

Keywords: inter partes review, partial institution

General: When the Patent Office institutes an inter partes review, it must decide the patentability of every claim challenged in the petition.

SAS Institute Inc. v. Iancu, Director, United States Patent and Trademark Office
No. 16-969
Decided April 24, 2018 (Supreme Court)

I. Facts

ComplementSoft owns a software patent. SAS sought inter partes review of all 16 claims in ComplementSoft’s patent. The Director concluded that SAS was likely to succeed with respect to at least one of the claims and granted the inter partes review. However, the Director only instituted review on some of the claims (claims 1 and 3-10) and denied review of the rest under the auspices of the power of “partial institution”. Under the power of partial institution, the Director may authorize review of all or some of the challenged claims and on all or some of the asserted grounds of unpatentability.

The Board issued a final written decision that found claims 1, 3, and 5-10 to be unpatentable and upheld claim 4. SAS sought review in the Federal Circuit. Before the Federal Circuit, SAS argued that 35 U.S.C. §318(a) required the Board to decide the patentability of each challenged claim. The Federal Circuit rejected SAS’s argument. The Court granted certiorari.

II. Issue

Does the Patent Office, when it initiates an inter partes review, have to decide the patentability of each challenged claim?

III. Discussion

Yes. The Court found that the language 35 U.S.C. §318(a) requires that Patent Office “shall issue a final written decision with respect to the patentability of *any patent claim challenged by the petitioner.*” In particular, the Court interpreted “any patent claim challenged by the petitioner” to mean every claim the petitioner has challenged.

The Director argued that it has discretion under the power of partial institution to decide which claims are subject to inter partes review. The Court found that nothing in the statute supported the existence of partial institution. Instead, the Court found that the statute went against the idea of partial institution. The Court found that the statute provided a structure where the petitioner, not the Director, defines the contours of the proceeding. The Director cited 35 U.S.C. §314(a) which states the Director may not authorize an inter partes review unless there is a

reasonable likelihood that the petitioner would prevail on at least one of the challenged claims. However, the Court found this further supported its decision since the Director would not need to evaluate each claim once one claim is identified that the petitioner is likely to succeed with during the review. The Court stated that if Congress wanted to adopt the Director's approach it could of adopted something similar to the ex parte reexamination statute which allows the Director to institute proceedings on a claim-by-claim and ground-by-ground basis.

The Director also argued that since 35 U.S.C. §314(a) does not require the Director to institute an inter partes review (even if one claim meets the "reasonable likelihood" threshold), it supports the Director's position. However, the Court did not find any support in the statute to support the Director deciding the extent of a review. In particular, the Court notes that 35 U.S.C. §316(a)(8) has the patent owner file a response to "the petition", not a Director's institution notice or claims on which the Examiner instituted review. In addition, the Court notes that 35 U.S.C. §318(a) requires the Board to address in the final written decision "any patent claim challenged by the petitioner".

The Director further argues for "partial institution" by comparing 35 U.S.C. §314(a) and 318(a). In particular, the Director notes that §314(a) has the Director focus on the claims found "in the petition" when deciding whether to institute inter partes review, while §318(a) says the Board must address claims challenged "by the petitioner". Due to this slight linguistic discrepancy, the Director argued that he must have "partial institution". The Court found that both §314(a) and §318(a) focus on the petitioner's contentions. In addition, the Court found the discrepancy in language is due to the ability of the patent owner to cancel a claim during the proceeding.

The Director also made policy arguments. In particular, the Director argued it was more efficient to focus on the most promising challenges to avoid wasting time and resources. SAS argued that all patent challenges end up being litigated somewhere (i.e., the Board or federal court). The Court noted the policy arguments are for Congress, not the Court.

Further, the Director, citing *Chevron*, stated the statute was ambiguous and, thus, the Patent Office was due deference. However, the Court found the statute unambiguous and, thus, *Chevron* deference does not apply.

Finally, the Director argued the Court lacked power to decide whether the statute forbid the partial institution practice. In particular, the Director cited §314(d) and *Cuozzo*. §314(d) states that the "determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable". In *Cuozzo*, the Court found that §314(d) prevented courts from addressing whether the Director erred in instituting an inter partes review of

certain patent claims. The Court found that §314(d) and *Cuozzo* only precluded judicial review of the initial decision to institute inter partes review.

In the end, the Court reversed the Federal Circuit and remanded the case for further proceedings

IV. **Conclusion**

The Director does not have the power of “partial institution”. Instead, once inter partes review is instituted, the Director must determine the patentability of each challenged claim.

Breyer issued a dissenting opinion. In the dissent, the language “any patent claim challenged by the petitioner” in §318(a) was found to be ambiguous as to whether the relevant challenge is the one made in the petition or only one made in the inter partes review proceeding itself. Thus, the dissent would have given deference under Chevron. Ginsberg offered a brief supporting dissenting opinion.

V. **Appendix**

35 U.S.C. §314

(a) THRESHOLD.—

The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 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.

(d) NO APPEAL.—

The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.

35 U.S.C. §318

(a) FINAL WRITTEN DECISION.—

If 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).