

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

TELEBRANDS CORP.,
Petitioner,

v.

TINNUS ENTERPRISES, LLC,
Patent Owner.

Case PGR2016-00030
Patent 9,242,749 B2

Before MICHAEL W. KIM, FRANCES L. IPPOLITO,
KEVIN W. CHERRY, *Administrative Patent Judges*.

CHERRY, *Administrative Patent Judge*.

DECISION
Denying Patent Owner's Request for Rehearing
37 C.F.R. § 42.71(d)

Tinnus Enterprises, LLC (“Patent Owner”) timely filed a request for rehearing (“Rehearing Request” or “Request”) of our Decision to Institute (“Decision” or “Dec.,” Paper 16) a post grant review. Paper 18 (“Req. Reh’g”). For the reasons given below, we *deny* the Rehearing Request.

I. LEGAL STANDARDS

When rehearing a decision whether to institute post-grant review, we review the decision for an “abuse of discretion.” 37 C.F.R. § 42.71(c). “The burden of showing [the] decision should be modified lies with the party challenging the decision.” 37 C.F.R. § 42.71(d). The request for rehearing “must specifically identify all matters the party believes the Board misapprehended or overlooked, and the place where each matter was previously addressed in” the briefing. *Id.*

II. ANALYSIS

Patent Owner raises three matters it contends that we misapprehended or overlooked in instituting post-grant review in this case. First, Patent Owner argues that our Decision “unnecessarily and incorrectly puts the Patent Office into conflict with an Article III court.” Req. Reh’g 2. Second, Patent Owner asserts that we followed an incorrect methodology in considering Patent Owner’s secondary considerations of non-obviousness, and misapprehended Patent Owner’s evidence of secondary considerations. *Id.* at 2–3. Finally, Patent Owner contends that our Decision “incorrectly applied [our] discretion under 35 U.S.C. §§ 324(a) and 325(d) to permit this PGR to go forward exclusively over art already considered by the original Examiner.” *Id.* at 3. We consider each of these arguments below.

A. Alleged “Conflict with an Article III Court”

Patent Owner argues that we overlooked the district court’s grant of Patent Owner’s request for a preliminary injunction over the same invalidity grounds raised by Petitioner Telebrands Corp. (“Petitioner”) in *Tinnus Enterprises, LLC et al. v. Telebrands Corp.*, Civil Action No. 6:16-cv-00033-RWS-JDL (“Tinnus II”) in the U.S. District Court for the Eastern District of Texas. Req. Reh’g 3; see Prelim. Resp. 10–13. Patent Owner asserts that “[a] preliminary injunction determination on patent validity uses (at most) the same threshold as the PTAB’s PGR institution determination.” *Id.* at 4. Patent Owner submits that “if an attacker cannot even generate a ‘substantial question’ in federal court, it necessarily cannot have met the ‘more likely than not’ standard in this agency under identical arguments and evidence.” *Id.*

We disagree with Patent Owner that we misapprehended or overlooked this argument. To begin with, the Preliminary Response only stated that “the Board should give weight to the Court’s findings regarding Grounds 1–3 and 6.” Prelim. Resp. 13. We do not believe that a request that we “give weight to” the district court’s determinations properly raised the arguments that Patent Owner now contends that we allegedly overlooked, namely, that the district court’s determination “necessarily” binds our separate review. But even if the argument was properly raised in the Preliminary Response, it would fail for several reasons.

First, on this record, we are not persuaded that the district court’s preliminary injunction decision in Tinnus II controlled our independent review of the arguments and evidence submitted by the parties in our proceeding. To the contrary, our reviewing court has noted that a prior

judicial opinion does not bind the Board’s review. Thus, generally, we are not required to reach the same conclusion as the district court. *See Novartis AG v. Noven Pharms. Inc.*, No. 2016-1678, 1679, 2017 WL 1229742, at *3 (Fed. Cir. Apr. 4, 2017) (“Novartis alleges that a fundamental legal error pervades the PTAB’s Final Written Decisions: the PTAB unlawfully reached different conclusions than our court and the [district court], which addressed the ‘same’ arguments and the ‘same’ evidence and found the Asserted Claims nonobvious in two prior opinions. . . . [E]ven if the record were the same, Novartis’s argument would fail as a matter of law.”).

Second, we do not agree with Patent Owner’s characterization that a district court’s standard of a “substantial question of validity” transfers so neatly to our institution standard of “more likely than not.” Req. Reh’g 4. Although “a showing of a substantial question of invalidity, requires less proof than the clear and convincing standard to show actual invalidity,” *Erico Int’l Corp. v. Vutec Corp.*, 516 F.3d 1350, 1356 (Fed. Cir. 2008), it still requires a showing that “in light of the presumptions and burdens that will inhere at trial on the merits” the attacker has “a likelihood of success” in invalidating the patent, *Genentech, Inc. v. Novo Nordisk A/S*, 108 F.3d 1361, 1364 (Fed. Cir. 1997); *see also PPG Indus., Inc. v. Guardian Indus., Inc.*, 75 F.3d 1558 (Fed. Cir. 1996) (“The ultimate question, however, is whether the challenger’s evidence of invalidity is sufficiently persuasive that it is likely to overcome the presumption of patent validity.”). In contrast, there are no presumptions of validity to be overcome in proceedings before the Board.

Third, on the record before us, we do not agree that “identical arguments and evidence” are at issue in our proceeding and before the district court as Patent Owner contends. Req. Reh’g 4. For example, the

district court conducted a hearing where witnesses gave testimony and were subject to cross examination. Ex. 2003, 1 (noting hearing), 14 (noting testimony by an expert at hearing regarding invalidity). In contrast, at the pre-institution stage for a post-grant review, testimony submitted provided by the parties has not been cross-examined in our proceeding. Moreover, our rules require us to view disputed issues of material fact created by the testimony of the competing declarants in the light most favorable to the Petitioner. See 37 C.F.R. § 42.208(c). There is no similar requirement in a preliminary injunction ruling. Further, even if the same record were before us, this would not constrain our independent review of the arguments and evidence presented by the parties for the purposes of determining whether to institute a post-grant review. See *Novartis AG*, 2017 WL 1229742, at *3.

Patent Owner alternatively argues that “issue preclusion should foreclose Petitioner from proceeding.” Req. Reh’g 4. Patent Owner asserts that “[o]n the issues subsumed within it, such as the ‘substantial question of patent validity’ issue, . . . Petitioner took its aim and lost, and had a fair opportunity to do so.” *Id.* at 4–5. Patent Owner submits that our Decision “incorrectly assumes that Petitioner retains the legal authority to proceed against Patent Owner after having lost, when in fact it became precluded after the conclusion of the contested proceeding on the same questions in federal court.” *Id.* at 5.

As an initial matter, Patent Owner provides no explanation for its assumption that issue preclusion in this instance applies before the Board. Without deciding this complex question, we are not persuaded that issue preclusion necessarily applies to our proceedings. Cf. *Ceramtec GMBH v. Ceramedic LLC*, Case IPR2015–01328, slip. op. at 15 (PTAB Dec. 16,

2015) (Paper 23) (holding judicial estoppel inapplicable to proceedings before the Board). However, even if we assume that it does apply, we are unpersuaded by Patent Owner's arguments.

A preliminary injunction is just that—preliminary—it is not a definitive finding of fact and is merely intended to maintain the status quo between the parties. *See Univ. of Texas v. Camenisch*, 451 U.S. 390, 395 (1981); *see also Hamilton Watch Co. v. Benrus Watch Co.*, 206 F.2d 738, 742 (2d Cir. 1953) (“For a preliminary injunction—as indicated by the numerous more or less synonymous adjectives used to label it—is, by its very nature, interlocutory, tentative, provisional, ad interim, impermanent, mutable, not fixed or final or conclusive, characterized by its for-the-time-beingness.”). The findings of fact and conclusions of law made by a court granting a preliminary injunction are not binding on the district court at the trial on the merits. *See Univ. of Texas*, 451 U.S. at 395. Indeed, the Federal Circuit has held explicitly that a district court's preliminary determinations of invalidity are not binding. *See Abbott Labs. v. Andrx Pharms., Inc.*, 473 F.3d 1196, 1206 (Fed. Cir. 2007) (holding under Seventh Circuit law that “[a] determination that there is merely a likelihood of proving invalidity is a determination made solely in terms of ‘probabilities, not certainties’ and is therefore not ‘full litigation and decision on the merits for purposes of issue preclusion’”); *see also Abbott Labs. v. Andrx Pharms., Inc.*, 452 F.3d 1331, 1337 (Fed. Cir. 2006) (noting in its opinion reviewing a preliminary injunction that “our decision today in no way resolves the ultimate question of invalidity.”). Given the differences in the standards discussed above and the tentative nature of the findings and conclusions, even if issue preclusion

did apply in proceedings before the Board, Patent Owner has not persuaded us that the preliminary injunction ruling would bind Petitioner in this case.

In sum, we determine Patent Owner failed to demonstrate we abused our discretion in not deferring to the district court's determination regarding the substantial question of validity in its preliminary injunction decision.

B. Improper Obviousness Methodology

Patent Owner contends that we also erred in considering its evidence of secondary considerations of nonobviousness. Req. Reh'g 5–9. Patent Owner requests an expanded panel consider this argument.¹ *Id.* at 6 n.1. Patent Owner's arguments regarding our alleged errors in considering its secondary considerations evidence take two main forms. Req. Reh'g 5–9. First, Patent Owner argues that we applied an incorrect obviousness methodology, because we allegedly reached our conclusion of obviousness before considering the secondary considerations. *Id.* at 5–6. We disagree with Patent Owner's suggestion that we applied the incorrect obviousness methodology. In reaching our Decision, we considered all of the evidence and arguments presented on the preliminary record, including factors articulated in *Graham v. John Deere Co.*, 383 U.S. 1 (1966), discussed by Patent Owner. Nonetheless, to the extent that that it was unclear, we clarify that we did consider the objective indicia of nonobviousness before reaching each conclusion that Petitioner had met its burden of showing that it would be more likely than not that it would prevail. We also clarify that we did not treat the secondary considerations as needing to rebut the case obviousness, but rather considered all of the evidence of obviousness together before

¹ The panel referred this request to the Chief Administrative Patent Judge who declines Patent Owner's suggestion for an expanded panel.

reaching our conclusion. *See In re Cyclobenzaprine Hydrochloride Extended-Release Capsule Patent Litig.*, 676 F.3d 1063, 1075–78 (Fed. Cir. 2012).

Patent Owner also asserts that we misapprehended the evidence that it did present. Req. Reh’g 6–9. We disagree. Much of Patent Owner’s discussion amounts to little more than an effort to have us re-weigh the evidence that was before us. *See Ahmed v. Ashcroft*, 388 F.3d 247, 249 (7th Cir. 2004) (“A motion that merely republishes the reasons that had failed to convince the tribunal in the first place gives the tribunal no reason to change its mind.”). As we pointed out in our Decision, we accorded the evidence presented little weight because, aside from the fact that we must be careful in assigning definitive weight to evidence of secondary considerations at the institution stage before Petitioner has had a chance to respond, even when we evaluated that evidence preliminarily, we ascertained numerous problems with the evidence that significantly undercut the weight to be accorded. *See* Dec. 32–33. In particular, we discern that much of the testimony submitted consisted of vague and unsupported assertions deserving of little weight. Although Patent Owner is correct that there is no requirement that the testimony be corroborated, Req. Reh’g 9, a fact finder is entitled to take any corroboration (or lack thereof) into account in determining the weight that the testimony should be accorded. *See, e.g., Nigro v. Sears, Roebuck & Co.*, 784 F.3d 495, 499 (9th Cir. 2015) (noting certain testimony was admissible “though absent corroboration, it may have limited weight”); *United States v. Ibisevic*, 675 F.3d 342, (4th Cir. 2012) (noting jury entitled to give different weight to corroborated and uncorroborated testimony); *United States v. Parry*, 649 F.2d 292, 296 (5th Cir. 1981) (noting a “defense discounted by

the jury when standing alone, may have been believed when bolstered by corroborative testimony”). Our assessment giving corroborated testimony greater weight is additionally supported by the lack of cross-examination of these witnesses. *See Martin–Mendoza v. INS*, 499 F.2d 918, 921 (9th Cir. 1974) (approving the hearing officer’s determination that the “weight [of a sworn statement] is necessarily impaired by the fact that the affiant could not be presented for cross-examination”). Moreover, we have broad discretion to determine what weight to give the evidence before us. *Yorkey v. Diab*, 601 F.3d 1279, 1284 (Fed. Cir. 2010) (holding that Board has discretion to give weight to one item of evidence over another “unless no reasonable trier of fact could have done so”); *Velandier v. Garner*, 348 F.3d 1359, 1371 (Fed. Cir. 2003) (“[A]ccord[ing] little weight to broad conclusory statements [in expert testimony before the Board] that it determined were unsupported by corroborating references [was] within the discretion of the trier of fact to give each item of evidence such weight as it feels appropriate.”). We are not persuaded by Patent Owner’s contentions that we erred in weighing its evidence.

Patent Owner raises other alleged errors relying on new facts not presented in its Preliminary Response or other flawed evidence that we did not discuss in our Decision. Req. Reh’g 6–9. For example, with respect to commercial success, Patent Owner now relies on the allegation that its product was the bestselling toy in Australia in the summer of 2015, and bestselling toy in the United States in the summer of 2016. *Id.* at 6. There is no contention or discussion, however, in the Preliminary Response, regarding sales in Australia that could have been overlooked. *See* Prelim. Resp. 47–49. As for the contention that its product was the best-selling

product in the United States in Summer 2016, we omitted this contention because it relies on flawed evidence. *See id.* at 48 (citing Ex. 2012 ¶¶ 3, 4). In support of this contention, Patent Owner relies on the testimony of Mr. James Nunziati, ZURU Ltd.’s Vice President of Marketing. Req. Reh’g 6 (citing Ex. 2012 ¶ 4); Prelim. Resp. 48 (citing Ex. 2012 ¶¶ 3, 4). But, contrary to Patent Owner’s contentions, Mr. Nunziati did not testify that “Bunch O Balloon” is the “bestselling toy in the United States in summer 2016.” Req. Reh’g 6; Ex. 2012 ¶ 4. Mr. Nunziati only testified that he received an email from an employee at a research firm, Jocelynn Rizzi-Griffis, and in that email Ms. Rizzi-Griffis said that Bunch O Balloons was the “the #1 selling toy in the overall US industry week over week for the entire summer.” Ex. 2012 ¶ 4. We are unpersuaded that simply testifying that you received an email, and repeating the contents of the email transforms the alleged email from another person into sworn testimony. Moreover, the email’s naked assertions, without supporting information, do not persuade us that these statements should be given the weight that Patent Owner seeks to accord them. As with Patent Owner’s other allegations, based on the current record, there is insufficient substance to support them.

Patent Owner also argues that we overlooked evidence of licensing. Req. Reh’g 8. These licensing contentions were grouped with Patent Owner’s contentions regarding “commercial success” and consist of only two scattered sentences in that section. Prelim. Resp. 48. One sentence states that ZURU, the maker of Bunch O Balloons, licensed the patent, and another sentence indicates that other companies, including Petitioner, have sought to sublicense the patent. *Id.* at 48 (citing Ex. 2011 ¶¶ 4, 5, 9). Contrary to Patent Owner’s unsupported assertion that licensing is “a strong

objective indicum of nonobviousness,” the Federal Circuit has cautioned that licensing should be viewed carefully. Indeed, courts “specifically require affirmative evidence of nexus where the evidence of commercial success presented is a license, because it is often ‘cheaper to take licenses than to defend infringement suits.’” *Iron Grip Barbell Co. v. USA Sports, Inc.*, 392 F.3d 1317, 1324 (Fed. Cir. 2004) (quoting *EWP Corp. v. Reliance Universal Inc.*, 755 F.2d 898, 908 (Fed. Cir. 1985)). The Federal Circuit has explained that “[w]hen the specific licenses are not in the record, it is difficult for the court to determine if ‘the licensing program was successful either because of the merits of the claimed invention or because they were entered into as business decisions to avoid litigation, because of prior business relationships, or for other economic reasons.’” *In re Cree, Inc.*, 818 F.3d 694, 703 (Fed. Cir. 2016) (quoting *In re Antor Media Corp.*, 689 F.3d 1282, 1294 (Fed. Cir. 2012)). That is the situation here. Patent Owner has provided testimony that it has entered into a licensing transaction and has been approached by Petitioner, but has not provided the underlying licenses and communications. Furthermore, it has not shown adequately that the licenses were based on the merits of the ’749 patent. Thus, on this record, we are not persuaded that licensing of the ’749 patent is sufficiently germane to the non-obviousness of the challenged claims.

As for industry praise, Patent Owner again seeks to have us reweigh the evidence based on the article titles, Req. Reh’g 8, but we decline to do so.

Finally, with respect to copying, Patent Owner argues that we should have given weight to the testimony of its Declarant, Dr. Barry M. Kurdrowitz, that Petitioner’s product was “an exact duplicate,” because he

was stating a fact, not an opinion.² Req. Reh’g 8–9. Dr. Kudrowitz, however, is offered as an expert witness. Ex. 2010 ¶ 1. Dr. Kudrowitz offers no basis for having personal knowledge of the actions of Petitioner or the nature of its product beyond his having “personally examined samples of the Balloon Bonanza product” (Ex. 2010 ¶ 84), which we deem insufficient at any juncture. Thus, even if his testimony is couched as “fact” instead of “opinion,” it still suffers from same flaw—it is conclusory and without sufficient explanation. This doubt permits us to give this testimony less weight.

Accordingly, we are not persuaded that we should grant rehearing on Patent Owner’s arguments regarding secondary considerations of nonobviousness.

As we noted in our Decision, our determination was not a final determination on Patent Owner’s evidence of objective indicia of non-obviousness. Patent Owner remains free to develop the record and submit evidence in the trial regarding its contentions.

² Patent Owner is correct in pointing out, Req. Reh’g 8–9, that we mistakenly put our paraphrase of Dr. Kudrowitz’s testimony that Petitioner’s product was “identical” in quotes, when Dr. Kudrowitz actually testified that it was “an exact duplicate of the Bunch O Balloons product,” Ex. 2010 ¶ 84. We also acknowledge that we cited to the wrong paragraph Dr. Kudrowitz’s testimony. We do not, however, believe, nor does Patent Owner allege, that there is a significant difference between our paraphrase of Dr. Kudrowitz’s testimony and Dr. Kudrowitz’s phrasing. Nor do we believe our obvious typographical error in the citation amounts to a misapprehension of the evidence.

C. Improper Application of 35 U.S.C. § 325(d)

As for Patent Owner's arguments that we misapplied 35 U.S.C. § 325(d), Req. Reh'g 10–15, we disagree. At bottom, § 325(d) is discretionary. *See* 35 U.S.C. § 325(d) (“the Director *may* take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments were presented to the Office.”) (emphasis added). Patent Owner's argument amounts to a disagreement about how the panel viewed the Examiner's treatment of the art and arguments from the related petition for post-grant review in PGR2015-00018. *See* Req. Reh'g 10–11. Patent Owner fails to point out anything in the prosecution history we overlooked or misapprehended. *Id.* Instead, the bulk of Patent Owner's Request is devoted to new legal arguments, not found anywhere in the Preliminary Response, regarding how it believes we should interpret the standard for institution of post-grant review. A party seeking reconsideration “is not supposed to treat the [Board's] initial decision as the opening of a dialogue in which that party may then use such a motion to advance new theories or adduce new evidence in response to the [Board's] rulings.” *Polsby v. St. Martin's Press, Inc.*, No. 97 Civ. 690 (MBM), 2000 WL 98057, at *1 (S.D.N.Y. Jan 18, 2000). We decline to reweigh these same sections of the prosecution history or reconsider the meaning § 324(a) and § 325(d) based on new arguments advanced for the first time in a request for rehearing. Thus, we are not persuaded that we abused our discretion in applying § 325(d) to this case.

III. ORDER

In consideration of the foregoing, it is hereby:

ORDERED that Patent Owner's Request for Rehearing is *denied*.

PETITIONER:

Robert T. Maldonado
Tonia Sayour
Eric Maurer
Elana Araj
COOPER & DUNHAM LLP
rmaldonado@cooperdunham.com
tsayour@cooperdunham.com
emaurer@bsfllp.com
earaj@cooperdunham.com

PATENT OWNER:

Thomas Croft
DUNLAP BENNETT & LUDWIG, PLLC
tcroft@dbllawyers.com