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INSIGHT: SAS v. Iancu--Changes to Inter Partes Review and Beyond



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I. Introduction

On April 24, 2018, the Supreme Court issued its decision in *SAS Institute Inc. v. Iancu* 138 S. Ct. 1348 (2018). *SAS* involved a challenge to the Patent Trial and Appeal Board's ("Board") practice of instituting inter partes review (IPR) as to fewer than all of the claims challenged as unpatentable in an IPR petition.

In a 5-4 decision, the Court held that when the Board institutes inter partes review, it must do so on all claims challenged by the petitioner. The Court principally relied upon the plain meaning of the statute, which provides, "[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." 35 U.S.C. § 318(a).

To the surprise of some, the decision also ranged into other areas with important consequences for litigation before the Board, in trial courts, and at the Federal Circuit. Thus, while *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, 138 S. Ct. 1365 (2018), was the more closely-watched case by the patent bar, *SAS* has proven to be the more immediately impactful, and its full implications are still being explored.

II. Partial Inter Partes Review and Proceedings Below

The America Invents Act (AIA) created a new mechanism called inter partes review in which a third party can petition the United States Patent and Trademark Office ("PTO") to cancel claims in an issued patent as

unpatentable in light of printed prior art or patents. See 35 U.S.C. § 311 *et seq.*

The AIA authorizes the Director of the PTO to institute inter partes review if "the information presented in the petition . . . and any response . . . shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition" and provided that "[t]he determination by the Director whether to institute an inter partes review . . . shall be final and nonappealable." 35 U.S.C. § 314(a). The AIA also authorizes the PTO to issue rules "establishing and governing inter partes review." 35 U.S.C. § 316(a)(4). Relying on this authority, the PTO promulgated regulations permitting the Board to "authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim," 37 C.F.R. § 42.108(a); *see also id.* § 42.108(b). But the AIA requires the Board to issue a "final written decision with respect to the patentability of any patent claim challenged by the petitioner." 35 U.S.C. § 316(a).

In 2013, *SAS Institute* filed a petition for inter partes review of each claim of *ComplementSoft's* patent. *SAS Inst., Inc. v. ComplementSoft, LLC*, 825 F.3d 1341, 1346 (Fed. Cir. 2016). The Board instituted inter partes review for claims 1 and 3-10 on obviousness grounds but declined to institute review on claims 2 and 11-16. *Id.* The Board's final written decision only addressed the instituted claims, concluding that claims 1, 3, and 5-10 were unpatentable as obvious but finding claim 4 patentable. *Id.* On appeal, *SAS Institute* argued that the Board's refusal to address the non-instituted claims in its final written decision violated its statutory duty to issue a "final written decision with respect to the patentability of any patent claim challenged by the petitioner." 35 U.S.C. § 316(a). The Federal Circuit disagreed, holding that the Board was not required to address all petitioned claims in its final written decision

because “ ‘Section 318(a) only requires the Board to address claims as to which review was granted,’ ” and a “valid[] . . . PTO-promulgated regulation authoriz[ed] the claim-by-claim approach.” *Id.* at 1352 (quoting *Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309 (Fed. Cir. 2016)).

III. The SAS Decision

A. Justice Gorsuch’s Majority Opinion The Supreme Court, with Justice Gorsuch writing for the majority, reversed. The Court principally relied on the plain meaning of the statutory language. “The statute, we find, supplies a clear answer: the Patent Office must ‘issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner.’ In this context, as in so many other, ‘any’ means ‘every.’ The agency cannot curate the claims at issue but must decide them all.” SAS, 138 S. Ct. at 1353 (quoting 35 U.S.C. § 318(a)). Because the Court found no ambiguity, it gave no deference to the PTO’s regulation permitting “partial review,” 37 C.F.R. § 42.108(a). *Id.* at 1358. The Court declined to resolve SAS’s argument that *Chevron* deference to administrative agencies’ interpretation of statutes should be eliminated entirely. SAS, 138 S. Ct. at 1358 (“But whether *Chevron* should remain is a question we may leave for another day.”).

The Court also rejected the PTO’s argument that § 314(a) implicitly affords the PTO discretion to partially institute. Section 314(a) permits, but does not require, institution if the Board finds a reasonable likelihood that the petitioner will prevail on at least one challenged claim. But the Court stressed that the “text says only that the Director can decide ‘whether’ to institute . . . not ‘whether and to what extent’ review should proceed.” *Id.* at 1356. The Court emphasized that “[m]uch as in the civil litigation system it mimics, in an inter partes review the petitioner is master of its complaint and normally entitled to judgment on all of the claims it raises, not just those the decisionmaker might wish to address.” *Id.* at 1355.

Notably, the Court also used broad language that cast doubt on all forms of partial institution, not just on a claim-by-claim basis but also on a ground-by-ground basis:

■ “This language doesn’t authorize the Director to start proceedings on his own initiative. Nor does it contemplate a petition that asks the Director to initiate whatever kind of inter partes review he might choose. Instead, the statute envisions that a petitioner will seek an inter partes review of a particular kind—one guided by a petition describing ‘each claim challenged’ and ‘the grounds on which the challenge to each claim is based.’ ” *Id.*

■ The separate ex parte reexamination statute refers to a “ ‘substantial new question of patentability’ ” and limits review to “ ‘resolution of the question.’ ” *Id.* at 1356 (quoting 35 U.S.C. § 304). “In other words, that statute allows the Director to institute proceedings on a claim-by-claim and ground-by-ground basis. But Congress didn’t choose to pursue that known and readily available approach here. And its choice to try something new must be given effect rather than disregarded in favor of the comfort of what came before.” *Id.* (emphases added).

■ “[T]he petitioner’s petition, not the Director’s discretion, is supposed to guide the life of the litigation.” *Id.*

Finally, the Court rejected the PTO’s argument that § 314(d) prohibits judicial review of institution decisions. It explained that *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131 (2016), consistent with the Administrative Procedure Act, permits courts to “set aside agency action ‘not in accordance with law’ or ‘in excess of statutory jurisdiction, authority, or limitations.’ ” SAS, 138 S. Ct. at 1359 (citations omitted).

B. Justice Ginsburg and Justice Breyer’s Dissents Justice Ginsburg dissented, joined by Justices Breyer, Sotomayor, and Kagan. Justice Ginsburg suggested the Board’s approach was rational given the alternative apparently available to it by the statute: the Board could deny an IPR petition containing claims with a “reasonable likelihood” of success and those without, while noting that “one or more specified claims warrant reexaminations, while others challenged . . . do not. Petitioners would then be free to file new or amended petitions shorn of challenges the Board finds unworthy of inter partes review.” SAS, 138 S. Ct. at 1360 (Ginsburg, J., dissenting).

Justice Breyer, joined by Justices Ginsburg, Sotomayor, and Kagan (in part), would have upheld the PTO’s “partial review” regulation under *Chevron*. Justice Breyer argued that the statutory language, which requires the Board issue a final decision as to “any patent claim challenged by the petitioner,” § 318(a), does not unambiguously refer to claims challenged “in the petitioner’s original petition.” SAS, 138 S. Ct. at 1361 (Breyer, J., dissenting). That should not be the reading, Justice Breyer suggested, because the petitioner has the ability to settle or withdraw challenged claims after institution. *Id.* at 1362. Justice Breyer also focused on the practical effects, asking, “Why . . . would Congress have intended to require the Board to proceed with an inter partes review, take evidence, and hear argument in respect to challenges to claims that the Board had previously determined had no ‘reasonable likelihood’ of success? The statute would seem to give the Director discretion to achieve the opposite, namely, to avoid wasting the Board’s time and effort” *Id.* at 1364.

IV. Strategic and Future Implications

A. No Partial Institutions at the Board 1. The Board’s Post-SAS Practice

The holding of SAS directly prohibited the Board’s practice of partial institution of inter partes review on some, but not all, claims raised in the petition. The principal rationale, and particularly the route for avoiding *Chevron* deference, rested on the plain language of the statute that dictates that the Board’s final written decision must address “the patentability of any *patent-claim-challenged* by the petitioner.” 35 U.S.C. § 318(a) (emphasis added). Thus, at an April 30, 2018, “Chat with the Chief” webinar hosted by the PTO the week following SAS, Vice Chief Administrative Patent Judge Weidenfeller stated that the Board initially was “not reading SAS as requiring” the Board to institute on all grounds for unpatentability raised in the petition. He noted that the Board would nonetheless adopt that “policy” approach “at this time.” See *Chat with the*

Chief on SAS Webinar, United States Patent and Trademark Office (April 30, 2018), slides available at https://www.uspto.gov/sites/default/files/documents/chat_with_chief_sas_5.3.18.pdf; see also *Hospira, Inc. v. Genentech, Inc.*, IPR2017-00731, Ex. 2149 (P.T.A.B. May 22, 2018) (Transcript of May 9, 2018, Conference Call) (“Now, the Supreme Court, in SAS, did not explicitly hold . . . that if we institute trial, we must do so on all grounds. But the agency has made a policy decision that at this time, if we institute . . . we will institute on all challenges raised in the petition.”).

The Board has subsequently made clear that it will also apply that all-or-nothing institution approach to petitions that had already been partially-denied on other statutory bases, including denials under 35 U.S.C. § 325(d) (because the same or substantially the same art or argument was previously before the PTO), denials under 35 U.S.C. § 112(f) (because the petitioner did not provide a sufficient means-plus-function construction), denials under 35 U.S.C. § 315(e) (because petitioner may not “maintain a proceeding” as to estopped claims), and denials based on voluminous or excessive grounds. SAS Q&As, UNITED STATES PATENT AND TRADEMARK OFFICE at WHAT’S THE DEAL 7-8 (June 5, 2018), available at https://www.uspto.gov/sites/default/files/documents/sas_qas_20180605.pdf.

Thus, as to already-instituted inter partes reviews, the Board has issued supplemental orders instituting on all claims and all grounds. See, e.g., *Aurobindo Pharma USA, Inc. v. Andrx Corp.*, IPR2017-01648, Paper No. 20 at 2 (P.T.A.B. May 9, 2018) (prior to Patent Owner’s Response, “modify[ing] . . . institution decision to institute on all of the challenged claims and all of the grounds presented in the Petition”). That move to make proceedings SAS-compliant has required the expansion of approximately 45% of pending inter partes reviews. *Chat with the Chief Webinar*, United States Patent and Trademark Office (June 5, 2018), slides available at https://www.uspto.gov/sites/default/files/documents/chat_with_chief_june_6.5.18.pdf (orally reporting that approximately 44% of pending inter partes reviews had not been instituted on all grounds and 18% had not been instituted on all claims, resulting in 45% of proceedings requiring expansion post-SAS).

In the interest of streamlining proceedings, the Board has invited the parties to file “a Joint Motion to Limit the Petition by removing the claims and grounds upon which [the Board] did not institute in our institution decision.” *Id.* Where that invitation has not been accepted, the Board has generally permitted supplemental briefing in cases where the scope of the proceeding was expanded after the Patent Owner’s Response. Where the Petitioner’s Reply has not been filed, this can entail a Supplemental Patent Owner’s Response and additional pages for the Petitioner’s Reply. See, e.g., *Becton, Dickinson and Co. v. B. Braun Melsungen AG*, IPR2017-01586, Paper No. 34 (P.T.A.B. May 17, 2018). Where the expansion occurs just before the hearing on the originally instituted claims and grounds, the Board has permitted a Supplemental Patent Owner’s Response and a Supplemental Reply, followed by a supplemental hearing. See, e.g., *Hospira, Inc. v. Genentech, Inc.*, IPR2017-00731, Paper No. 87 (P.T.A.B. May 9, 2018). And where the expansion occurs after the hearing, the Board has permitted the Petitioner to file a Supplemental Reply Brief, the Patent Owner to file a Supplemental Response Brief, and a final Sur-Reply from Petitioner. See,

e.g., *K/S HIMPP v. Benhov GmbH*, IPR2017-00930, Paper No. 27 at 3-4 (P.T.A.B. May 15, 2018).

Finally, contrary to predictions that SAS would cause the Board to issue slim institution decisions, the Board has indicated that it will maintain its pre-SAS approach of issuing detailed decisions on institutions in order to provide guidance to the parties and afford them “a full and fair opportunity to develop a record for the trial portion of the proceeding.” SAS Q&As (June 5, 2018), *supra* note 3 at 9. The Board stated, for example, “[t]o the extent a panel finds certain challenges do not meet the reasonable likelihood standard at the institution stage . . . the panel will indicate its view in the decision to institute, even if the result is to institute on all challenges.” *Id.*

2. Could the Board Revive Partial Institution on Select Grounds?

The Board’s initial belief that SAS left the door open to a return to partial institution on select grounds was short-lived, as the Federal Circuit issued remand orders to address all challenged claims and all grounds. See, e.g., *Polaris Indus. Inc. v. Arctic Cat, Inc.*, 724 Fed. App’x 948, 949 (Fed. Cir. 2018) (per curiam) (non-precedential) (granting request to remand IPR appeal “to allow the Board to consider noninstituted claims and grounds” because “the Board’s existing final written decisions do not address all challenged claims or all grounds”); see also *Adidas AG v. Nike, Inc.*, No. 2018-1180, 2018 BL 234226, at *2 (Fed. Cir. July 2, 2018) (collecting cases). Thus, at its June 5, 2018, “Chat with the Chief” webinar, Chief Administrative Patent Judge Rushke reversed course to acknowledge that “we are viewing SAS right now, the holding of SAS as we need to address all claims in the final written decision and we are reading SAS to also include, that we will also address all grounds.” *Chat with the Chief Webinar* (June 5, 2018), *supra* note 4.

Subsequently, in *PGS Geophysical AS v. Iancu*, 891 F.3d 1354 (Fed. Cir. 2018), the Federal Circuit explained that it would “treat claims and grounds the same in considering [] SAS issues” and “[e]qual treatment of claims and grounds for institution purposes has pervasive support in SAS.” *Id.* at 1359-60. The Federal Circuit observed that the Supreme Court spoke “more broadly when considering other aspects of the [IPR] regime” and “did so repeatedly,” noting that “‘the petitioner is master of its complaint,’” that ““§ 312 contemplates a review ‘guided by a petition describing each claim challenged’ and ‘the grounds on which the challenge to each claim is based,’” that ““§ 314’s language ‘indicates a binary choice—either institute review or don’t,’” and that “‘Congress didn’t choose to pursue’ a statute that ‘allows the Director to institute proceedings on a claim-by-claim and ground-by-ground basis’ as in ex parte reexamination,” but instead created a proceeding where “‘the petitioner’s petition, not the Director’s discretion, is supposed to guide the life of the litigation.’” *Id.* at 1360 (quoting SAS, 138 S. Ct. at 1355-57). In sum, the Federal Circuit “read[s] those and other similar portions of the SAS opinion as interpreting the statute to require a simple yes-or-no institution choice respecting a petition, embracing all challenges included in the petition.” *Id.* (emphasis added).

It remains to be seen whether the PTO will, at some future date, assert its rulemaking authority to restore partial institution on grounds. The Federal Circuit, for example, has recognized the “benefit in the PTO having

the ability to institute IPR on only some of the claims and on only some of the proposed grounds, particularly given the Board's statutory obligation to complete proceedings in a timely and efficient manner." *Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc.*, 817 F.3d 1293, 1298 (Fed. Cir. 2016) (noting with approval the Board's rejection of redundant grounds where "the petitioner presented over four-hundred grounds of unpatentability for twenty patent claims"). If the PTO does, it would presumably argue that the statute is ambiguous with respect to partial institution on grounds because "35 U.S.C. § 315(a), the primary statutory ground of decision [in SAS], speaks only of deciding all challenged and added 'claims.'" *PGS Geophysical*, 891 F.3d at 1360 (brackets in original omitted). It would then be up to the courts to decide whether the PTO's interpretation is entitled to *Chevron* deference. Until then, the PTO will continue making a binary decision on institution.

B. New Strategic Questions for Petitioners The all-or-nothing nature of the Board's decision on institution presents petitioners with new strategic questions. The ability to force review of *all* claims and grounds if *any* is granted is not necessarily an invitation to load up a petition with additional challenges. Instead, petitioners will need to make a strategic judgment about whether asking the Board to review too many claims and grounds will backfire and lead to denial of the entire petition. *See, e.g., Nikon Corp. v. ASML Netherlands B.V.*, IPR2018-00220, Paper No. 8 (P.T.A.B. June 4, 2018) (post-SAS, exercising "discretion to deny institution on all claims and grounds" despite some claims not suffering from issues identified).

SAS may also affect the petitioner's decision-making regarding estoppel. The petitioner in an inter partes review of a patent claim that results in a final written decision may not subsequently assert, in a patent infringement action or Section 337 proceeding in 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." 35 U.S.C. § 315(e)(2).

The Federal Circuit has previously held that a petitioner could not have reasonably raised a ground during an inter partes review where the Board denied institution on that ground. *Shaw*, 817 F.3d at 1300. SAS may significantly expand petitioner estoppel because the Board's institution on all grounds (even where the Board is dubious or may otherwise have instituted on less than all grounds) would mean that the petitioner "reasonably could have raised" those grounds during the inter partes review. Petitioners may consider whether it would be preferable to present multiple petitions, categorized by claims and/or by grounds, to avoid both a binary decision as to institution on the entire set and to potentially avoid estoppel as to the grounds the Board deems less persuasive given the evidence in the petition.

C. Appellate Implications After SAS, the Federal Circuit issued orders in pending cases, where the underlying final written decision did not address all claims challenged in the petition, requesting briefing on (i) whether the failure to issue a final written decision on all claims renders the decision non-final and deprives the Federal Circuit of jurisdiction under 28 U.S.C. § 1295(a)(4)(A); (ii) whether the Board's final written decisions should be deemed *ultra vires*; and (iii) the sig-

nificance of the fact that no party has requested relief based on SAS. *See, e.g., BASF Corp. v. Iancu*, No. 17-1425, Dkt. No. 72 (Fed. Cir. May 4, 2018); *PGS Geophysical AS v. Iancu*, No. 17-1582, Dkt. No. 55 (Fed. Cir. May 4, 2018).

The Federal Circuit has since held that the Board's failure to issue a final written decision on all claims and grounds challenged in the petition, though erroneous, does not suggest a lack of finality depriving the court of appeals of jurisdiction to review the merits of the Board's decision. *PGS Geophysical*, 891 F.3d at 1360. The Federal Circuit also made clear that it will not act *sua sponte* to dismiss appeals of Board decisions where no party seeks relief, reasoning that even if the Board acted *ultra vires*, that defense can be waived by the parties if it is not raised after SAS. *Id.* at 1362-63 (affirming the Board's final written decisions on the merits, although the Board did not institute on all claims or all grounds).

However, where relief was requested after SAS, the Court has remanded so the Board may address non-instituted claims and grounds. *See, e.g., Polaris Indus.*, 724 Fed. App'x at 949. The non-precedential order in *Polaris Industries* further clarified that the petitioner "did not waive its right to seek remand by not arguing against partial institution before the Board." *Id.* The order explained that "a party does not waive an argument that arises from a significant change in law during the pendency of an appeal" and that any earlier "attempt to argue against partial institution would have been futile under the Board's regulations and [Federal Circuit] precedent." *Id.* at 950.

More broadly, SAS may portend future limits on § 314(d)'s directive that "[t]he determination . . . whether to institute an inter partes review . . . shall be final and nonappealable." 35 U.S.C. § 314(d). In SAS, the Court rejected the PTO's argument that § 314(d) and the Court's prior decision in *Cuozzo* bar judicial review of the Board's partial institution. The Court could have addressed this argument simply by concluding that the issue in SAS was the inadequate scope of a *final written decision*—not an error in the Board's institution decision. Instead, the Court explained that "*Cuozzo* concluded that § 314(d) precludes judicial review *only* of the Director's 'initial determination' under § 314(a) that 'there is a reasonable likelihood' that the claims are unpatentable on the grounds asserted' and review is therefore justified. . . . In fact, *Cuozzo* proceeded to emphasize that § 314(a) does not 'enable the agency to act outside its statutory limits.'" SAS, 138 S. Ct. at 1359 (emphasis added) (quoting *Cuozzo*, 136 S. Ct. at 2141).

Section 314(d), however, has been applied not only to the Board's likelihood-of-unpatentability determinations at the institution stage, but its determinations as to whether the petitioner complied with other statutory requirements. *Compare Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364, 1375 (Fed. Cir. 2018) (en banc) (Board's § 315(b) time bar determinations are appealable), *with, e.g., Medtronic, Inc. v. Robert Bosch Healthcare Sys., Inc.*, 839 F.3d 1382, 1383 (Fed. Cir. 2016) (Board's vacatur of institution decisions based on petitioner's failure to disclose all real parties in interest pursuant to § 312(a)(2) was nonappealable), *cert. dismissed*, 137 S. Ct. 2113 (2017); *GTNX, Inc. v. INTTRA, Inc.*, 789 F.3d 1309, 1310 (Fed. Cir. 2015) (Board's decision to institute notwithstanding § 325(a)(1)'s civil ac-

tion bar was nonappealable). SAS's narrow reading of *Cuozzo* may thus widen the door for parties challenging the Board's institution decisions on other statutory grounds.

V. Conclusion

SAS definitively answered whether the Board may partially institute inter partes review on less than all claims challenged in the petition. But SAS arguably left open a number of other questions, including partial institution on grounds, the scope of § 314(d) nonappealability, and even the future of *Chevron* deference. SAS has and will continue to have significant consequences

on litigants across fora and the caseloads of the Board and the Federal Circuit.

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