

Note

A FREE BITE AT THE APPLE: HOW FLAWED STATUTORY DRAFTING HAS UNDERMINED THE PURPOSE OF THE PATENT TRIAL AND APPEAL BOARD

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ABSTRACT

In the years before Congress passed the America Invents Act, patent litigation became exorbitantly expensive. Congress created three types of proceedings before the Patent Trial and Appeal Board (PTAB), which were intended to provide a cheaper and more cost-effective alternative to district court litigation over patent validity. A major factor in ensuring that the PTAB proceedings effectively substituted for district court litigation was a harsh estoppel provision that prevented any petitioner from relitigating any issue which was raised or reasonably could have been raised during the PTAB proceeding. The Federal Circuit, however, recently applied a narrow interpretation to the estoppel provision which jeopardizes the ability of PTAB proceedings to replace district court litigation.

While it would be easy to place all the blame on the Federal Circuit for defanging the estoppel provision, this Note argues that the failure of PTAB proceedings to substitute for district court litigation ultimately stems from poor drafting within the America Invents Act. The combination of broad Patent and Trademark Office (PTO) substantive rulemaking power, unreviewable PTAB decisions to institute, and a sweeping estoppel provision doomed PTAB proceedings to failure. This Note offers that Congress must update the language of the statute itself in order to effectively address the issues presented by this combination.

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INTRODUCTION

Addressing a conference of intellectual property attorneys, Chief Judge Rader of the Federal Circuit called the PTAB a “death squad” for patents that “kill[s] property rights.”¹ At the time he made this statement, the label—ominous as it was—had some measure of truth to it.² Judge Rader was referring to the common critique that once the PTAB chooses to “institute,”³ or initiate, review on the validity of a patent,⁴ petitioners typically succeeded in invalidating at least one “claim,” or component, of that patent.⁵ By and large, however, labels of the PTAB being a “death squad” were unwarranted⁶ and the administrative proceedings before the PTAB were effectively serving their purpose⁷ as a cheaper alternative to district court litigation.⁸ That

1. Tony Dutra, *Rader Regrets CLS Bank Impasse, Comments on Latest Patent Reform Bill*, BNA (Oct. 29, 2013), <https://www.bna.com/rader-regrets-cls-n17179879684> [<https://perma.cc/MUY6-9UCR>].

2. See Ryan Davis, *PTAB's 'Death Squad' Label Not Totally Off-Base, Chief Says*, LAW360 (Aug. 14, 2014, 5:47 PM), <https://www.law360.com/articles/567550/ptab-s-death-squad-label-not-totally-off-base-chief-says> [<https://perma.cc/4AU5-ZLDQ>] (“The Patent Trial and Appeal Board’s reputation as a ‘death squad’ for patents is ‘unfortunate language,’ but in some ways it adequately describes the mission Congress gave the board under the America Invents Act, its chief judge said at a meeting Thursday.”).

3. An administrative proceeding before the PTAB begins when the PTAB initiates review, referred to as “institut[ing]” review, on some or all of the grounds challenging the validity of a patent. 35 U.S.C. § 314(a) (2012). For an overview of the different forms of administrative proceedings held before the PTAB, see *infra* Part I.B. For an overview of institution on grounds raised in a petition, see *infra* Part II.

4. Petitioners raise “grounds” in a proceeding before the PTAB to challenge “claims” of the patent. A ground, as used in this Note, is a legal challenge to the validity of a patent. A claim, as used in this Note, refers to a patent claim. Patent claims define the scope of the patent and detail what the patent does. Each patent may have multiple claims within it.

5. See Amy Simpson & Hwa Lee, *PTAB Kill Rates: How IPRs Are Affecting Patents*, LAW360 (Sept. 15, 2015, 9:44 AM), <https://www.law360.com/articles/699860/ptab-kill-rates-how-iprs-are-affecting-patents> [<https://perma.cc/9LRQ-H4HA>] (noting that “88 percent of petitions with final written decisions resulted in at least one claim being invalidated”).

6. See *id.* (“Success starts and ends with the petition. The invalidity success rate for fully instituted petitions is 82 percent while the invalidity success rate for partially instituted petitions plummets to 52 percent. The PTAB’s first impression of the petition’s strength appears to affect the entire proceeding and ultimate outcome.”).

7. For a more in-depth discussion of the purpose of PTAB proceedings, see *infra* Part I.A.

8. See Jonathan Tamimi, *Breaking Bad Patents: The Formula for Quick, Inexpensive Resolution of Patent Validity*, 29 BERKELEY TECH. L.J. 587, 641 (2014) (“The data drawn from over one year of AIA reviews show that these procedures are effective and will continue to gain popularity among accused patent infringers.”). In 2012, the year in which PTAB proceedings were created, the median cost of patent litigation ran between \$650,000 and \$5 million depending on the size of the claim. Jim Kerstetter, *How Much Is That Patent Lawsuit Going to Cost You?*, CNET (Apr. 5, 2012, 10:00 AM), <https://www.cnet.com/news/how-much-is-that-patent-lawsuit-going-to-cost-you> [<https://perma.cc/9D7Z-3LPZ>].

was so until recent developments in patent law that have rendered the label “death squad” uncannily accurate, albeit not for the reasons cited by Judge Rader.

Before the PTAB existed, patent litigation was immensely expensive.⁹ Congress enacted the America Invents Act¹⁰ to provide some reprieve from these large and rising costs. The America Invents Act created the PTAB and proceedings before it, which are intended to serve as a faster and more cost-effective substitute for district court litigation.¹¹ Instead of spending years and millions of dollars litigating the validity of a patent in a patent infringement suit, post–America Invents Act, would-be patent infringers can file a petition to challenge the validity of that patent before the PTAB.¹² These proceedings not only enable the petitioner to save money, but also guarantee the petitioner will receive a decision within a year.¹³ Petitioners that choose this route, however, must also contend with an estoppel provision limiting what challenges they can raise in subsequent district court litigation. For example, if petitioners bring an inter partes review (IPR) proceeding¹⁴—the most common proceeding before the PTAB,¹⁵

9. See Kerstetter, *supra* note 8.

10. Leahy-Smith America Invents Act, Pub. L. No. 112–29, 125 Stat. 284 (2011).

11. See, e.g., 157 CONG. REC. 3426 (2011) (“Ideally, extending could-have-raised estoppel to privies will help ensure that if an inter partes review is instituted while litigation is pending, that review will completely substitute for at least the patents-and-printed-publications portion of the civil litigation.”). This is discussed in more detail at *infra* Part I.A. But see *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016) (“Although Congress changed the name from ‘reexamination’ to ‘review,’ nothing convinces us that, in doing so, Congress wanted to change its basic purposes, namely, to reexamine an earlier agency decision.”).

12. See 35 U.S.C. § 311(a) (2012) (“Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent.”). For an explanation of how the PTAB conducts its proceedings, see *infra* Part I.B.

13. See *id.* § 316(a)(11) (“The Director shall prescribe regulations—requiring 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 . . .”). The Director, in certain instances, may extend that time period, but not by not more than six months. *Id.*

14. An IPR is one of the administrative PTAB proceedings that can be used to challenge the validity of a patent outside the context of district court litigation. It is the most commonly utilized PTAB proceeding. U.S. PATENT & TRADEMARK OFFICE, PATENT TRIAL AND APPEAL BOARD STATISTICS 2 (Dec. 31, 2016) [hereinafter 2016 PTAB Statistics], https://www.uspto.gov/sites/default/files/documents/aia_statistics_december2016.pdf [<https://perma.cc/9JLX-G9ZA>] (highlighting that, as of December 31, 2016, IPR petitions constitute 91 percent of the total number of petitions filed since the proceedings began). An IPR is significantly cheaper and faster than district court litigation. See 35 U.S.C. § 316(a)(11) (noting that the PTAB must make its final determination within one year from the date of institution).

15. See 2016 PTAB Statistics, *supra* note 14 (noting that 91 percent of all petitions for PTAB review are IPR petitions).

allowing petitioners to challenge the validity of a patent for novelty and nonobviousness¹⁶—they cannot later challenge the validity of that patent on “any ground that the petitioner raised or reasonably could have raised during that inter partes review.”¹⁷ Petitioners who seek out the advantages of IPR proceedings are thus bound by those decisions, and cannot later relitigate novelty and nonobviousness at the district court level.¹⁸

This estoppel provision may seem harsh on its face. As this Note will argue, this harshness is necessary to ensure that IPR proceedings before the PTAB are a complete substitute for district court litigation on novelty and nonobviousness grounds. On March 23, 2016, however, the Federal Circuit—the appellate court with jurisdiction over all patent appeals—undermined the ability of PTAB proceedings to substitute for district court litigation in *Shaw Industries Group, Inc. v. Automated Creel Systems, Inc.*¹⁹ In *Shaw*, Automated Creel sued Shaw Industries for infringing its patent regarding “creels,” which supply yarn.²⁰ Automated Creel voluntarily dismissed that suit against Shaw Industries without prejudice,²¹ and shortly thereafter Shaw Industries submitted a petition to the PTAB for an IPR proceeding on all twenty-one claims in Automated Creel’s patent.²² The PTAB instituted review on some, but not all, of the grounds that Shaw Industries raised in its petition.²³ The PTAB ultimately upheld some of the patent claims as valid but ruled that others were invalid.²⁴

Shaw came before the Federal Circuit on appeal from the PTAB’s final written decision.²⁵ The Federal Circuit purported to examine the PTAB’s practice of instituting review on only some rather than all or none of the grounds raised in an IPR petition—a practice also known as “partial institution.”²⁶ The Federal Circuit nonetheless used this case as a vehicle to interpret the degree of estoppel attaching to IPRs, and

16. Petitioners may only challenge novelty and nonobviousness grounds in an IPR. 35 U.S.C. § 311. For a more detailed description of IPR proceedings, see *infra* Part I.B.

17. 35 U.S.C. § 315(e).

18. *See id.* (noting that estoppel prohibits arguments raised previously before a court of law).

19. *Shaw Indus. Grp. v. Automated Creel Sys., Inc.*, 817 F.3d 1293 (Fed. Cir. 2016).

20. *Id.* at 1296.

21. *Id.*

22. *Id.*

23. *Id.* at 1296–97.

24. *Id.* at 1297.

25. *Id.*

26. *Id.* at 1298.

held in *Shaw* that estoppel only attaches to challenges raised “during” an IPR.²⁷ Shaw Industries, in other words, could relitigate the noninstituted grounds in its petition because Shaw Industries could not have raised those challenges *during* the IPR.²⁸ That is, if the petitioner makes an argument for invalidity on certain grounds but the PTAB never institutes review on those grounds, the Federal Circuit concluded that a petitioner could not reasonably have raised that ground during the IPR.²⁹

It would be easy to say that *Shaw* shoulders all the responsibility for upsetting the framework upon which PTAB proceedings rest. But if one looks more closely at the conundrum the Federal Circuit faced in *Shaw*, it becomes clear that *Shaw* is not solely to blame. The America Invents Act gave the PTO a large grant of substantive rulemaking power.³⁰ The PTO quickly used that rulemaking power to draft a regulation enabling the PTAB to partially institute review on the grounds raised in a petition.³¹ Sometimes the PTAB uses partial institution to remove unmeritorious grounds from an IPR.³² At other times, the PTAB chooses not to institute on meritorious grounds for efficiency reasons;³³ for example, if those grounds would be “redundant” with other grounds raised in the petition.³⁴

After *Shaw*, petitioners can relitigate the noninstituted grounds in their petitions. Petitioners are only estopped from litigating on the far narrower set of grounds upon which the PTAB chose to institute. As

27. *See id.* at 1300 (“The IPR does not begin until it is instituted. Thus, Shaw did not raise—nor could it have reasonably raised—the Payne-based ground *during* the IPR.” (citation omitted) (citing *In re Cuozzo Speed Techs, LLC*, 793 F.3d 1268, 1272 (4th Cir. 2015))).

28. *Id.*

29. *Id.*

30. *See Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2143 (2016) (declining to read a procedural rulemaking limitation into the grant of rulemaking power to the PTO under the America Invents Act).

31. *See* 37 C.F.R. § 42.108(a) (2017) (enabling partial institution on grounds raised in a petition).

32. *See id.* § 42.108(c) (restricting review only to petitions for which the PTAB has determined “there is a reasonable likelihood that at least one of the claims challenged in the petition is unpatentable”).

33. *See Shaw*, 817 F.3d at 1298 (noting that “the Board’s statutory obligation to complete proceedings in a timely and efficient manner” provides some justification for partial institution).

34. *See* Bob High, *Redundant Prior Art References and their Prejudicial Effects on Post-Issuance Review Petitioners*, 65 EMORY L.J. 581, 602 (2015) (“[T]he PTAB frequently employs the redundancy doctrine during CBMs and IPRs as a way to cut down the length of the proceeding.” (citing *Oracle Corp. v. Clouding IP, LLC*, No. IPR2013-00088, 2013 WL 5970180, at *1–2 (P.T.A.B. June 13, 2013))).

such, petitioners preserve grounds the PTAB considered redundant even if those grounds effectively argue the same point. This result robs the estoppel provision of its efficacy and as a result, in the wake of *Shaw*, the PTAB has become a “death squad” in fact as well as in reputation. Rather than serving as an alternative to the district courts on novelty and nonobviousness grounds, PTAB proceedings now serve only to invalidate patents and “kill[] property rights”³⁵ because petitioners are not fully bound to the PTAB’s rulings in future litigation. In other words, instead of serving as a way to settle disputes between parties, PTAB proceedings now give petitioners a quick, cheap chance to invalidate a patent. If petitioners do not succeed on this attempt, they can still bring their claims before the district court. *Shaw* thus eliminates any risk petitioners face in bringing an IPR and allows petitioners to avail themselves of the cheapness and efficiency of PTAB decisions without submitting to the finality the Board’s rulings are meant to provide.

On the other hand, the alternative—a broad interpretation of the estoppel provision—presents its own share of issues. It would be manifestly inequitable for petitioners who make every effort to litigate certain challenges before the PTAB to forever lose those challenges because the PTAB declined to institute upon them. Had *Shaw* come out the other way, using a broad interpretation of estoppel, IPR use also might decrease for the reason that petitioners would fear losing the chance to litigate even unheard challenges.³⁶ The Federal Circuit faced an impossible situation when it reviewed *Shaw*, caught as it was between the pitfalls of either estoppel interpretation—and because either interpretation would have spelled danger for PTAB proceedings, the root of the problem lies beyond *Shaw* alone.

This Note argues that the failure of PTAB proceedings to substitute for district court litigation ultimately stems from poor drafting within the America Invents Act. The combination of broad PTO substantive rulemaking power, unreviewable PTAB decisions to institute, and a sweeping estoppel provision doomed PTAB proceedings to failure. This Note argues that Congress must update the language of the statute itself in order to effectively address the issues presented by this combination.

35. Dutra, *supra* note 1.

36. Petitioners, however, had no way of knowing how the Federal Circuit would interpret the estoppel provision pre-*Shaw* yet nonetheless brought many IPR petitions. For further discussion, see *infra* note 223 and accompanying text.

This Note proceeds in four parts. Part I provides a general overview of the various administrative proceedings before the PTAB. It first describes the overarching purpose for which Congress created PTAB proceedings, a cheap and fast substitute for district court litigation,³⁷ which must shape all analyses of the statute. Part I next explains the structure of the three main administrative proceedings to challenge the validity of a patent before the PTAB—IPR, post grant review, and covered business method. This Note focuses primarily on the use of IPRs because IPRs are the most commonly utilized PTAB proceeding.³⁸

Part II delves into the way in which an IPR is instituted. First, it highlights that the PTAB's decision to institute is final and unreviewable.³⁹ Absent a flagrant violation of rights, a court may not review the PTAB's decision to institute, or not to institute, an IPR.⁴⁰ Second, it describes the PTAB's method for instituting an IPR. In particular, it details the PTAB's practice of partially instituting review—a practice that was eventually codified in the Code of Federal Regulations by the PTO.⁴¹ The development of partial institution had enormous ramifications on the delicate system created by the America Invents Act and in many ways made inequity within the proceedings inevitable. There has been some debate on whether the PTO had the statutory authority to enable partial institution,⁴² but this Part argues that the PTO acted within its statutory grant of powers in enacting partial institution.

Part III analyzes the effects of combined unreviewability and partial institution on the degree of estoppel attaching to IPRs. Specifically, this section emphasizes that the Federal Circuit in *Shaw* faced a situation in which an inequitable result was inevitable. If the estoppel provisions were taken to the full extent of the plain text,

37. See, e.g., 157 CONG. REC. 3426 (2011).

38. See 2016 PTAB Statistics, *supra* note 14 (listing statistics that show IPRs are the most commonly used PTAB proceeding).

39. 35 U.S.C. § 314(d) (2012).

40. See *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2136 (2016) (“We conclude that the first provision, though it may not bar consideration of a constitutional question, for example, does bar judicial review of the kind of mine-run claim at issue here . . .”).

41. 37 C.F.R. § 42.108 (2017).

42. See *SAS Inst., Inc. v. ComplementSoft, LLC*, 825 F.3d 1341, 1360 (Fed. Cir. 2016) (Newman, J., concurring in part and dissenting in part) (“The PTO improperly adopted a system of partial institution and partial final written decision, contravening the statute and the intent of Congress. The PTO has exceeded its statutory authority.”), *cert. granted*, 137 S. Ct. 2160 (2017).

challengers would be estopped from bringing grounds⁴³ that they never actually had a chance to litigate,⁴⁴ and the decision not to reach the merits on those grounds would be unreviewable.⁴⁵ Yet, this Part contends that, equity notwithstanding, the Federal Circuit erred in its limited-scope interpretation of the estoppel. A limited-scope estoppel not only undermines the text, structure, and purpose of the statute, but it also will prove to be a poorly designed fix to inequity in the long run. It eliminates any risk petitioners face in bringing an IPR and gives petitioners a chance to invalidate a patent at minimal personal cost.

Part IV proposes solutions to the problems identified above. This Part asserts that the Federal Circuit should reevaluate *Shaw* and interpret the estoppel provision as broadly as Congress intended. This interpretation may lead to inequity in the short term, but courts cannot undermine the plain meaning of the statute. Once the estoppel provision gets due weight, the legislature—and not the courts—must fix the remaining inconsistencies in the statutory framework.⁴⁶ Congress could fix the inconsistencies in two ways. It could require all-or-none institution or, alternatively, it could require the PTAB to address every ground raised in a petition in its final written decision and permit review of the decision to institute.

I. BACKGROUND ON THE PATENT SYSTEM

The life of a patent begins with an application to the PTO, the agency tasked with “grant[ing] patents for the protection of inventions.”⁴⁷ The application must comply with PTO procedural requirements,⁴⁸ and the claims within the patent must meet statutory requirements for patenting.⁴⁹ Patent examiners at the PTO determine

43. See 35 U.S.C. § 315(e) (extending estoppel to any claim the petitioner “raised or reasonably could have raised during that inter partes review”).

44. See 37 C.F.R. § 42.108 (enabling the PTAB to partially institute on claims).

45. See 35 U.S.C. § 314(d) (rendering the decision to institute unreviewable).

46. The Supreme Court has granted certiorari in a case addressing the requirements of the written decision of an IPR. *SAS Inst., Inc.*, 137 S. Ct. at 2160. As Part IV argues, however, any solution implemented by the Supreme Court may sow further chaos in the statutory framework.

47. *General Information Concerning Patents*, U.S. PAT. & TRADEMARK OFF. (Oct. 2015), <https://www.uspto.gov/patents-getting-started/general-information-concerning-patents> [<https://perma.cc/2R3Q-J3QL>].

48. See *id.* (noting that nonprovisional applications must include a specification describing the invention and listing the claims, drawings if necessary, an oath, and a filing fee).

49. These statutory requirements include whether the subject matter is patentable, 35 U.S.C. § 101, and the claim is novel, *id.* § 102, nonobvious, *id.* § 103, definite, *id.* § 112, enabled, *id.*, and described, *id.*

whether the claims in the application meet the statutory requirements, but do so under limited resources and rarely with enough time to fully examine every aspect regarding the validity of a patent. In 2015, for instance, the PTO received 629,647 patent applications and granted 325,979.⁵⁰ It is inevitable, due to the sheer volume of applications, that some of the patents granted will be invalid on at least one of the statutory grounds. And because patents interfere with innovation within the scope of their claims,⁵¹ the existence of potentially invalid patents takes on new significance. Litigating at the district court level is expensive and time consuming. Given these constraints, the availability of some form of post grant review becomes crucial to the proper functioning of the patent system. The America Invents Act, which created the PTAB and its proceedings, was intended to address this need.

A. *The Purpose of PTAB Proceedings*

Congress enacted the America Invents Act to provide a cheaper and more efficient forum than the district courts to litigate the validity of a patent.⁵² The statute was enacted against a backdrop of large and rising costs for patent litigants created by a system of extensive and complex patenting.⁵³ In 2004 for example, Michael Kirk, then the executive director of the American Intellectual Property Law Association, estimated that “the average cost of patent litigation, including the costs of discovery, ranges between \$500,000 and \$3,995,000 per party.”⁵⁴ By 2012, when the America Invents Act came into effect, these numbers had climbed even higher. For claims worth

50. *U.S. Patent Statistics Chart: Calendar Years 1963 - 2015*, U.S. PAT. & TRADEMARK OFF. (June 15, 2016), https://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm [<https://perma.cc/VKW3-VRKJ>].

51. The scope of the patent claim refers to the breadth of the claim, i.e., the extent to which it covers all inventions within its niche of one of the technological fields.

52. *See, e.g., SAS Inst., Inc. v. ComplementSoft, LLC.*, 825 F.3d 1341, 1353–54 (Fed. Cir. 2016) (Newman, J., concurring in part and dissenting in part) (noting that the proceedings before the PTAB “substitut[e] . . . for district court proceedings on aspects of patent validity”), *cert. granted*, 137 S. Ct. 2160 (2017).

53. Inventors, for instance, can patent improvements on existing patents, creating a system of “blocking” patents—the second inventor cannot use the improvement without a license for the underlying patent, and the original inventor cannot use the improvement without a license from the second inventor.

54. *Patent Quality Improvement: Post-Grant Opposition: Hearing before the Subcomm. on Courts, the Internet, and Intellectual Prop. of the H. Comm. on the Judiciary*, 108th Cong. 29 (2004) (statement of Michael Kirk, Executive Director, American Intellectual Property Law Association).

less than \$1 million, the median cost of litigation was \$650,000.⁵⁵ For claims between \$1 million and \$25 million, the median cost of litigation was \$2.5 million.⁵⁶ For claims worth more than \$25 million, the median cost of litigation was \$5 million.⁵⁷ Faced with the threat of such “prohibitively expensive” sums, alleged patent infringers tended to settle even on unmeritorious claims.⁵⁸ Further compounding this issue, the validity of many of the patents asserted was dubious at best.⁵⁹

Proceedings before the PTAB solve the problem of rising costs.⁶⁰ They provide a “just, speedy, and inexpensive” alternative to district court litigation.⁶¹ After the America Invents Act, instead of litigating the validity of a patent at the district court level, an alleged infringer can instead file a petition for review before the PTAB,⁶² an “expert tribunal” that “facilitate[s] both the validation of properly issued

55. Kerstetter, *supra* note 8.

56. *Id.*

57. *Id.*

58. Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 FED. CIR. B.J. 539, 600 (2012). Some entities, called patent assertion entities, acquire patents from other parties merely to assert those patents against alleged infringers and thereby force a large settlement payout. FTC, PATENT ASSERTION ENTITY ACTIVITY: AN FTC STUDY 1 (2016), https://www.ftc.gov/system/files/documents/reports/patent-assertion-entity-activity-ftc-study/p131203_patent_assertion_entity_activity_an_ftc_study_0.pdf [<https://perma.cc/2J9X-FZBF>].

59. Robert P. Merges, *The Trouble with Trolls: Innovation, Rent-Seeking, and Patent Law Reform*, 24 BERKELEY TECH. L.J. 1583, 1599–1600 (2009) (“They cloak themselves in the legitimacy of patents, exploiting the widespread perception that where there is a patent there must be innovation. Sadly, this is not always true. And this stark fact explains succinctly why the market for true troll activity is not worth defending.”).

60. *See SAS Inst., Inc. v. ComplementSoft, LLC*, 825 F.3d 1341, 1353–54 (Fed. Cir. 2016) (Newman, J. concurring in part, dissenting in part) (noting that the proceedings before the PTAB “substitut[e] . . . for district court proceedings on aspects of patent validity”), *cert. granted*, 137 S. Ct. 2160 (2017).

61. 37 C.F.R. § 42.1(b) (2017) (establishing that the regulations the PTO adopts to govern PTAB proceedings “shall be construed to secure the just, speedy, and inexpensive resolution of every proceeding”).

62. If the petitioner has already been sued for alleged infringement at the district court level, the petitioner can request a stay of litigation at the district court during the PTAB proceeding. The America Invents Act sets forth the test the district court should apply in judging whether to stay litigation pending covered business method review. Leahy-Smith America Invents Act § 18(b)(1), 35 U.S.C. § 321 note (2012). The statute is, however, silent with respect to post grant reviews and IPRs. A district court is not required to grant a stay pending the outcome of a post grant review or an IPR, but may choose to do so at its discretion. *See, e.g.,* *Invensys Sys., Inc. v. Emerson Elec. Co.*, No. 6:12-CV-00799, 2014 WL 4477393, at *1 (E.D. Tex. July 25, 2014) (denying a stay of litigation); *Black Hills Media, LLC v. Pioneer Elecs. (USA) Inc.*, No. CV 14-00471 (SJO) (PJWx), 2014 WL 4638170, at *5 (C.D. Cal. May 8, 2014) (granting a stay of litigation).

patents and the elimination of invalid patents.”⁶³ If the PTAB institutes review on any of the grounds raised in a petition, the petitioner is guaranteed a decision on that ground within a year,⁶⁴ subject at most to a six-month extension for good cause.⁶⁵ This system potentially saves petitioners years of litigation and the consequent costs. If the PTAB invalidates any patent claims, those claims are no longer part of the patent, and patent holders cannot file a claim for infringement on those grounds. If the PTAB upholds any of the patent claims, on the other hand, the petitioner cannot later challenge the patent on the same grounds at the district court level if a patent holder sues the petitioner for infringement.⁶⁶ This limitation significantly reduces the number of contested issues within the district court litigation.⁶⁷

The estoppel provision is, in many ways, the glue that holds this system together. Estopping the same petitioner from relitigating nonobviousness and novelty grounds protects the system from abuse. It prevents parties from challenging the same patent multiple times on grounds that they raised or could reasonably have raised during the first proceeding.⁶⁸ It thus ensures that the proceedings constitute a true substitute for the district court within their scope.⁶⁹

B. The Main Forms of Review Before the PTAB

The America Invents Act creates, among other specialized forms of review,⁷⁰ three main administrative proceedings in which petitioners may challenge the validity of a patent before the PTAB, including post

63. *SAS Inst. Inc.*, 825 F.3d at 1353 (Newman, J., concurring in part and dissenting in part).

64. 35 U.S.C. § 316(a)(11) (2012).

65. *Id.*

66. *Id.* § 315(e)(2).

67. *See id.* (noting that petitioners cannot relitigate the same grounds at the district court level, reducing the number of issues before the district court).

68. *See* 157 CONG. REC. 2710 (2011) (noting that the bill “would include a strengthened estoppel standard to prevent petitioners from raising in a subsequent challenge the same patent issues that were raised or reasonably could have been raised in a prior challenge. The bill would significantly reduce the ability to use post grant procedures for abusive serial challenges to patents.”).

69. *But see* *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2143 (2016) (“The problem with Cuozzo’s argument, however, is that, in other significant respects, inter partes review is less like a judicial proceeding and more like a specialized agency proceeding.”).

70. *See, e.g.*, 35 U.S.C. § 257 (2012) (governing supplemental examination review, which protects against a claim of inequitable conduct).

grant review,⁷¹ covered business method review,⁷² and IPR.⁷³ A challenger may, within the first nine months of a patent's life,⁷⁴ bring a post grant review proceeding on any ground of invalidity.⁷⁵ After nine months⁷⁶—unless the patent is a covered business method patent⁷⁷—a challenger may only bring an IPR on novelty and nonobviousness grounds.⁷⁸

All three proceedings feature a number of advantages over district court litigation, making them more attractive to those challenging the validity of a patent. As mentioned above, these proceedings are subject to strict time constraints to ensure they fulfill their promise of providing a faster alternative to district court litigation.⁷⁹ Not only are the proceedings before the PTAB efficient and therefore less costly than district court litigation,⁸⁰ they are also subject to a preponderance of the evidence standard of review.⁸¹ Finally, there is a good chance of success if the PTAB institutes review on a petition because the standard for institution requires that the PTAB find “a reasonable likelihood that the petitioner would prevail with respect to at least [one] of the claims challenged in the petition.”⁸²

Despite these common benefits, each proceeding nonetheless serves a unique function within the system and incorporates a different type of estoppel against subsequent PTAB and district court proceedings. This Note primarily analyzes IPRs, but this Section

71. *Id.* § 321.

72. Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18, 125 Stat. 284, 529–31 (2011).

73. 35 U.S.C. § 311.

74. *Id.* § 321(c).

75. *Id.* § 321(b).

76. *Id.* § 311(c).

77. For more information on covered business method patents, see *infra* Part I.B.2.

78. *Id.* § 311(b).

79. For more information on the time limitations of PTAB proceedings, see *supra* notes 64–65 and accompanying text.

80. Instead of litigating the validity of a patent for years before a district court, spending countless dollars on legal fees and risking the potential of accruing additional damages, see *supra* notes 52–59, petitioners litigating before the PTAB receive a decision within a year and accrue fewer legal fees in the process, see *infra* note 81.

81. 35 U.S.C. § 316(e); *id.* § 326(e); see also Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(a)(1), 125 Stat. 284, 329 (2011) (aligning the standards and procedures of covered business method review with those of post grant review).

82. 35 U.S.C. § 314(a); see also *id.* § 324(a) (requiring that a petition for post grant review “demonstrate that it is more likely than not that at least [one] of the claims challenged in the petition is unpatentable”); Leahy-Smith America Invents Act § 18(a)(1) (aligning the standards and procedures of covered business method review with those of post grant review).

provides a brief overview of all three forms of review in order to contextualize the proceedings before the PTAB. The issues later presented with respect to IPRs also apply in full to post grant review proceedings because post grant review proceedings are subject to the same estoppel standard.⁸³ Covered business method review, because it utilizes a different standard of estoppel,⁸⁴ sheds light on the analysis only to the extent that it further reinforces how the estoppel provision of IPRs should apply.

1. *Post Grant Review.* Post grant review is the most complete substitute for district court litigation of the proceedings before the PTAB. Yet, due to its short filing deadlines, it is also the least commonly used form of review.⁸⁵ Any patent may be challenged in a post grant review proceeding, and petitioners may raise any ground of invalidity during the course of that proceeding.⁸⁶ If the PTAB institutes on some or all of the grounds raised in a post grant review petition, petitioners cannot later challenge the same patent claim “on any ground that the petitioner raised or reasonably could have raised during that post grant review.”⁸⁷ Post grant review, however, is only available for petitioners during the first nine months following the issuance of a patent.⁸⁸ Given the high rate at which patents are granted,⁸⁹ few petitioners are able to identify invalid patents quickly enough to meet the deadline for post grant review.⁹⁰ The time constraint therefore limits its potential as a substitute for district courts.

2. *Covered Business Method Review.* Covered business method review is a transitional form of PTAB review created by the America Invents Act. It became available on September 16, 2012, and will sunset

83. Compare 35 U.S.C. § 315(e) (establishing a raised or reasonably could have raised standard for estoppel), with *id.* § 325(e) (same).

84. For an explanation of the estoppel attaching to covered business method reviews, see *infra* notes 96–97 and accompanying text.

85. See 2016 PTAB Statistics, *supra* note 14 (noting that petitions for post grant review constitute only 1 percent of the total petitions made to the PTAB).

86. 35 U.S.C. § 321(b). Those grounds include, for instance, patent eligible subject matter, *id.* § 101, utility, *id.* § 101, novelty, *id.* § 102, nonobviousness, *id.* § 103, definiteness, *id.* § 112, written description, *id.* § 112, and enablement, *id.* § 112.

87. *Id.* § 325(e)(1).

88. *Id.* § 321(c).

89. For more information on the rate at which patents are granted, see *supra* note 50 and accompanying text.

90. Between September 16, 2012 and December 31, 2016, only forty-four post grant review petitions were filed with the PTAB. 2016 PTAB Statistics, *supra* note 14, at 2.

on September 16, 2020.⁹¹ Petitioners may only bring a covered business method review on a “covered business method patent[],” a label which encompasses a small subset of patents.⁹² Covered business method review proceedings are subject to the same standards and procedures as post grant review proceedings, with a few exceptions.⁹³ As is the case with post grant review, for example, petitioners may challenge a covered business method patent on any ground of invalidity.⁹⁴ There is, however, no nine-month time constraint to file a covered business method challenge.⁹⁵ Covered business method review is also subject to a different estoppel provision than post grant review.⁹⁶ If the PTAB institutes on a petition, the petitioner cannot later raise any challenge actually brought before the PTAB during that covered business method review, but is free to raise challenges that reasonably could have been brought before the PTAB—unlike post grant review.⁹⁷

3. *Inter Partes Review.* IPRs constitute almost all of the petitions filed before the PTAB despite the fact that the scope of an IPR is much more limited than post grant review or covered business method review.⁹⁸ Petitioners may only bring IPRs after nine months have passed from the issuance of a patent,⁹⁹ so IPRs replace post grant review proceedings once the time limit has expired on the latter. These

91. See Leahy-Smith America Invents Act § 18(a)(3)(A), 35 U.S.C. § 321 note (2012) (“This subsection, and the regulations issued under this subsection, are repealed effective upon the expiration of the 8-year period beginning on the date that the regulations issued under to paragraph (1) take effect.”); *Transitional Program for Covered Business Method Patents*, U.S. PAT. & TRADEMARK OFF. (Aug. 15, 2014), <https://www.uspto.gov/patents-application-process/appealing-patent-decisions/trials/transitional-program-covered-business> [<https://perma.cc/FKL8-CNEU>].

92. Leahy-Smith America Invents Act § 18(a)(1), 35 U.S.C. § 321 note (2012). A covered business method patent is a patent “claim[ing] a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” Leahy-Smith America Invents Act § 18(d)(1).

93. Leahy-Smith America Invents Act § 18(a)(1)(A).

94. 35 U.S.C. § 321(b) (2012).

95. See *id.* § 321(c) (imposing a nine-month time constraint on filing petitions for post grant review); Leahy-Smith America Invents Act § 18(a)(1)(A) (exempting covered business method review from § 321(c)’s requirements).

96. See 25 U.S.C. § 325(e)(2) (2012) (imposing estoppel rules for post grant review); Leahy-Smith America Invents Act § 18(a)(1)(A) (exempting covered business method review from § 325(e)(2)’s requirements).

97. Leahy-Smith America Invents Act § 18(a)(1)(D).

98. See 2016 PTAB Statistics, *supra* note 14, at 2 (showing that IPR petitions comprise 91 percent of the total petitions filed before the PTAB).

99. 35 U.S.C. § 311(c).

filing time differences ensure that petitioners cannot pick and choose between the two forms of review; the choice is made for the petitioner depending on when he chooses to file. During the course of an IPR, petitioners may only challenge a patent claim on the grounds of novelty and nonobviousness.¹⁰⁰ If the PTAB institutes review on a petition, the petitioner cannot later litigate any challenge he “raised or reasonably could have raised during that inter partes review.”¹⁰¹ This estoppel provision, even taken at its broadest, therefore permits a petitioner to later challenge the validity of a patent on grounds other than novelty and nonobviousness. As noted above, because IPRs are utilized much more extensively than the other forms of review available before the PTAB, the remainder of this Note will focus on IPRs.

II. THE VALIDITY OF PARTIAL INSTITUTION UNDER THE AMERICA INVENTS ACT

An IPR begins when the PTAB “institute[s]”¹⁰² review on all or some of the grounds raised in a petition.¹⁰³ The decision to institute—or not to institute—an IPR is “final and nonappealable”;¹⁰⁴ in other words, the courts may not review the merits of the decision.¹⁰⁵

A. *The History Behind the Adoption of Partial Institution*

The America Invents Act does not detail the manner in which the PTAB institutes an IPR review. It provides for the PTAB to institute review on grounds raised in a petition for an IPR,¹⁰⁶ but it fails to specify whether that review must be on all of the grounds raised or only some of the grounds. In the absence of a clear statutory guideline, the PTO exercised its rulemaking authority under the America Invents

100. *Id.* § 311(b) (allowing in IPRs only those grounds that could be raised under sections 102 or 103); *see also id.* § 102 (establishing novelty as a condition for patentability); § 103 (nonobviousness). Other grounds, such as § 101 patent eligible subject matter or § 112 definiteness, are not available to the petitioner in an IPR.

101. *Id.* § 315(e).

102. *Id.* § 314(a).

103. The PTAB may, of course, choose not to institute review on any of the grounds raised in a petition—in that case, no IPR has occurred, and the petitioner is free to raise those grounds in subsequent litigation.

104. *Id.* § 314(d).

105. *But see* *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2142 (2016) (explaining that the court may review institution decisions in cases involving “shenanigans” such as a violation of a petitioner’s constitutional rights).

106. 35 U.S.C. § 314.

Act¹⁰⁷ and enacted a regulation in 2012 permitting the PTAB to partially institute—that is, to institute review on only some of the grounds raised in an IPR petition.¹⁰⁸

The PTO's interest in allowing the PTAB to partially institute made a great deal of sense when the regulation was codified. The first time the PTAB utilized partial institution, for example, a petitioner had raised 422 challenges to the validity of twenty claims within a patent.¹⁰⁹ For each patent claim, in other words, the petitioner challenged it on roughly twenty-one grounds.¹¹⁰ It would have been nearly impossible for the PTAB to review all of these challenges and still meet its statutory deadline for rendering a final decision.¹¹¹ Citing efficiency reasons, the PTAB identified redundant grounds within the petition.¹¹² It then ordered the petitioner to choose only one ground from each set of redundant grounds to use in the proceeding.¹¹³

The case described above, *Liberty Mutual Insurance Company v. Progressive Casualty Insurance Company*,¹¹⁴ involved a covered business method review, but the logic behind it was quickly extended to IPRs.¹¹⁵ In the PTAB's first IPR decision, *Garmin International, Inc. v. Cuozzo Speed Technologies LLC*,¹¹⁶ the petitioners raised many varying novelty and nonobviousness challenges against twenty patent claims.¹¹⁷ The PTAB, however, instituted review only on two of those grounds—and only on those two grounds as applied to three of the twenty patent claims challenged.¹¹⁸ The PTAB ruled that the petitioner

107. See *id.* § 316(a)(2) (enabling the PTO to “set[] forth the standards for the showing of sufficient grounds to institute a review); *id.* § 316(a)(4) (allowing the PTO to draft regulations “establishing and governing inter partes review”).

108. See Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 48,680, 48,728 (Aug. 14, 2012) (codified at 43 C.F.R. § 42.108).

109. *Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co.*, No. CBM-2012-00003 (JL), 2012 WL 9494791, at *1 (P.T.A.B. Oct. 25, 2012).

110. *Id.*

111. See 35 U.S.C. § 316(a)(11) (requiring the PTAB to render a final decision within one year, with an available six-month extension for good cause).

112. *Liberty Mut. Ins. Co.*, 2012 WL 9494791, at *1.

113. *Id.* at *4, *6, *7, *8, *9.

114. *Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co.*, No. CBM-2012-00003 (JL), 2012 WL 9494791 (P.T.A.B. Oct. 25, 2012).

115. *Id.* at *1.

116. *Garmin Int'l, Inc. v. Cuozzo Speed Techs., LLC*, No. IPR2012-00001 (JL), 2013 WL 5947691 (P.T.A.B. Jan. 9, 2013).

117. *Id.* at *1–2.

118. *Id.* at *14–15.

had not shown a reasonable likelihood of prevailing on any of the other grounds raised in the petition and declined to institute review upon them.¹¹⁹ In this way, partial institution became an accepted practice during proceedings before the PTAB.

B. Criticism Regarding the Adoption and Implications of Partial Institution

From the outset, the practice of partial institution by the PTAB has been criticized by some in the patent community. Critics argue that the deference standard for agency interpretations laid out in *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.*¹²⁰ should not apply to the PTO's adoption of partial institution.¹²¹ Under *Chevron*, courts defer to an agency's interpretation of a statutory provision if the statute is ambiguous, and given that ambiguity, the agency's interpretation is a reasonable reading of the statute.¹²² The Federal Circuit in *Synopsys, Inc. v. Mentor Graphics Corporation*¹²³ recently upheld the validity of partial institution as a "reasonable interpretation of the statutory provision governing the institution of inter partes review" under *Chevron*.¹²⁴ Critics nonetheless argue that partial institution is not entitled to *Chevron* deference because the PTO exceeded the bounds of its statutory authority in codifying partial institution.¹²⁵

119. *Id.* at *14.

120. *Chevron U.S.A., Inc. v. Nat. Res. Def. Council, Inc.*, 467 U.S. 837 (1984). Under *Chevron*, a court grants deference to an agency's interpretation of a statutory provision if: 1) Congress has not directly spoken on the issue, or the statute is ambiguous, and 2) provided the statute is ambiguous, the agency's interpretation is a permissible reading of the statute; in other words, if it is reasonable. *Id.* at 842–43.

121. *See SAS Inst., Inc. v. ComplementSoft, LLC*, 825 F.3d 1341, 1356 (Fed. Cir. 2016) (Newman, J., concurring in part and dissenting in part) ("The PTO departed from the statute in adopting regulations that authorize review of only some of the challenged claims and grounds, as in 37 C.F.R. 42.108(a)."), *cert. granted*, 137 S. Ct. 2160 (2017); Timothy K. Wilson & John S. Sieman, *Guest Post: PTAB Partial Institution of IPR and CBM Review Violates the AIA— But There Is a Simple Fix*, PATENTLY-O (May 29, 2014), <http://patentlyo.com/patent/2014/05/partial-institution-violates.html> [<https://perma.cc/VN3Q-QYYP>] ("While the PTAB's practice of partial institution may help complete trials within the required one-year period, the practice violates the statute and strips petitioners of a statutory appeal right as to excluded claims.")

122. *Chevron U.S.A., Inc.*, 467 U.S. at 842–43.

123. *Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309 (Fed. Cir. 2016), *overruled on other grounds*, *Aqua Products, Inc. v. Matal*, 872 F.3d 1290 (Fed. Cir. 2017).

124. *Id.* at 1316.

125. *See SAS Inst., Inc.*, 825 F.3d at 1356 (Newman, J., concurring in part and dissenting in part) ("The PTO departed from the statute in adopting regulations that authorize review of only some of the challenged claims and grounds, as in 37 C.F.R. § 42.108(a)."); Wilson & Sieman, *supra*

First, critics claim that partial institution unambiguously violates the text of the statute itself.¹²⁶ The statute requires the PTAB to issue a final decision “with respect to the patentability of any patent claim challenged by the petitioner.”¹²⁷ This decision, the argument goes, must include *all* grounds the petitioner challenges, not just the instituted grounds.¹²⁸ To exclude certain grounds from the final decision “strips petitioners of a statutory appeal right as to excluded [grounds],” violating the clear language of the statute.¹²⁹

Second, critics argue that partial institution undermines the purpose of replacing district court litigation.¹³⁰ As Judge Newman summarized, concurring in part and dissenting in part in *Synopsys, Inc.*, under the statutory framework, the PTAB may not institute review on only some of the grounds raised in a petition for review.¹³¹ Contrary to the majority’s assertion that it was required to defer to the agency’s interpretation under *Chevron*, Judge Newman wrote, “[T]he intent of Congress is plain in the statute. There is no ambiguity, and no silence; *Chevron* provides no support for ‘pick and choose’ authority.”¹³² In other words, Congress plainly intended for PTAB proceedings to serve as a cheap and fast substitute for district court litigation.¹³³ Extending this logic, the implementation of partial institution undermines this goal because petitioners are no longer assured that all of their grounds challenging a patent claim—at least with respect to novelty or nonobviousness—will be litigated with finality in this alternative forum. Rather than saving the petitioner time and money, therefore, the proceedings merely “impose[] additional delay, uncertainty, and cost” on petitioners.¹³⁴ If petitioners cannot rely on PTAB proceedings

note 121 (“While the PTAB’s practice of partial institution may help complete trials within the required one-year period, the practice violates the statute and strips petitioners of a statutory appeal right as to excluded claims.”).

126. See *Wilson & Sieman*, *supra* note 121 (arguing that partial institution violates the text of the statute).

127. 35 U.S.C. § 318(a) (2012).

128. *Wilson & Sieman*, *supra* note 121.

129. *Id.*

130. *Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309, 1332–33 (Fed. Cir. 2016) (Newman, J., concurring in part and dissenting in part).

131. *Id.*

132. *Id.*

133. See *SAS Inst., Inc. v. ComplementSoft, LLC*, 825 F.3d 1341, 1358 (Fed. Cir. 2016) (Newman, J., concurring in part and dissenting in part) (“Senator Grassley further summarized, at enactment, that the purpose of the estoppel is to ‘completely substitute’ for the same issues in litigation.”), *cert. granted*, 137 S. Ct. 2160 (2017).

134. *Id.*

to resolve all of their novelty or nonobviousness grounds, the proceedings cannot be a complete substitute for the district courts on those challenges.¹³⁵

Critics additionally emphasize that, prior to the America Invents Act, the Federal Circuit had never recognized substantive rulemaking power for the PTO.¹³⁶ Under previous statutory schemes, the PTO could only draft rules and regulations about procedural, as opposed to substantive, matters.¹³⁷ The implementation of partial institution is arguably procedural rulemaking, and could thus comply even on a conservative reading of the PTO's rulemaking power. On the other hand, partial institution affects the rights and duties of the parties involved, which has traditionally been seen as a substantive function.¹³⁸ Even if the PTO did engage in substantive rulemaking in its adoption of partial institution, given the Supreme Court's decision in *Cuozzo Speed Technologies, LLC v. Lee*,¹³⁹ the PTO likely did not overstep its authority. In *Cuozzo*, the Court explicitly declined to read a procedural limitation into the PTO's rulemaking power under the America Invents Act;¹⁴⁰ in other words, the easier substance-versus-procedure argument is no longer available, and critics are left with other more difficult arguments about agency authority.

135. *Id.* (“The ‘complete substitution’ for section 102 and 103 issues cannot occur unless all of the claims challenged in the petition are included when post-grant review is accepted.”).

136. *See In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1290 (Fed. Cir. 2015) (Newman, J., dissenting) (“The word ‘conduct’ connotes procedure. Section 316 identifies areas whose conduct is assigned to the PTO, including public access to proceedings, discovery rules, and the right to a hearing. I discern no authorization to the PTO to change the law of how claims of issued patents are construed.”); *see also Merck & Co., Inc. v. Kessler*, 80 F.3d 1543, 1549–50 (Fed. Cir. 1996) (“As we have previously held, the broadest of the PTO’s rulemaking powers—35 U.S.C. § 6(a)—authorizes the Commissioner to promulgate regulations directed only to ‘the conduct of proceedings in the [PTO]’; it does NOT grant the Commissioner the authority to issue substantive rules.”).

137. *Merck*, 80 F.3d at 1549–50.

138. The Federal Circuit has only addressed the divide between substantive and procedural rulemaking once, but its decision in that case was subsequently vacated for a rehearing en banc that never occurred. *Tafas v. Doll*, 559 F.3d 1345 (Fed. Cir. 2009), *vacated*, 328 F. App’x 658 (Fed. Cir. 2009). In the vacated decision, the Federal Circuit indicated that it would follow District of Columbia Circuit precedent on the issue. *Id.* at 1356. Specifically, the Federal Circuit highlighted “that a critical feature of the procedural exception [in section 553 of the APA] is that it covers agency actions that do not themselves alter the rights or interests of parties, although [they] may alter the manner in which the parties present themselves or their viewpoints to the agency.” *Id.* (quoting *JEM Broad. Co. v. F.C.C.*, 22 F.3d 320, 326 (D.C. Cir. 1994)) (emphasis omitted) (internal quotation marks omitted).

139. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131 (2016).

140. *See id.* at 2143 (declining to read a procedural rulemaking limitation into the grant of rulemaking power to the PTO under the America Invents Act).

C. *Why Partial Institution is Permissible under the America Invents Act*

In *Cuozzo*, the Supreme Court addressed two main issues. First, the Court addressed the reviewability of a decision to institute an IPR; second, it addressed the PTO's authority to issue a regulation implementing the "broadest reasonable interpretation"¹⁴¹ standard of review for claim construction. The Supreme Court held that, absent "shenanigans" such as a violation of a petitioner's constitutional rights, the decision to institute an IPR was unreviewable.¹⁴² It also held that the broadest reasonable interpretation standard was entitled to *Chevron* deference.¹⁴³ Even though this standard differs from the one district courts use,¹⁴⁴ the Court highlighted that the America Invents Act does not specify the standard of review that applies to claim interpretations.¹⁴⁵ The Court, finding no clear textual mandate, deferred to the agency's interpretation of the standard required.¹⁴⁶ In upholding the PTO's broadest reasonable interpretation standard, the Court further noted that the America Invents Act gives the PTO a broad grant of rulemaking authority to govern the conduct of IPRs, and that grant was not limited to purely procedural rulemaking.¹⁴⁷ The Court's recognition of broad rulemaking power renders the line between procedural and substantive rulemaking irrelevant in the context of the America Invents Act. If the PTO can issue substantive rules, it does not matter whether the rule enabling partial institution was procedural or substantive in nature. The classification has no impact on its validity.

Beyond classifying the nature of the PTO's rulemaking, *Cuozzo* silences much of the basis for critiquing the adoption of partial institution. The Supreme Court's justification for applying *Chevron*

141. Broadest reasonable interpretation is also the standard that PTO examiners use in their initial review of a patent application. Broadest reasonable interpretation requires that "an examiner . . . construe claim terms in the broadest reasonable manner during prosecution as is reasonably allowed in an effort to establish a clear record of what applicant intends to claim." U.S. PATENT & TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE § 2111 (9th ed. 2017), <https://www.uspto.gov/web/offices/pac/mpep/s2111.html> [<https://perma.cc/EQP2-H2W8>]. This standard differs from the standard which the courts apply in interpreting claims. *Id.*

142. *Cuozzo Speed Techs., LLC*, 136 S. Ct. at 2141–42.

143. *Id.* at 2141–46.

144. *Id.* at 2136.

145. *See id.* at 2141–46 (applying *Chevron* analysis to the rule implementing broadest reasonable interpretation and concluding that the rule is entitled to deference).

146. *Id.*

147. *Id.*

deference in *Cuozzo* naturally extends to cover partial institution. The Supreme Court first noted that the statute is silent regarding the standard the PTAB should use in interpreting claims, creating a gap and ambiguity.¹⁴⁸ The Court next reasoned that, although different standards at the PTAB and district court level “may produce inconsistent results and cause added confusion,” this possibility alone is not enough to render the interpretation unreasonable.¹⁴⁹ Because the interpretation was reasonable, the PTAB could use the broadest reasonable interpretation standard to interpret the scope of patent claims.

As with the broadest reasonable interpretation standard, the America Invents Act is silent as to when the PTAB should institute review on the grounds raised in a petition. It also does not specify whether the PTAB must institute on all of the grounds raised in a petition or if it may institute on only some of them. The same statutory provision which granted the PTO authority to regulate the standard for claim interpretation also governs the PTAB’s institution conduct; that is, “The Director shall prescribe regulations . . . establishing and governing inter partes review.”¹⁵⁰ It is hard to see how regulations relating to the number of grounds addressed in the course of an IPR would be any less a part of “establishing and governing” an IPR than the standard of claim interpretation utilized within that review. Even were this grant of rulemaking power lacking, however, the PTO also has the authority to “set[] forth the standards for the showing of sufficient grounds to institute a review.”¹⁵¹ Although the Supreme Court has not definitively affirmed this authority, the combination of these two provisions in the wake of *Cuozzo* provides sufficient foundation to support the PTO’s authority to enable partial institutions.

A challenger to this line of reasoning might argue against granting *Chevron* deference for partial institution on the notion that partial institution contravenes the purpose of PTAB proceedings—providing

148. *See id.* at 2142 (“No statutory provision unambiguously directs the agency to use one standard or the other. And the statute ‘express[ly] . . . authoriz[es] [the Patent Office] to engage in the process of rulemaking’ to address that gap.”).

149. *See id.* at 2146 (“This possibility, however, has long been present in our patent system, [providing] different tracks—in the Patent Office and in the courts—for the review and adjudication of patent claims. . . . These different evidentiary burdens mean that the possibility of inconsistent results is inherent to Congress’ regulatory design.”).

150. 35 U.S.C. § 316(a)(4) (2012).

151. *Id.* § 316(a)(2).

a cheap and fast substitute for district court litigation¹⁵²—because it allows for an incomplete substitute for district court litigation.¹⁵³ If petitioners do not receive a decision on the merits for all the grounds they raise before the PTAB, then by definition the partial institution proceedings do not substitute for district court litigation on nonobviousness and novelty grounds. But even before *Cuozzo*, this line of reasoning would have been weak. In the America Invents Act, Congress itself specifically instructs the director 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 instituted under this chapter*” when drafting regulations governing PTAB proceedings.¹⁵⁴ With respect to the first two considerations, the director could reasonably find the effect of partial institution to be detrimental. It could hurt the economy because it undercuts the cost savings promised by PTAB proceedings, and it could hurt the integrity of the patent system because it leads to duplicative processes with the district courts and gaming of the system. Yet, these arguments are flimsy in comparison to how directly the regulations meet the second two considerations identified by Congress. Partial institution improves efficiency and enables the PTAB to comply with its statutory deadline in the face of voluminous challenges. Given how directly partial institution addresses these considerations, and given that the statute itself does not specify how to weigh each factor, the courts would likely defer to the PTO’s balancing of the four considerations and corresponding determination that partial institution satisfies the statute.

As a result, post-*Cuozzo*, the purposive argument against *Chevron* deference is all but foreclosed. In *Cuozzo*, *Cuozzo* explicitly argued that PTAB proceedings were designed to substitute for district court litigation.¹⁵⁵ The Court, however, rejected this notion in its *Chevron* analysis despite clear indications in the America Invents Act and the legislative history regarding this substitution purpose.¹⁵⁶ In reaching its conclusion, the Court gave short shrift to the argument that allowing

152. For more explanation on the purpose of PTAB proceedings, see *supra* Part I.A.

153. For more information regarding the argument that partial institution contravenes the purpose of the America Invents Act, see *supra* notes 130–35 and accompanying text.

154. 35 U.S.C. § 316(b) (emphasis added).

155. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2143 (2016).

156. *See id.* (“The problem with *Cuozzo*’s argument, however, is that, in other significant respects, inter partes review is less like a judicial proceeding and more like a specialized agency proceeding.”).

the PTAB to utilize a different standard than the district courts would undermine the ability of the PTAB to replace district court litigation on a subset of issues.¹⁵⁷ Instead, the Supreme Court observed that the purpose of IPRs is merely to “reexamine an earlier agency decision,” not to substitute for district court litigation.¹⁵⁸ Thus, challengers opposing the application of *Chevron* deference by relying on the purpose of PTAB proceedings are likely out of luck, given how directly the Supreme Court rejected a similar argument in *Cuozzo*.¹⁵⁹ Looking beyond this one case, it also signals that challengers cannot rely on the courts to uphold the careful system established by Congress. Because the Supreme Court has spoken, Congress—and not the courts—must be the actor to fix the system.

III. THE IMPACT OF INSTITUTION ON ESTOPPEL

Although the PTO likely had sufficient statutory authorization to establish partial institution, partial institution nevertheless undermines the estoppel system Congress created. Petitioners in an IPR cannot later raise before a district court any ground they raised or reasonably could have raised during the IPR.¹⁶⁰ If the estoppel were interpreted as broadly as the language of the statute suggests, petitioners could not subsequently raise grounds on which the PTAB did not institute.¹⁶¹ In other words, they could not later raise grounds that they never actually had the opportunity to litigate before the PTAB.¹⁶² If, however, the estoppel provision were interpreted in a more limited manner to apply only to instituted grounds, the provision effectively becomes meaningless. Nothing would prevent petitioners from subsequently litigating noninstituted grounds, even if those noninstituted grounds

157. *Id.*

158. *Id.* at 2144 (“The name and accompanying procedures suggest that the proceeding offers a second look at an earlier administrative grant of a patent. Although Congress changed . . . ‘reexamination’ to ‘review,’ nothing convinces us that, in doing so, Congress wanted to change its basic purposes, namely, to reexamine an earlier agency decision.”).

159. *See id.* at 2142–43 (rejecting the argument that IPRs were intended to substitute for district court litigation).

160. 35 U.S.C. § 315(e) (2018).

161. *See High, supra* note 34, at 610 (“The likely result is that this provision estops the petitioner from asserting grounds of unpatentability which neither the PTO nor a district court has ever considered, leading to potentially unfair outcomes for the petitioner.”).

162. For an explanation of why petitioners reasonably would not have had the chance to litigate their claims if the PTAB did not institute review on them, see *infra* Part III.A.

are redundant with the instituted grounds.¹⁶³ In this way, a limited-scope interpretation renders the “or reasonably could have been raised” language a dead letter.¹⁶⁴

As a result, the Federal Circuit faced an impossible situation when it decided *Shaw*. It either had to sanction inequity by estopping petitioners from raising grounds they never had a chance to litigate or contravene the plain text of the statute, undermining the purposes for which IPRs were created. The Federal Circuit opted for the latter approach and applied a limited-scope interpretation to the estoppel provision.¹⁶⁵ In doing so, not only did the Federal Circuit contravene the plain meaning of the America Invents Act, but it also chose an interpretation that will create more trouble in the long term even if it prevents inequity in the short term.

A. *The Federal Circuit Incorrectly Interpreted the Estoppel Provision*

Statutory interpretation begins with plain meaning.¹⁶⁶ Plain meaning is determined through “reference to the language itself, . . . [and to] the specific context in which that language is used, and the broader context of the statute as a whole.”¹⁶⁷ Here, the text, structure, and purpose of the America Invents Act indicate that the estoppel provision was intended to be interpreted broadly. Faced with a clear interpretation, it is not the role of the courts to rewrite what Congress has clearly prescribed.¹⁶⁸ The Federal Circuit erred in its statutory interpretation of the estoppel provision when it interpreted estoppel in a more limited manner.

1. *Text.* The America Invents Act provides that petitioners who bring an IPR before the PTAB cannot later raise “any ground that the petitioner raised or reasonably could have raised during that inter

163. For an explanation of why this argument applies even to claims petitioners could have raised in the petition but chose not to, see *infra* Part III.A.

164. See 157 CONG. REC. 2710 (2011) (“It also would include a strengthened estoppel standard to prevent petitioners from raising in a subsequent challenge the same patent issues that were raised or reasonably could have been raised in a prior challenge, [significantly reducing] the ability to use post-grant procedures for abusive serial challenges to patents.”).

165. See *Shaw Indus. Grp. v. Automated Creel Sys., Inc.*, 817 F.3d 1293, 1300 (Fed. Cir. 2016) (“The IPR does not begin until it is instituted. . . . Thus, *Shaw* did not raise—nor could it have reasonably raised—the Payne-based ground *during* the IPR.”).

166. *Yates v. United States*, 135 S. Ct. 1074, 1081–82 (2015).

167. *Id.*

168. See, e.g., *Puerto Rico v. Franklin Cal. Tax-Free Tr.*, 136 S. Ct. 1938, 1946 (2016) (“The plain text of the [statute] begins and ends our analysis.”).

partes review.”¹⁶⁹ The Federal Circuit in *Shaw* focused on the “during” language in the statute and held that a petitioner cannot later raise the grounds on which the PTAB institutes because an IPR only begins with institution.¹⁷⁰ This interpretation, however, ignores the text proceeding “during.” If a petitioner could not have raised redundant grounds “during” an IPR because the PTAB did not institute upon those grounds, a petitioner also could not have raised nonredundant but unmeritorious grounds or grounds which were never included in the petition at all “during” the IPR. After all, grounds raised but not instituted due to redundancy are outside the scope of the estoppel provision because those issues were not before the PTAB “during” the IPR. By the same logic, nonredundant grounds or grounds excluded from the petition should also be outside the scope of the estoppel provision because those issues were also not before the PTAB “during” the IPR. This outcome effectively renders the “or reasonably could have raised” language meaningless.

2. *Structure.* The provisions of the America Invents Act do not exist in a vacuum. Congress designed the various PTAB proceedings to meet different needs within the patent system.¹⁷¹ The estoppel provision attaching to IPRs must be analyzed in relation to the estoppel provisions attaching to the other proceedings.¹⁷² In both IPRs and post grant review proceedings, petitioners cannot subsequently raise “any ground that the petitioner raised or reasonably could have raised during that . . . review.”¹⁷³ In a covered business method review, on the other hand, petitioners cannot subsequently raise “any ground that the petitioner raised during that . . . proceeding.”¹⁷⁴ The differing estoppel parameters indicate that Congress knew how to apply a limited-scope estoppel provision where it wished to have one. The fact that Congress included the “or reasonably could have raised” language indicates that it intended IPRs and post grant review proceedings to encompass a wider range of challenges to the validity of a patent. The Federal Circuit’s interpretation of the estoppel provision, which essentially

169. 35 U.S.C. §315(e) (2012).

170. See *Shaw*, 817 F.3d at 1300 (“The IPR does not begin until it is instituted. . . . Thus, *Shaw* did not raise—nor could it have reasonably raised—the Payne-based ground *during* the IPR.”).

171. For an explanation of the purpose of PTAB proceedings, see *supra* Part I.A.

172. See *Yates*, 135 S. Ct. at 1081–82 (noting that statutory provisions must be analyzed with reference to “the broader context of the statute as a whole”).

173. 35 U.S.C. § 315(e); *id.* § 325(e).

174. Leahy-Smith America Invents Act § 18(a)(1)(D), 35 U.S.C. § 321 note (2012).

collapses the “raised or reasonably could have raised” into “raised,” is at odds with the structure of various proceedings established by the America Invents Act.

3. *Purpose.* Although the Supreme Court has indicated otherwise,¹⁷⁵ legislative history indicates that Congress intended proceedings before the PTAB to substitute for district court litigation.¹⁷⁶ The proceedings cannot serve as an effective alternative without a strong estoppel provision to ensure that petitioners treat the proceeding as their only forum to litigate novelty and nonobviousness grounds.¹⁷⁷ As matters stand now, petitioners can game the system and use the proceedings before the PTAB as a free bite at the apple. They can challenge the validity of a patent cheaply and quickly before the PTAB and, if they lose, they preserve the nonobviousness and novelty challenges that were not raised or instituted. This outcome clearly stands at odds with the purpose for which Congress established IPRs, and because the Supreme Court has indicated it will not fix the issues inherent in the system,¹⁷⁸ Congress must step in to protect the purpose underlying IPRs.

Admittedly, IPRs can never fully substitute for district court litigation because petitioners can only raise novelty and nonobviousness grounds in such proceedings.¹⁷⁹ One could reason that, in the face of such a limitation, the purpose of IPRs cannot be to completely replace district court litigation.¹⁸⁰ This argument is

175. See *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016) (explaining that the purpose of IPRs is to “reexamine an earlier agency decision”).

176. See, e.g., 157 CONG. REC. 3429 (2011) (“Ideally, extending could-have-raised estoppel to privies will help ensure that if an inter partes review is instituted while litigation is pending, that review will completely substitute for at least the patents-and-printed-publications portion of the civil litigation.”). The Supreme Court’s decision to the contrary only further indicates that Congress, and not the courts, must fix the inconsistencies in the statutory framework.

177. See 157 CONG. REC. 2710 (2011) (“It also would include a strengthened estoppel standard [preventing] petitioners from raising in a subsequent challenge the same patent issues that were raised or reasonably could have been raised in a prior challenge. The bill would significantly reduce the ability to use post-grant procedures for abusive serial challenges to patents.”).

178. See *Cuozzo*, 136 S. Ct. at 2144 (noting that an IPR, instead of substituting for district court litigation, merely “reexamine[s] an earlier agency decision”).

179. 35 U.S.C. § 311(b) (2012).

180. Petitioners could, for example, still challenge the validity of a patent on § 101 (patent eligible subject matter and utility) or § 112 (written description, enablement, and definiteness) grounds at the district court, IPR proceeding notwithstanding.

bolstered by the fact that the Supreme Court in *Cuozzo* indicated that IPRs exist merely to “reexamine an earlier agency decision.”¹⁸¹

But a deeper look at how IPRs function in relation to the other proceedings and district court litigation reveals the flaw in this line of reasoning. A patent, once issued, is presumed valid.¹⁸² A challenger may, within the first nine months of a patent’s life,¹⁸³ bring a post grant review proceeding on any ground of invalidity.¹⁸⁴ After nine months¹⁸⁵—unless the patent is a covered business method patent¹⁸⁶—a challenger may only bring an IPR on novelty and nonobviousness grounds.¹⁸⁷

The limited jurisdiction within IPRs gives due effect to the presumption of validity. Novelty and nonobviousness grounds focus on the relationship between the patent at issue and other patents and publications known to the inventor at the time of invention.¹⁸⁸ Essentially, these challenges deal with the information available to the inventor at the time of invention. In contrast, a patent-eligible subject matter challenge, for example, focuses on the content of the patent itself and whether the invention claimed is eligible for claiming at all. It does not undermine the presumption of validity to review novelty and nonobviousness challenges, which relate to the information before an inventor at the time of invention. These grounds do not argue that something inherently wrong with the content of the patent itself makes the patent invalid. Instead, they argue that outside material renders the patent invalid because the patent claims either are obvious or not novel in light of other information. The limitation on which challenges one can raise during an IPR does not undermine the purpose of providing an alternative to district courts, but rather it effectuates the presumption of validity of issued patents.

Furthermore, the fact that the challenges are limited does not mean that Congress did not intend for the proceedings to provide a

181. *Cuozzo*, 136 S. Ct. at 2143. For more information on the Supreme Court’s interpretation of the purpose of IPRs, see *supra* Part II.C.

182. 35 U.S.C. § 282(a).

183. *Id.* § 321(c).

184. *Id.* § 321(b).

185. *Id.* § 311(c).

186. For more information on covered business method review, see *supra* Part I.B.2.

187. 35 U.S.C. § 311(b).

188. In patent law, other patents and publications would be included in the category of “prior art.” Prior art is any information that a person having ordinary skill in the art—in other words, an expert in the field—would have known at the time of the invention.

complete substitute for district court litigation on those specific grounds. Even if an IPR cannot fully replace district court litigation on all grounds relating to the validity of a patent, it can nevertheless significantly reduce the number of issues that can be raised in district court litigation.

B. A Limited-Scope Estoppel is a Poor Solution in the Long Term

The Federal Circuit's interpretation of estoppel poses many dangers to the system created by Congress in the long term. There is no real way to cabin the Federal Circuit's line of reasoning in *Shaw*. The Federal Circuit's focus on the "during" language within the estoppel provision succeeds in preventing inequity in the short term,¹⁸⁹ but it logically extends to cover grounds not instituted upon for reasons relating to the merits rather than redundancy. It can further be extended to cover even grounds that were not included in the petition at all, negating the "or reasonably could have raised" language in the statute.¹⁹⁰ In *Intellectual Ventures I LLC v. Toshiba Corporation*,¹⁹¹ for example, the District of Delaware noted that it had no choice but to allow the litigant to raise grounds not included in its IPR petition.¹⁹² The court reasoned that, because those grounds were not raised "during" the IPR, its decision was controlled by the holding of *Shaw*.¹⁹³ It reached this conclusion despite recognizing that this outcome contravenes the purpose of the America Invents Act.¹⁹⁴ In subsequently reviewing a request for reconsideration, the court

189. Inequity arises here when petitioners cannot later raise grounds which they never had a chance to fully litigate before the PTAB.

190. See *Intellectual Ventures I LLC v. Toshiba Corp.*, 221 F. Supp. 3d 534, 553–54 (D. Del. 2016) ("Although extending the [*Shaw*] logic to prior art references that were never presented to the PTAB at all (despite their public nature) confounds the very purpose of this parallel administrative proceeding, the court cannot divine a reasoned way around the Federal Circuit's interpretation in *Shaw*."), *recons. denied*, *Intellectual Ventures I LLC v. Toshiba Corp.*, Civ. No. 13-453-SLR, 2017 WL 107980 (D. Del. Jan. 11, 2017).

191. *Intellectual Ventures I LLC v. Toshiba Corp.*, 221 F. Supp. 3d 534, 553–54 (D. Del. 2016).

192. *Id.*

193. *Id.*

194. *Id.*

allowed for more shades of nuance on the issue¹⁹⁵ but ultimately declined to reconsider its prior decision.¹⁹⁶

Restricting the estoppel exception to cover only grounds raised but not instituted can only be achieved by a feat of interpretive gymnastics not authorized by the text of the America Invents Act. It makes the PTAB the “invalidity arbiter of first resort”¹⁹⁷ rather than the sole arbiter. Not only would this outcome “be inconsistent with all of the limitations imposed by the PTAB on IPR proceedings,”¹⁹⁸ but it would result in gamesmanship and circumvent the purpose of the statute. Petitioners would be incentivized to include as many grounds as possible with minimum detail, despite PTAB guidance recommending including fewer and more detailed grounds.¹⁹⁹ In this way, a petitioner’s goal would expressly be to have the PTAB institute on only some of the grounds, leaving the others available for later litigation in the event the petitioner lost before the PTAB. This result would directly undermine the purpose for which IPRs were created.

IV. SOLUTION

Congress needs to step in to fix the issues within the America Invents Act. Although it likely could not have anticipated the way in which the PTAB and the courts have developed IPRs, flawed drafting within the America Invents Act made this outcome possible. Given the broad grant of rulemaking power within the America Invents Act, the PTO did not act outside the bounds of its authority in drafting a regulation enabling partial institution.²⁰⁰ Yet, the combination of

195. *Intellectual Ventures I LLC*, 2017 WL 107980, at *1 (recognizing that the Federal Circuit had not ruled on this fact pattern and that policy arguments existed to support extending the estoppel to grounds not raised or cabining it only to grounds raised but not instituted).

196. *Id.* at *2 (“On the whole, since it is not my place to make policy decisions, I am not inclined to change my original decision, with the hopes that an appeal may clarify the issue for future judges in future cases.”).

197. *Id.* at *1.

198. *Id.*

199. See Katie J.L. Scott, *Federal Circuit Adopts a Redundancy Exception to Estoppel Following Inter Partes Review*, 28 INTELL. PROP. & TECH. L.J. 13, 14 (2016) (“Notably, the unintended consequence of the PTO’s position and *Shaw*’s endorsement of that position is that petitioners will be incentivized to include as many grounds as will fit within the space constraints of a petition, contrary to the PTAB’s oft-provided guidance to include fewer, more detailed arguments . . .”).

200. This is covered in more depth at *supra* Part II.C. Although the PTO could arguably update its regulations regarding partial institution to eliminate some of the issues highlighted in this Note, in light of the strict deadline the PTAB must comply with and limited resources to hire more personnel, the PTO is unlikely to take this step in the future. This solution also would not

partial institution without a corresponding way for the courts to review the decision to institute absent “shenanigans”²⁰¹ creates a situation in which a properly applied estoppel provision leads to inequity. To interpret that estoppel provision in a more limited manner than intended, however, undermines the entire purpose for which IPRs were established because estoppel is the glue that holds the system together.²⁰² IPRs cannot substitute for district court litigation unless they are the sole forum in which given challenges can be raised and litigated. The solution to the drafting flaws in the America Invents Act thus cannot be to limit the reach of the estoppel provision.

A. The Federal Circuit Should Reconsider its Interpretation in Shaw

In order to fix the system, the Federal Circuit should reconsider its interpretation on estoppel. Congress intended for the estoppel provision to broadly cover all grounds which were raised or which could have been raised in a petition for an IPR.²⁰³ In other words, if petitioners decide to avail themselves of the benefits of an IPR (winning and saving resources that might otherwise have been spent litigating before the district court), petitioners must also consign themselves to the risks an IPR entails (losing and being estopped from subsequently raising additional challenges on novelty or nonobviousness grounds). By ignoring the mandates of the America Invents Act, the Federal Circuit has essentially eliminated any risk petitioners face in bringing an IPR. Petitioners may now game the system and give themselves a quick, cheap chance to invalidate a patent at little to no personal cost. The only way to fix this outcome is to apply the estoppel provision as broadly as the text, structure, and purpose of the statute indicate.²⁰⁴

Reinterpreting the estoppel provision may lead to inequity in the short term by estopping petitioners from raising claims which they

fix the flaws in the statutory drafting enabling this outcome, so there would always be the threat that this issue would arise again in the future. In light of these obstacles, this Note will not address this solution in depth.

201. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2141–42 (2016).

202. *See* 157 CONG. REC. 2710 (2011) (“It also would include a strengthened estoppel standard to prevent petitioners from raising in a subsequent challenge the same patent issues that were raised or reasonably could have been raised in a prior challenge. The bill would significantly reduce the ability to use post-grant procedures for abusive serial challenges to patents.”).

203. For an explanation of the purpose of the estoppel provision, see *supra* Part III.

204. For an explanation of why the estoppel provision should be interpreted broadly, see *supra* Part III.A.

never had a chance to litigate before the PTAB.²⁰⁵ Yet, courts should not contravene the plain meaning of the statute. The legislature, and not the courts, must fix the inequity within the statute. The inequity, moreover, may add extra heft to the calls for legislative reform. If petitioners lose the ability to later raise grounds which they never had the chance to litigate before the PTAB, and this is broadly perceived as an injustice, then Congress may have additional incentive to correct the system. This is especially possible given the power and influence of the technology sector, which boasts many repeat players in the patent system and stands to gain if the system improves. Congress ultimately will need to step in to correct the drafting of the America Invents Act, so any additional impetus to spur the legislature into action can only serve to benefit patent holders and challengers in the long term.

B. Congress Should Intervene to Correct the System

There are a number of actions Congress could take to ameliorate the effects of the combination of a broad grant of rulemaking authority, a lack of review on the decision to institute, and an estoppel provision that holds the whole system together. First, Congress could amend the text regarding institution to clearly prohibit partial institution. Second, Congress could require that in final decisions the PTAB must address all grounds raised in the petition, even those not instituted upon, allowing petitioners to preserve the right to appeal. Lastly, Congress could alter the substantive grant of powers to the PTO in the America Invents Act and either remove the PTO's ability to issue rules or the unreviewability of the PTAB's initial decision to institute.

First, Congress could explicitly require all-or-none institution in the statutory provisions regarding IPRs. One of the main issues with the system as currently structured is that Congress has not clearly allowed or prohibited partial institution. If there is ambiguity in the text, the courts will defer to the agency's interpretation as long as it is reasonable,²⁰⁶ and it is hard to argue that the PTO's interpretation of the statute is not reasonable. The America Invents Act enables the PTO to consider concerns about efficiency and its ability to meet the statutory deadline in drafting its regulations.²⁰⁷ If Congress were to explicitly require all-or-none institution, however, a regulation

205. For an acknowledgement of the inequity of a petitioner losing the chance to litigate noninstituted grounds, see *supra* Part III.

206. For more information on agency deference, see *supra* note 122 and accompanying text.

207. 35 U.S.C. § 316(b) (2012).

allowing for partial institution would clearly violate the text of the statute, thereby allowing courts to enforce all-or-none institution.

Yet, all-or-none institution may not be the perfect solution. The PTO had valid concerns regarding the ability of the PTAB to review every ground raised by the petitioners in a petition and still meet its deadline. It would be unrealistic, for instance, to expect the PTAB to reach a decision on over four hundred grounds of invalidity against a set of patent claims within a year, especially given the volume of petitions it receives each year.²⁰⁸ Even with a good-cause extension of six months,²⁰⁹ the deadline would be nearly impossible to meet. One way to resolve this dilemma would be to make the PTAB distinguish redundant grounds²¹⁰ from nonmeritorious grounds that fail to meet the evidentiary standard for invalidity.²¹¹

Second, instead of requiring all-or-none institution, Congress could update the requirements of a final written decision. It could require the PTAB to address noninstituted grounds in the final written decision, thereby allowing petitioners to preserve the right to appeal. As the provision currently reads, the PTAB is required to “issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d).”²¹² Some parties have argued that this provision even now requires the PTAB to address every ground raised in the petition in this decision.²¹³ The Federal Circuit, however, rejected this argument

208. See *Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co.*, No. CBM2012-00003, 2012 WL 9494791, at *1 (P.T.A.B. Oct. 25, 2012) (highlighting that the petitioner in a covered business method review proceeding raised 422 grounds challenging twenty patent claims); 2016 PTAB Statistics, *supra* note 14 (listing the number of petitions filed before the PTAB).

209. 35 U.S.C. § 316(a)(11).

210. See High, *supra* note 34, at 612 (“To avoid the loss of a petitioner’s right to appeal on a redundant ground, the PTAB could institute an IPR based on all grounds that show a reasonable likelihood of unpatentability and then declare some of the grounds cumulative in a subsequent order.”).

211. See 37 C.F.R. § 42.1 (2017) (“The default evidentiary standard is a preponderance of the evidence.”).

212. 35 U.S.C. § 318(a).

213. See *SAS Inst., Inc. v. ComplementSoft, LLC*, 825 F.3d 1341, 1352 (Fed. Cir. 2016) (“The petitioner argued, as does SAS, that the text of the final written decision statutory subsection, 35 U.S.C. § 318(a), compels the Board to address every petition challenged claim.”), *cert. granted*, 137 S. Ct. 2160 (2017); Wilson & Sieman, *supra* note 121 (“The set of ‘claim[s] challenged by the petitioner’ depends on which claims the petitioner includes in the petition, not on a later decision by the PTAB. The statutory language leaves little doubt the final written decision—the appealable one—must address the patentability of every claim challenged in the petition.”).

in *SAS Institute, Inc. v. ComplementSoft, LLC*.²¹⁴ The court “found it significant that § 318(a) describes ‘claims challenged by the petitioner,’ whereas the institution decision statutory subsection, 35 U.S.C. § 314, describes ‘claims challenged in the petition.’”²¹⁵ Because the variation in language between these two sections provided a basis for interpreting them differently,²¹⁶ updating the language of § 318(a) to mirror the language of § 314 would remove the basis of treating the sections differently. This means the PTAB would have to address every ground raised in the petition in its decision.

The Supreme Court recently granted certiorari in the Federal Circuit’s decision in *SAS Institute*.²¹⁷ It may soon require the PTAB to address every ground raised in the petition in its written decision, even the noninstituted ones. If the Supreme Court were to reverse the Federal Circuit’s decision, depending on what—if anything—the Supreme Court requires the PTAB to include in the written decision, the decision could further sow chaos into the statutory framework. A decision to require the PTAB to address every ground raised in the petition, even noninstituted grounds, could pose due process issues.²¹⁸ It would set the PTAB up to decide an issue which the parties never got a chance to litigate, thereby violating “the fundamental requirement of due process,” namely “the opportunity to be heard ‘at a meaningful time and in a meaningful manner.’”²¹⁹ In order to avoid this potential due process issue, the written decision could explain the fact that the PTAB chose not to institute review because the ground did not meet the statutory requirements for institution. This explanation, however, would conflict with the unreviewability of the

214. See *SAS Inst., Inc.*, 825 F.3d at 1352 (“We found, however, no statutory requirement that the Board’s final decision address every claim raised in a petition for inter partes review.”). The Supreme Court recently granted certiorari on this decision. *SAS Inst., Inc.*, 137 S. Ct. at 2160.

215. *SAS Inst., Inc.*, 825 F.3d at 1352.

216. *Id.*

217. *SAS Inst., Inc.*, 137 S. Ct. at 2160.

218. The Supreme Court has not ruled on whether IPRs are formal or informal adjudications. The Court’s decision in *Cuozzo*, because it applies *Chevron* deference, indicates the proceeding might be formal adjudication and thus subject to more stringent due process requirements. See *United States v. Mead Corp.*, 533 U.S. 218, 229–30 (2001) (denying *Chevron* deference for informal adjudication); *Christensen v. Harris Cty.*, 529 U.S. 576, 587 (2000) (“Interpretations such as those in opinion letters—like interpretations contained in policy statements, agency manuals, and enforcement guidelines, all of which lack the force of law—do not warrant *Chevron*-style deference.”).

219. *Mathews v. Eldridge*, 424 U.S. 319, 333 (1976).

decision not to institute an IPR.²²⁰ The appellate court reviewing the decision not to institute would need the authority to address the merits of the ground raised below rather than merely the authority to review the PTAB's decision not to institute an IPR on that ground.²²¹ This outcome would preserve the unreviewability of the initial decision to institute while still avoiding the inequity associated with a lack of any judicial review.

Third, Congress could also target the substantive powers at play in undermining the system, namely its grant of broad rulemaking authority to the PTO or the unreviewability of the decision to institute. These powers, however, were given for a reason and to remove them would pose a new set of dangers for the system. Without rulemaking authority, for example, it would be difficult for the PTO to regulate the proceedings before the PTAB. Congress would need to provide more guidance on the standards of review and conduct of the proceedings, which would require more time and waste more resources. The system can run much more efficiently with most of the regulation coming from a single agency. The fact that the powers could be used to the detriment of the system in one way does not mean that the powers should not exist at all. In a similar vein, allowing the courts to review every decision to institute or not institute an IPR would create vast inefficiency within the system. The proceedings are designed to be completed within a year.²²² This deadline would be impossible to meet if petitioners were able to litigate the decision to institute before the courts. The main benefits of PTAB proceedings—the savings in time and resources—would be immediately lost.

It is worth highlighting that if the Federal Circuit were to reconsider its estoppel interpretation such that it conforms to the statute but works harsher results, petitioners might be reluctant to bring IPR procedures until Congress is able to update the statute. Yet, petitioners had no way to know how broad estoppel was for IPRs until the Federal Circuit ruled in *Shaw*, and nonetheless brought many IPRs before the *Shaw* decision.²²³ Given the history of IPR use before *Shaw*,

220. See 35 U.S.C. § 314(d) (2012) (making the decision to institute or not institute an IPR unreviewable).

221. This solution may pose the additional issue of whether to allow for supplementation of the record on review for challenges to the decision not to institute review.

222. 35 U.S.C. § 316(a)(11).

223. *Shaw* was decided on March 23, 2016. *Shaw Indus. Grp. v. Automated Creel Sys., Inc.*, 817 F.3d 1293 (Fed. Cir. 2016). Between September 16, 2012 and March 31, 2016, petitioners made a total of 4743 petitions to the PTAB. U.S. PATENT & TRADEMARK OFFICE, PATENT TRIAL AND

it seems unlikely that a reconsideration of the estoppel provision would significantly deter petitioners from seeking out IPRs.

CONCLUSION

The Federal Circuit in *Shaw* significantly undermined the ability of PTAB proceedings to substitute for district court litigation on novelty and nonobviousness grounds. Instead of ensuring that petitioners are held to the decisions of a single forum with respect to any grounds which the petitioners raised or could have raised during an IPR, the Federal Circuit opened the door for gamesmanship and abuse of the system. Petitioners may now use IPRs as a free chance to invalidate a patent while preserving redundant grounds that effectively argue the same point for subsequent district court litigation.

While it would be easy to place all of the blame on the Federal Circuit for this turn of events, *Shaw* itself does not shoulder all of the responsibility. *Shaw* merely highlights a larger underlying problem within the drafting of the America Invents Act itself. Congress created a perfect storm with the broad grant of rulemaking power to the PTO, unreviewable PTAB decisions to institute, and the estoppel provision. This combination led to a scenario in which the correct interpretation of the estoppel provision would inevitably lead to inequity. It is not, however, the role of the Federal Circuit to correct mistakes in a statutory scheme devised by Congress. A limited-scope interpretation of estoppel only further sows chaos and disorder within the system. Congress must step in to correct the inadequacies. It should require either that the PTAB institute on all or none of the grounds raised in a petition or that the final written decision address every ground raised by the petitioner and provide for appellate review on the merits of each ground.

APPEAL BOARD STATISTICS (Mar. 31, 2016), <https://www.uspto.gov/sites/default/files/documents/2016-3-31%20PTAB.pdf> [<https://perma.cc/ELM6-WFR8>]. Of those 4743 petitions, 4288 were petitions for an IPR. *Id.* As of December 31, 2016, petitioners made a cumulative total of 6143 petitions to the PTAB, 5591 of which were for an IPR. 2016 PTAB Statistics, *supra* note 14.