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An Age of Uncertainty: How do Boutique IP Firms Respond?

USPTO, PTAB refuse to follow Supreme Court Nautilus decision



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Serious and disturbing questions about the Patent Trial and Appeal Board (PTAB) have been raised over the last several years, ranging from a [lack of due process at the PTAB](#), to the [refusal to consider timely submitted evidence](#), to very serious [conflicts of interest](#) where Judges are deciding cases of former defense clients, to pro-patent eligibility decisions being [deleted from the PTAB database](#), and [admitted stacking of PTAB panels to ensure desired outcomes](#). Now the Federal Circuit will soon be faced with issues almost too bizarre to believe, except for those intimately familiar with the imperial nature of the PTAB. Indeed, the PTAB is openly refusing to follow the Supreme Court's decision in *Nautilus, Inc. v. Biosig Instruments, Inc.*, it has found a term previously determined definite by the Federal Circuit to be indefinite, and the Solicitor's Office is siding with an infringer with a reputation as a knock-off artist over an independent inventor.

Although it probably feels like it, you haven't entered some bizarre patent universe or twilight zone. This is sadly business as usual for the PTAB and a Trump Patent Office that is largely – if not completely – indistinguishable from the Obama Patent Office. Innovators of all stripes are having their interests subjugated to satisfy willful infringers, even knock-off artists. It is difficult to believe the U.S. patent system has fallen to such lows.

Just last week the United States Patent and Trademark Office (USPTO) filed [a brief as an Intervenor](#) at the United States Court of Appeals for the Federal Circuit in *Tinnus Enterprises, LLC v. Telebrands Corp.* Tinnus Enterprises owns the patent rights to one of the most successful new toys to

hit the market in years – [Bunch O Balloons](#) – which has been unscrupulously copied by Telebrands. The ingenious invention quickly and easily allows the filling of 100 water balloons in 60 seconds, it works like a charm, and it flies off the shelves of major retailers like Costco, for example.

Shockingly, the USPTO has decided to intervene not on the part of the inventor and patentee of this extraordinarily successful invention made by independent inventor Josh Malone, but instead has chosen to intervene on behalf of knock-off artist Telebrands, a company with a [reputation in the industry](#) for pushing the envelope whenever possible to copy successful products invented by others.

True to its reputation, shortly after learning of the Bunch O Balloons product, Telebrands soon began selling a virtually identical replica of the Bunch O Balloons under the name Balloon Bonanza – identical in virtually all respects including color. Tinnus filed lawsuits, even obtaining a preliminary injunction that was upheld by the Federal Circuit earlier this year, which is not easy to do in this era where there is a decided bias against patent owners and an even greater bias against the issuance of injunctions. See [Federal Tinnus Enters., LLC v. Telebrands Corp.](#), (Fed. Cir. Jan. 24, 2017).

So determined has Telebrands been at knocking off Bunch O Balloons that it has filed multiple post grant challenges, and the legal fees incurred by Malone and his partners to chase down these knock-offs have so far [exceeded \\$17 million](#). Each year, Telebrands reboots with a minor change to the design, and the battles reset. Earlier this year, in May 2017, Tinnus won its third preliminary injunction, but today Walmart is still selling pallet loads of knock-offs.

Making matters worse, in the [post grant review \(PGR\) decision](#) of the Patent Trial and Appeal Board (PTAB) the Board actually explained that they were knowingly and intentionally choosing to ignore the Supreme Court's most recent pronouncement on the proper standard for determining indefiniteness in [Nautilus, Inc. v. Biosig Instruments, Inc.](#) Instead, the PTAB explained that

they believed that the proper test for indefiniteness remained the test outlined by the Federal Circuit in *In re Packard*, which was decided prior to the Supreme Court's *Nautilus* decision. This pre-*Nautilus* standard applied by the PTAB to determine whether claims are indefinite is just another example of how the USPTO take positions against patent owners when deciding whether to uphold a patent the agency issued and which is supposed to be statutorily presumed valid.

Not giving any deference to the Office's own examination procedures is hardly newsworthy, but choosing to ignore Supreme Court precedent in order to invalidate the patent of an independent inventor being repeatedly harassed by knock-off after knock-off is rather inexcusable. The hope that President Trump would usher in a new era at the Patent Office in favor of patent owners and property rights seems to be all but gone. The bias against patent owners is not limited to those with biotech innovations, or computer implemented inventions. Here is an example of an independent inventor who had the fortune to invent something desirable – potentially iconic – and the patent deck, and Patent Office, is lined up against him.

But why doesn't the USPTO follow *Nautilus*? Because the Patent Office feels that since they apply the broadest reasonable interpretation to claims that means that the indefiniteness standard set forth by the Supreme Court in *Nautilus* does not apply to the Office. Breathtaking! Simply stated, there is absolutely no reason why the USPTO cannot apply both the broadest reasonable interpretation and the *Nautilus* standard. There is nothing internally or irreconcilably divergent with respect to the two.

So as to not put words in the mouth of the Administrative Patent Judges on the PTAB, here is exactly what they wrote about why they do not follow the Supreme Court's test for claim indefiniteness:

In this post-grant review AIA proceeding, we 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." We

recognize that Packard involved a USPTO patent-examination matter. 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. See MPEP § 2173.02(I).

But wait – if you can believe it – as justification for refusing to follow the Supreme Court's decision in *Nautilus*, the PTAB panel actually cited the fact that in post grant proceedings applicants have the opportunity to amend claims to correct ambiguity. Talk about *the* most disingenuous argument ever made by anyone ever. Yes, the statute clearly gives the applicant the right to one amendment, but the PTAB virtually never grants applicants the right to actually amend. In fact, the PTAB has consistently and intentionally misreading the clear wording and intent of the statute. The PTAB reads the amendment provisions of the statutes as giving the PTAB (not the patentee) absolute discretion to allow or disallow amendments. Amendments cannot be made as a matter of right in a post grant proceeding. The PTAB says applicants merely have the right to ask for an amendment, which the PTAB will then summarily reject in virtually all cases. This is the issue before the Federal Circuit currently in *In re Aqua Products*, a case the Federal Circuit took *en banc* and has been sitting on after hearing oral arguments in December 2016. See [Where is the Federal Circuit on Aqua Products?](#)

According to the PTAB panel: “An applicant’s ability to clarify claim language through amendment was a significant reason why the Federal Circuit in *Packard* approved of the indefiniteness test recited in the MPEP.” That

being the case, and the absolute reality that applicants are denied virtually all attempts to amend, by the PTAB's own reasoning it is wholly inappropriate to apply *Packard* regardless of whether it was overruled by the Supreme Court.

And it isn't just this particular PTAB panel that holds this belief. On behalf of the USPTO as a whole the Solicitor's Office intervened to argue that *Packard* is the proper standard and the Office doesn't need to follow *Nautilus*.

All of this matters because *Packard* says a "claim is indefinite when it contains words or phrases whose meaning is unclear". The Supreme Court specifically and intentionally overruled the Federal Circuit's jurisprudence on indefiniteness in *Nautilus*. Justice Ginsberg, writing for a unanimous Supreme Court, wrote: "We conclude that the Federal Circuit's formulation, which tolerates some ambiguous claims but not others, does not satisfy the statute's definiteness requirement." Ginsberg went on to succinctly and clearly state that the Court held: "a patent is invalid for indefiniteness if its claims, read in light of the specification delineating the patent, and the prosecution history, fail to inform, with reasonable certainty, those skilled in the art about the scope of the invention."

Therefore, the *Packard* standard focuses on whether meaning of a word or phrase is "unclear", which is distinctly different than the test announced by the Supreme Court in *Nautilus*.

Packard invited the Federal Circuit to say whether the insolubly ambiguous test, then the test used in litigation to determine whether a patent claim was indefinite, was the appropriate test to be applied during prosecution. The Federal Circuit declined, and even noted that neither party could find a case on point where the Federal Circuit had ever addressed the question. Presumably the Judges and Clerks couldn't find a case on point either.

What else do we know? As already mentioned, the Federal Circuit has already issued an opinion in a related case between Tinnus and Telebrands –

and the the term the PTAB found to be indefinite in its PBR final written decision is the same term the Federal Circuit has already found to be definite in that related appeal! See [Federal Circuit District Court's Grant of Preliminary Injunction](#). Indeed, in the Federal Circuit opinion, authored by Judge Stoll, the court seemed to openly mock the argument that one of skill in the art, admitted to be an individual with at least two-years of engineering schooling, would not understand what it means to be “substantially filled.”

Judge Stoll wrote:

We find it difficult to believe that a person with an associate's degree in a science or engineering discipline who had read the specification and relevant prosecution history would be unable to determine with reasonable certainty when a water balloon is “substantially filled.”

See *Federal Tinnus Enters., LLC v. Telebrands Corp.*, (at page 21).

Of course, we also know the last time the Supreme Court pontificated on the issue of indefiniteness it spoke unanimously and said the proper test was whether claims read in light of the specification and prosecution history inform those of skill in the art with reasonable certainty of the scope of the invention.

Still further, we know that the Board felt that it was compelled to some extent to continue to apply *Packard* because claims can be amended during post grant proceedings, but we also know that is simply not true – it is a lie given the practice of the PTAB as it has unfolded over nearly five years.

Thus, what we seem to have here is yet another in a very long and growing line of abusive decisions from the Patent Trial and Appeal Board. This time, we also have the Trump Administration Patent Office picking up right were the Obama Administration Patent Office left off – siding with infringers over innovators and backing an imperial PTAB with powers that seem to know no limits.

There is a fundamental [lack of due process at the PTAB](#), the decisions are [arbitrary and capricious](#), the [refuse to consider timely submitted evidence](#), the tribunal has [misapplied the law of obviousness](#), determined that an [MRI machine is an abstract idea](#), they have [ignored the law with respect to what is a CBM patent](#), allowed very serious [conflicts of interest](#) where Judges are deciding cases of former defense clients, pro-patent eligibility decisions have been [deleted from the PTAB database](#), and the Office has [admitted stacking PTAB panels to ensure outcomes](#). Now the PTAB refuses to follow the Supreme Court, finds a term previously found definite by the Federal Circuit to be indefinite, and is siding with an infringer with a reputation as a knock-off artist over an innovator.

With every passing day and each new piece of evidence it becomes more and more clear. The only viable solution is to disband the PTAB.