this assertion, holding that the statutory text disclosed that the claims the PTAB must address in the final decision are different than the claims raised in the petition.<sup>191</sup> The Federal Circuit explained that since Congress explicitly chose to use differing phrases when describing claims raised in the petition for an *inter partes* review under 35 U.S.C. § 314(a)<sup>192</sup> and claims on which an *inter partes* review has been instituted under 35 U.S.C. § 318(a),<sup>193</sup> the two statutes have differing meanings and uses.<sup>194</sup>

The Federal Circuit further explained that, “the statute would make very little sense if it required the [PTAB] to issue final [written] decisions addressing patent claims for which *inter partes* review had not been initiated,”<sup>195</sup> since 35 U.S.C. § 314(a) permits the USPTO to use partial institution as a tool to manage effective AIA reviews.<sup>196</sup> Based on these rationales, the Federal Circuit held that *inter partes* review institution is allowable on a subset of claims, as the regulatory language, “authorize[s] the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim.”<sup>197</sup>

### B. Supreme Court Interpretation of 35 U.S.C. § 318(a)

Interestingly, in a narrow 5-4 decision, the Supreme Court recently reversed Federal Circuit precedent and remanded a case for further proceedings, holding that the language of 35 U.S.C. § 318(a) is clear—a final written decision must address all challenged claims.<sup>198</sup> Despite this explicit message, the Court dodged the question of continued *Chevron* reliance in explaining, “whether *Chevron* should remain is a question we may leave for another day. Even under

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<sup>190</sup> *Id.*

<sup>191</sup> *Id.* at 1314–15.

<sup>192</sup> The PTAB “may not institute *inter partes* review unless ‘the information presented in the petition . . . and any response filed . . . shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.’” *Id.* at 1315 (alteration in original) (emphasis omitted).

<sup>193</sup> The PTAB “must issue a final written decision with respect to any ‘claim challenged by the petitioner.’” *Id.* (emphasis omitted).

<sup>194</sup> *Id.*

<sup>195</sup> *Id.*

<sup>196</sup> *See id.* at 1315–16, 1330.

<sup>197</sup> *Id.* at 1316.

<sup>198</sup> SAS Inst., Inc. v. Iancu, 138 S. Ct. 1348, 1353, 1359 (2018).

*Chevron*, we owe an agency's interpretation of the law no deference unless, after 'employing traditional tools of statutory construction,' we find ourselves unable to discern Congress's meaning."<sup>199</sup>

It is unclear how this precedent will affect post-grant proceedings already subjected to partial institutions before and after a final written decision has been issued. Due to the increased time and resources needed to address these decisions as a result of *SAS Institute, Inc.*, the PTAB may choose to issue a simplified notice of post-grant proceeding institution containing little to no substantive information regarding the institution itself.<sup>200</sup> Since issuance of a post-grant proceeding final written decision triggers estoppel under 35 U.S.C. § 315(e), *SAS Institute, Inc.* requires petitioners to adjust their strategies at the PTAB.<sup>201</sup> It is also unclear if this precedent will force a shift in the apparent legislative intent associated with managing effective and speedy AIA reviews.<sup>202</sup>

## VII. CONCLUSION

Eliminating agency deference will create substantial uncertainty in the shifting of the balance of power from the administrative branch to the judicial branch, and as a result, agencies will no longer be able to freely interpret statutes and regulations they create. As a double-edged sword, passage of the Regulatory Accountability Act would reign in agencies which ignore precedent to blindly decide matters before them, but will also erase decades of jurisprudence. Where there is a gap or ambiguity that Congress has previously allowed agencies to regulate, appellate review of agency actions involving questions of law will occur via *de novo* review.<sup>203</sup> This will allow for appellate review of the PTAB's final written decision in *Tinnus*.

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<sup>199</sup> *Id.* at 1358 (quoting *Chevron, U.S.A., Inc. v. Nat'l Res. Def. Council, Inc.*, 467 U.S. 837, 843 n.9 (1984)).

<sup>200</sup> *Supreme Court Issues Long-Awaited Decisions in Oil States and SAS Institute*, ROPES & GRAY (Apr. 24, 2018), <https://www.ropesgray.com/en/newsroom/alerts/2018/04/Supreme-Court-Issues-Long-Awaited-Decisions-in-Oil-States-and-SAS-Institute>.

<sup>201</sup> *Id.*

<sup>202</sup> *See id.*

<sup>203</sup> *See supra* Section IV.A.