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# U.S. Supreme Court Strikes Down Partial Institutions in Inter Partes Reviews

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The recent ruling by the Supreme Court in *SAS Institute v. Iancu*, which requires final written decisions on all or none of challenged patent claims, probably will have significant impact upon patent litigation procedures and ultimately lead petitioners to carefully consider their strategy on which claims to challenge in an inter partes review (IPR) petition. In a 5-4 decision, the U.S. Supreme Court held on April 24 that when the U.S. Patent Trial and Appeal Board (the Board or PTAB) institutes IPR, it must issue a final written decision on the patentability of ALL challenged claims. The decision strikes down the common PTAB practice of instituting review on less than all of the challenged claims. This decision will force petitioners to think carefully about which claims to challenge in a petition, because raising less-than-convincing invalidity arguments for even just a handful of claims may give the PTAB reason to exercise its discretion to deny the entire petition. The decision will also likely force the U.S. Patent and Trademark Office (USPTO) to address the scope of review in pending cases where review was instituted on less than all of the challenged claims.

## Landmark Decision

In *SAS Institute Inc. v. Iancu*, petitioner SAS filed an IPR petition challenging the patentability of all 16 claims of ComplementSoft's patent.<sup>1</sup> The Board instituted review on some of the claims but denied review on the others. The Board's final written decision addressed only the claims on which review was instituted. On appeal, the U.S. Court of Appeals for the Federal Circuit rejected SAS's argument that the Board is required to decide the patentability of every challenged claim. Thereafter, the U.S. Supreme Court granted *certiorari* to review the Federal Circuit's decision.<sup>2</sup>

The majority's opinion, written by Justice Neil Gorsuch and joined by Chief Justice John Roberts and Justices Anthony Kennedy, Clarence Thomas, and Samuel Alito, relied on the plain language of 35 U.S.C. § 318(a). Section 318(a) states: "[i]f an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board **shall** 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)."<sup>3</sup> The opinion focused on two words in § 318(a): *shall* and *any*.<sup>4</sup> Justice Gorsuch explained that "[t]he word 'shall' generally imposes a nondiscretionary duty," and that "the word 'any' ordinarily 'refer[s] to a member of a particular group or class without distinction or limitation' and in this way 'impl[ies] every member of the class or group.'"<sup>5</sup> As such, the majority concluded that "when § 318(a) says the Board's final written decision 'shall' resolve the patentability of 'any patent claim challenged by the petitioner,' it means the Board *must* address every claim the petitioner has challenged."<sup>6</sup>

The majority also rejected USPTO Director Andrei Iancu's argument that 35 U.S.C. § 314(a)'s requirement that "there [be] a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition" gives the USPTO "partial institution" power to institute review on fewer than all the challenged claims.<sup>7</sup> Justice Gorsuch explained that the statutory scheme of the American Invents Act (AIA) shows Congress's clear intent that a final written decision

be issued on all challenged claims.<sup>8</sup> Overall, “Congress chose to structure a process in which it’s the petitioner, not the Director, who gets to define the contours of the proceeding.”<sup>9</sup>

The opinion dismissed the director’s argument that the PTAB is entitled to deference because of alleged ambiguity in the statute. The majority noted that “[e]ven under *Chevron*, we owe an agency’s interpretation of the law no deference unless, after ‘employing traditional tools of statutory construction,’ we find ourselves unable to discern Congress’s meaning ... [and] we are left with no uncertainty that could warrant deference.”<sup>10</sup> Justice Gorsuch continued that the “wholly unmentioned ‘partial institution’ power that lets the director select only some challenged claims for decision ... [is a] policy consideration[] [that] cannot create an ambiguity when the words on the page are clear.”<sup>11</sup> Justice Gorsuch also dismissed the director’s policy argument that it is more efficient to permit partial institution so that the Board may focus on the most promising challenges because the efficiency balance is properly addressed by Congress, not the Court.<sup>12</sup>

## Dissent

Justice Stephen Breyer authored a dissenting opinion, which Justices Ruth Bader Ginsburg, Sonia Sotomayor, and Elena Kagan joined. Primarily, the dissenting justices found that USPTO’s interpretation of the AIA statutory scheme was reasonable. Justice Breyer concluded that “there is a gap, the agency possesses gap-filling authority, and it filled the gap with a regulation that ... is a reasonable exercise of that authority.”<sup>13</sup>

## Implications for Practitioners

*SAS*’s implications will be significant and lasting. One such implication of the PTAB being unable to filter out claims at the institution decision stage is that a higher percentage of challenged claims may ultimately survive in the final decision. Before *SAS*, there was a 65% chance that all instituted claims would be found unpatentable and an 81% chance that at least one challenged claim would be found unpatentable.<sup>14</sup> Requiring the PTAB to institute the IPR on all the challenged claims may cause these percentages to go down, as weak invalidity challenges can no longer be filtered out at the institution decision stage. On the other hand, if *SAS* forces petitioners to focus their petitions on only those claims for which they have strong invalidity arguments to maximize the likelihood of institution, there is potential for these percentages to stay the same or even go up.

The decision also significantly expands IPR estoppel and the ability to appeal the PTAB’s decisions. Pursuant

to 35 U.S.C. § 315(e), a “petitioner in an inter partes review of a claim in a patent ... that results in a final written decision ... may not assert either a civil action ... or a proceeding before the International Trade Commission ... that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.” Previously, the estoppel did not apply to any noninstituted claims that were challenged. Now, if institution must address all challenged claims, there will no longer be any noninstituted challenged claims, and the estoppel will apply to all challenged claims.

Additionally, before this decision, a petitioner was generally not able to appeal an adverse institution decision but was able to appeal a final written decision. Now, if the Board institutes (on all claims), the petitioner can appeal the final written decision addressing all claims to the Federal Circuit. If the Board does not institute on any claims, the petitioner cannot appeal but can still ask for a rehearing at the PTAB.

Because of these effects, petitioners will have to carefully consider their strategy on which claims to challenge in an IPR petition. In the past, for example, a petitioner could include additional claims to challenge, even if the prior art and arguments were not as strong for those additional claims. If the Board did not institute on the weaker additional claims, the petitioner was not estopped from arguing invalidity in district court. If the Board did institute on certain claims, the petitioner had a good chance of invalidating the claims. Now, however, a petitioner must be more cautious in choosing which claims to challenge. A weaker invalidity argument on certain claims has to be discussed in a final written decision. If the Board decides the claims are not unpatentable, the petitioner is estopped in district court and can only appeal the final written decision to the Federal Circuit.

This decision will also affect the amount and effectiveness of a stay in district court pending resolution of an instituted IPR. A frequent argument against granting a stay in district court pending an IPR arises when the Board partially institutes IPR on only a few of the claims at issue. In that case, a stay pending resolution of an IPR on only a few of the claims at issue in district court was often not enough to stay the entire district court case, especially if the plaintiff dropped their assertion of the instituted claims. Now, if a petitioner challenges all asserted claims in an IPR and the IPR is instituted, a district court will more likely be persuaded to stay the proceedings.

Finally, the PTAB is currently determining exactly how to resolve proceedings that are pending, and where review has been partially instituted on less than all the challenged claims. Just last week, the USPTO issued guidelines<sup>15</sup> describing how they intend to deal with these proceedings. The guidelines state that for partially

instituted IPRs, the panel *may* issue an order supplementing the institution decision. Such an order may be issued to, for example, “manage the trial proceeding, including, for example, permitting additional time, briefing, discovery, and/or oral argument, depending on various circumstances and the stage of the proceeding.”<sup>16</sup> Any

additional briefing and/or scheduling adjustments may be made *sua sponte* by the Board, requested by the parties in a conference call with the Board, or waived by the parties. The final written decisions in these cases must still address all patent claims challenged by the petitioner and all new claims added through the amendment process.

1. SAS Inst., Inc. v. Iancu, No. 16-969, 2018 WL 1914661, at \*4 (US Apr. 24, 2018).
2. *Id.*
3. (emphasis added).
4. SAS Inst., 2018 WL 1914661, at \*4.
5. *Id.* (emphasis in original).
6. *Id.* (emphasis in original).
7. *Id.* at \*4–5.
8. *Id.* at \*7.
9. *Id.* at \*5.

10. *Id.* at \*8; see Chevron USA Inc. v. Natural Resources Defense Council, Inc., 467 U.S. 837 (1984).
11. SAS Inst., 2018 WL 1914661, at \*8.
12. *Id.* at \*7.
13. *Id.* at \*15.
14. See USPTO Trial Statistics, at 11 (Feb. 2018). [https://www.uspto.gov/sites/default/files/documents/trial\\_statistics\\_20180228.pdf](https://www.uspto.gov/sites/default/files/documents/trial_statistics_20180228.pdf)
15. See Guidance on the impact of SAS on AIA trial proceedings (Apr. 26, 2018).
16. *Id.*

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