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# Supreme Court Report

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## PTAB and Bar Prepare for Aftermath of Supreme Court's SAS Decision

In its recent decision in *Oil States*, the Supreme Court upheld the constitutionality of *inter partes* review (IPR) under the Leahy-Smith America Invents Act (AIA), as expected by most observers. However, it was the Court's decision in a second IPR-related case that will have an immediate impact on patent practitioners.

In *SAS Institute Inc. v. Iancu*, No. 16-969, the Supreme Court, in a 5-4 decision, held that the PTO's practice of "partial review"—instituting an IPR on some but not all claims challenged in a petition for IPR—is inconsistent with the text of the AIA. The Court concluded that when the Director of the PTO (acting through the PTAB) decides to institute an IPR, the PTAB must issue a final written decision on all patent claims challenged in the original petition. The *SAS* decision is already leading to changes at the PTAB and may rewrite the play-book for IPR strategy.

## The Court's Decision

Justice Gorsuch, writing for the majority and joined by Chief Justice Roberts and Justices Kennedy, Thomas, and Alito, held that the requirement that the PTAB must review all claims in an IPR petition

flowed directly from the text of 35 U.S.C. § 318(a), which requires the PTAB to "issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner." Justice Gorsuch reasoned that "any" means "every" and that there was nothing within the text of the statute that allowed the PTAB to pick and choose which claims to include within an IPR. Although Justice Gorsuch recognized that Congress had granted the Director discretion as to *whether* to institute an IPR, that discretion was limited to a binary choice: whether or not to institute an IPR defined by the contours of petition. In justifying this outcome, Justice Gorsuch drew an analogy to civil litigation, in which the scope of the case is generally defined by the plaintiff's allegations in the complaint. Justice Gorsuch recognized that there were policy arguments both in favor of and against partial review but concluded that such arguments were appropriately addressed to Congress, not the courts.

Justice Breyer dissented in an opinion joined by Justices Ginsburg and Sotomayor and by Justice Kagan as to all but one paragraph. For Justice Breyer, the phrase "any patent claim challenged by the petitioner" did not unambiguously refer to "any patent claim challenged by the petitioner" in the petitioner's original petition." Justice Breyer concluded that, absent an explanatory dependent clause, the phrase was subject to multiple interpretations, and that there was nothing else in the statutory context, structure, or purpose to resolve the ambiguity. Thus, Justice Breyer would defer to the

PTO's interpretation of the statute, in light of what he described as the *Chevron* "rule of thumb."

In a brief separate dissent, joined by all the dissenting justices, Justice Ginsburg criticized what she characterized as a "wooden" reading of the statute by the majority. She further questioned why the PTAB should be precluded from taking up only parts of an IPR petition given that it could accomplish the same result by denying overbroad petitions while signaling that it would be inclined to grant new or amended petitions limited to a subset of the claims.

The contrasting majority and dissenting opinions present a textbook example of dueling textualist and purposivist approaches to statutory construction. Justice Gorsuch argued that the Court's decision was compelled by the plain text—and, after a thorough dive through the statute, found nothing to shake his conviction that this was an "easy case"—while Justice Breyer mused that "when we, as judges, face a difficult text, it is often helpful to ask not just 'whether' or 'what' but also 'why.'" In addition, Supreme Court watchers will no doubt dissect the majority's opinion for hints as to the future of the Court's administrative law jurisprudence. While Justice Gorsuch's prior criticisms of the *Chevron* doctrine are well known, the majority expressly declined SAS's invitation to revisit *Chevron*, stating that this case was not an appropriate vehicle for such a challenge because the text of Section 318(a) was unambiguous.

## Implications for Patent Practice

For the PTAB and patent practitioners, however, the decision poses more immediate and practical consequences. Absent a legislative fix, the Court's decision means more

work for the PTAB, which must now try more claims, although some of the increased workload is likely to be offset by time saved in writing institution decisions, since the Board will no longer have to justify a decision not to institute on a subset of claims. In effect, more of the PTAB's work will be shifted from the institution stage to the final decision, meaning that IPR institution decisions will likely be less detailed and provide less information at the outset regarding the panel's evaluation of the merits of the case.

*SAS* likely creates more work for the Federal Circuit, as well. Under 35 U.S.C. § 314(d) and as confirmed in the Supreme Court's 2016 decision in *Cuozzo Speed Technologies, LLC v. Lee*, the Director's decision as to whether to institute an IPR is nonappealable. Under the prior partial review regime, that meant that if the Director declined to institute an IPR as to certain claims, that decision could not be appealed to the Federal Circuit. Now, the PTAB will render final decisions on all claims included within the petition, and under 35 U.S.C. § 319 those decisions will be appealable.

And what of Justice Ginsburg's suggestion that the PTAB could decline to institute an IPR for an overbroad petition with a wink and a nod inviting the petitioner to narrow its claims and refile? Under *Cuozzo*, the Director has great discretion to institute or decline to institute an IPR, and the Director certainly has an interest in the "efficient administration of the [PTO]" and ensuring the "ability of the [PTO] to timely complete proceedings." (See 35 U.S.C. § 316 (b), requiring the Director to consider those factors, among others, in promulgating regulations for IPRs.) Nevertheless, it is unlikely that the

PTAB would adopt the approach described in Justice Ginsburg's opinion. For one, that would no doubt be perceived by many as an attempted end-run around the Supreme Court's decision. In response to Justice Ginsburg's dissent, the majority noted that *Cuozzo* left open the possibility that the courts could invalidate "shenanigans" by the Director even in the context of generally unreviewable initiation decisions. Further, it is not clear that a piecemeal method of proceeding would on balance save PTAB resources.

The Court's decision also has important implications for the collateral estoppel effect of PTAB decisions. While decisions not to institute IPR do not have collateral estoppel effect, final decisions after IPR do have such an effect. For critics of partial institution such as the Intellectual Property Owners Association, partial institution was inefficient because even if a challenger lost an IPR on the merits, it could get a "second bite at the apple" by litigating in district court any claims that were not included within the IPR.

That said, IPRs will continue to be far different from district court proceedings. The standards are different, and IPRs are limited to validity challenges based on anticipation or obviousness arguments on the basis of patents or other printed publications. Other validity challenges can only be raised in district court litigation. For these reasons, among others, eliminating partial institution is unlikely to make IPRs a true alternative to district court litigation.

In the aftermath of the *SAS* decision, the PTAB has issued guidance on its impact. The PTAB confirmed that going forward, as required by the decision, it will institute IPRs as to all claims included in a

petition for IPR or none. It further confirmed that it will also institute IPRs as to all grounds included in the petition, taking a further step beyond the express holding of *SAS*. (The Federal Circuit, in *Adidas AG v. Nike, Inc.*, No. 18-1180, 2018 U.S. App. LEXIS 18037 (July 2, 2018), subsequently agreed that *SAS* supports institution as to all grounds in the petition.) As to pending trials, the PTAB noted that the panel "may" issue an order supplementing the institution decision to institute on all challenges. Parties in pending proceedings are asked to meet and confer as to the need for additional briefing or scheduling changes. The PTAB also noted that it "will continue to assess the impact of this decision on its operations and will provide further guidance in the future if appropriate."

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