

Will There Be Fewer IPRs Moving Forward?: A Review of SAS Institute
Inc. v. Iancu
by Shane Jensen

Recently, the Supreme Court handed down its decision in *SAS Institute Inc. v. Iancu*, 584 U.S. ____ (2018). (https://www.supremecourt.gov/opinions/17pdf/16-969_f2qg.pdf).

In sum, the Supreme Court has decided that when instituting an *inter partes* review, the United States Patent and Trademark Office (USPTO) must decide the patentability of all claims the petitioner has challenged. This is in contrast to the practice of the USPTO prior to this case, where the USPTO would only institute *inter partes* review for those claims where there was a reasonable likelihood that the petitioner would prevail during the review.

Case Review

Inter partes review (IPR) is a procedure that was set up by the America Invents Act (AIA). An IPR allows private parties to challenge the validity of a patent that has been previously issued by the USPTO. The IPR was designed to be an adversarial process before a panel of administrative judges at the USPTO that uses procedures similar to that of a patent trial in the regular court system. The intent of the IPR process is to provide for a quicker and generally less expensive way than the traditional route of a patent trial for private parties to challenge the validity of issued patents.

A private party (“petitioner”) that wishes to start an IPR is required to file a petition with the USPTO that requests the cancellation of one or more claims of the patent being challenged as being unpatentable because the one or more claims are either not novel or are obvious in view of existing prior art. The petition is required to identify the one or more claims being challenged and to provide evidence as to why the one or more claims are unpatentable.

The USPTO then decides whether an IPR is warranted based on the petition. Before instituting the IPR, the USPTO must determine that there is a reasonable likelihood that the petitioner will prevail on at least one of the claims being challenged in the petition or the petition is dismissed.

In the present case, the petitioner SAS Institute Inc. (SAS) sought an IPR of a patent owned by

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ComplementSoft. Accordingly, SAS filed a petition with the USPTO that challenged all 16 of the claims in the ComplementSoft patent as being unpatentable. As required by statute, the USPTO determined that SAS was likely to prevail on at least one claim and therefore instituted the IPR. However, the USPTO did not institute the IPR on all of the 16 challenged claims. Rather, in keeping with USPTO practice in place since *inter partes* reviews were first begun, the USPTO only instituted an IPR on those claims where the petitioner was likely to prevail (claims 1 and 3-10) and did not institute an IPR on the remaining claims.

At the conclusion of the IPR, the USPTO issued a final decision that upheld claim 4 and found claims 1, 3, and 5-10 unpatentable. Due to existing patent law, SAS was unable to challenge the denial of an IPR for claims 2 and 11-6 and so brought suit to challenge the authority of the USPTO to only review a subset of the challenged claims. The question before the Supreme Court was whether, pursuant to 35 U.S.C. § 318(a), the USPTO must decide the patentability of every challenged claim in a petition for *inter partes* review.

The Supreme Court, in a majority opinion by Justice Gorsuch, held that the USPTO must decide the patentability of all challenged claims. The court based its holding on the plain language of 35 U.S.C. § 318(a), which states that “[i]f an *inter partes* review is instituted and not dismissed under this chapter, the [USPTO] shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner”. The Court found that “shall” as used in the statute was nondiscretionary and therefore “imposed a nondiscretionary duty” on the USPTO. The Court also found that “any” as used in the statute required that all claims being challenged must be addressed. The Court summarized by stating that “everything in the statute before us confirms that SAS is entitled to a final written decision addressing all claims it has challenged and nothing suggests we lack the authority to say so.”

The USPTO attempted to defend its practice of partial institution by making policy arguments regarding the efficient use of its resources. However, the Court was not persuaded and stated that such policy arguments should be made to Congress if they were to be addressed. The dissenting opinion of Justice Ginsburg, in contrast, found these policy arguments

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persuasive.

The USPTO also attempted to defend its practice of partial institution by claiming it was entitled to *Chevron* deference. *Chevron* deference is a principal that states that when a statute is ambiguous, an administrative agency is able to determine how the statute should be interpreted. The Court, however, found that the plain language of 35 U.S.C. § 318(a) is not ambiguous and so *Chevron* deference did not apply. It is interesting to note that SAS argued for a general repeal of *Chevron* deference, a position that Court was not ready to make. The dissenting opinion of Justice Breyer would have applied *Chevron* deference since Justice Breyer believed the language of the statute was ambiguous and would have upheld the USPTO practice of partial institution.

Final Notes

The full effects of this decision are not fully known at this time as the USPTO has only stated that it will implement the holding of the case. At the very least the USPTO will either institute an IPR on all challenged claims or will deny institution. It is possible that this will result in less IPRs as the USPTO may now more often deny institution given that it must spend time reviewing claims it would not have had to review in the past if it does institute an IPR. Thus, given the stringent timeline requirements of an IPR, the USPTO may simply deny institution for any petition having a large number of claims where the petitioner is not likely to prevail, even if such petitions include one or more claims where the petitioner is likely to prevail. This may prove to be a boon to patent owners given the large number of patents invalidated in recent years by *inter partes* review. Only time will tell the true implications of this decision.