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SCOTUS to Decide: Is PTAB Required to Determine Patentability of All Claims Challenged in an IPR Petition?

Article By:

Brian S. Mudge

Clifford A. Ulrich

On May 22, 2017, the United States Supreme Court granted certiorari in *SAS Institute, Inc. v. Lee*, agreeing to decide whether the PTAB is required to issue a final written decision with respect to patentability of all claims challenged in a petition for *inter partes* review (IPR) or whether it may issue a final written decision with respect to only some of the claims challenged in the petition. The case may significantly affect how the PTAB handles IPR proceedings.

Background.

On March 29, 2013, SAS Institute filed a petition for IPR of U.S. Patent No. 7,110,936, challenging patentability of all sixteen claims.[1] In its institution decision, the PTAB instituted IPR of claims 1 and 3 to 10 on certain grounds, declined institution of IPR of claims 1, 3, and 5 on other grounds, and declined institution of IPR of claims 2 or 11 to 16 on any ground. Throughout the IPR proceeding, SAS maintained that it was improper for the PTAB to institute an IPR on some claims but not on all of the claims challenged in the petition, asserting arguments in its merits reply[2] and a request for rehearing.[3]

According to SAS, if the PTAB decides to institute an IPR, it is obligated by statute to issue a final written decision on patentability of *all* of the claims challenged in the petition, relying on the statutory language of 35 U.S.C. § 318(a): "If an inter partes review is instituted …, the Patent Trial and Appeal Board shall issue a final written decision with respect to patentability of any patent claim challenged by the petitioner." In its decision denying rehearing, the PTAB took an opposing view, on the ground that it did not institute trial on claims 2 and 11 to 16.[4]

SAS appealed to the Federal Circuit, identifying "the PTAB's error under 35 U.S.C. § 318(a) in failing to issue a final written decision with respect to the patentability of all of the '936 patent claims challenged by SAS in the *inter partes* review petition, including claims 2 and 11-16 of the '936 patent" among the issues on appeal. The Federal Circuit rejected SAS's argument. According to the Federal Circuit, there is "no statutory requirement that the Board's final decision address every claim raised in a petition for inter partes review," and 35 U.S.C. § 318(a) "only requires the Board to address claims as to which review was granted," citing its prior *Synopsys* decision on the same issue

raised by SAS.[5] The Federal Circuit subsequently denied SAS's requests for panel rehearing and *en banc* rehearing.

Limitations of Partial Review Highlighted by SAS.

In its petition for certiorari, SAS argued that the Board's practice of instituting trial on fewer than all claims or grounds challenged in the petition runs afoul not only of the plain statutory provisions but also the purpose of the AIA. Drawing heavily on the dissenting opinions by Judge Newman in *Synopsis* as well as in this case, SAS contended that such partial reviews are contrary to the legislative purpose of providing an alternative forum for resolving patent validity issues in a single proceeding.[6] Rather, according to SAS — citing a position taken by the Department of Justice in another IPR proceeding — partial reviews leave the parties open to duplicative proceedings, before the PTAB and the courts, for determining patent validity.[7]

In opposing certiorari, PTO Director Lee asserted that the statute gives the PTO discretion to institute trial on fewer than all claims challenged in the petition, and that the PTO's statutory interpretation is entitled to *Chevron* deference. Director Lee argued that an all-or-nothing approach would unfairly burden patent owners because they would be required to respond to non-meritorious grounds at trial.[8] Further, Director Lee argued that the issue is not appealable under § 314(d) and *Cuozzo*,[9] because SAS is attacking the decision to institute.[10] As for the arguments of SAS regarding legislative purpose, Director Lee responded that AIA reviews are not a complete substitute for litigation, and that *Cuozzo* recognized differences between IPRs and district court litigation.

Ruling May Significantly Impact IPRs.

The Supreme Court's decision on whether or not the PTAB has the authority to limit IPR proceedings to a subset of claims challenged in an IPR petition could have significant impact on all AIA trial proceedings. Since the inception of IPRs, approximately 30% of all institution decisions have been so-called "partial" institutions where trial was instituted on fewer than all claims or grounds challenged in the petition; and of those decisions where trial was instituted, partial institutions comprise over 40%. A ruling by the Supreme Court in favor of SAS would mean that all challenged claims will be addressed in a final written decision and, thus, subject to statutory estoppel. Such a ruling could also result in changes to how the PTAB approaches institution decisions. Currently, the PTAB renders a decision on each claim in the petition, and only grants institution (on a claim-by-claim basis) for each claim that it determines meets the required threshold; for IPRs, the threshold is "a reasonable likelihood that the petitioner would prevail." But if required to address all challenged claims in a final written decision, the PTAB may choose to limit discussion in the institution decision to only a single claim as necessary to institute IPR. And because final written decisions in CBMs and PGRs are governed by a parallel statutory provision, 35 U.S.C. § 328(a), which tracks the language of the IPR provision in § 318(a), the result of *SAS v. Lee* will likely impact those proceedings as well.

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[1] *SAS Institute, Inc. v. ComplementSoft, LLC*, IPR2013-00226 (IPR petition filed Mar. 29, 2013).

[2] *Id*., Paper No. 24 (Feb. 12, 2014).

[3] *Id*., Paper No.39 (Sept. 5, 2014).

[4] *Id*., Paper No.40 (Nov. 10, 2014).

[5] *SAS Institute, Inc. v. ComplementSoft, LLC*, 825 F.3d 1341, 1352 (Fed. Cir. 2016), citing *Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309 (Fed. Cir. 2016).

[6] *SAS Institute, Inc. v. Lee*, No. 16-969, Petition for a Writ of Certiorari at 15-17 (filed Jan. 31, 2017).

[7] *Id.* at 18.

[8] *SAS Institute, Inc. v. Lee*, No. 16-969, Brief for the Federal Respondent in Opposition at 11-14 (filed Apr. 5, 2017).

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

[10] *SAS Institute, Inc. v. Lee*, No. 16-969, Brief for the Federal Respondent in Opposition at 9-10.

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