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## **Supreme Court Strikes Down PTAB Partial Institution Practice: If PTAB Institutes Inter Partes Review, It Must Address All Challenged Claims in Any Final Decision**

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The Supreme Court has ruled by a narrow majority of 5-4 that the Patent Office's regulation allowing for partial institution decisions in *inter partes* review is foreclosed by the text of 35 U.S.C. § 318(a). *SAS Institute Inc. v. Iancu*, 16-969 (Apr. 24, 2018). In striking down the Patent Office's regulation allowing the Patent Trial and Appeal Board (PTAB) to institute trial on fewer than all claims challenged in a petition, the Court has fundamentally altered the contours of *inter partes* review. Until now, the PTAB has widely employed "partial institution" as a way to narrow the scope of trial. In about 15% of its institution decisions, it would determine that only a subset claims and grounds of unpatentability are to be litigated through a final decision while rejecting others at the outset. In *SAS*, the majority holds that the PTAB lacks discretion to do so and mandates that—if *inter partes* review is instituted at all—it must be conducted on *all* claims challenged in the petition, and that all such claims must be addressed in any final decision.

The majority opinion, penned by Justice Gorsuch, states: "[W]hen §318(a) says the Board's final written decision 'shall' resolve the patentability of 'any patent claim challenged by the petitioner,' it means the Board *must* address every claim the petitioner has challenged." Slip Op. at 5 (emphasis in original). Beyond the majority's emphasis on the commanding force of the statutory text, the opinion highlights the broader structure of *inter partes* review as an adversarial proceeding guided by "the petitioner's petition, not the Director's discretion." Slip Op. at 8. The majority contrasts *inter partes* review with the "inquisitorial" process of reexamination, a process where the Director is given express discretion by statute to determine on a "claim-by-claim and ground-by-ground basis" the subject matter for review. Slip Op. 6-8. In *inter partes* review, by contrast, "[t]he text only says that the Director can decide 'whether' to institute the requested review—not 'whether *and to what extent*' review should proceed." Slip Op. at 8. The majority concludes that "[i]n all these ways, the statute tells us that the petitioner's contentions, not the Director's discretion, define the scope of the litigation all the way from institution through to conclusion." Slip Op. at 9.

The majority also rejects two subsidiary arguments raised by the Patent Office: first, whether the PTAB's partial institution practice is judicially reviewable; and, second, whether the Patent Office's interpretation of the statute, codified in its partial institution regulation, is entitled to *Chevron* deference. With respect to the Patent Office's un-reviewability argument, the majority reasons that whether the PTAB's institution practice complies with (or exceeds the scope of) the statute is judicially reviewable because "[i]f a party believes the Patent Office has engaged in 'shenanigans' by exceeding its statutory bounds, judicial review remains available consistent with the Administrative Procedures Act." Slip Op. at 13. Second, while declining the petitioner's invitation to abrogate *Chevron* altogether, the majority holds that "after applying traditional tools of interpretation here, we are left with no uncertainty that could warrant deference," noting "[t]he statutory provisions before us deliver unmistakable commands." Slip Op. at 12. In sum, having reviewed the Patent Office's

statutory interpretation without deference, the majority holds that the PTAB's partial institution practice violates the statute and must be reformed.

Justices Ginsburg, Breyer, Sotomayor, and Kagan dissented on grounds that the statute should not be read to preclude "the Board's rational way to weed out insubstantial challenges." Slip Op. at 1. Elaborating further, Justice Breyer's dissenting opinion states that he finds sufficient ambiguity in the statute to afford the Patent Office discretion to promulgate regulations that would be entitled to deference under *Chevron*. In general, this split reveals a divide between justices who read the statute as speaking clearly to the issue, and justices who would give more deference to the agency in formulating regulations that serve practical needs and goals.

The Court's decision in *SAS* will likely have immediate and far-reaching implications for patent owners and petitioners. First, the Supreme Court's decision does not provide any guidance regarding whether its holding applies retroactively. But we anticipate that arguments regarding the application of *SAS* to post-grant proceedings that are not yet finally resolved will at least be entertained. Second, as noted by many when the Supreme Court originally granted cert in *SAS*, this decision will likely have an impact on the reach of statutory estoppels. Following the Federal Circuit's reasoning in *Shaw Industries Group, Inc. v. Automated Creel Systems, Inc.*, many courts, as well as panels of the PTAB, have concluded that the statutory estoppels do not attach to claims and grounds that are not "instituted" by the PTAB. If all challenged claims must now be instituted and reviewed through a final decision, *Shaw's* parsing of instituted versus non-instituted grounds will presumably have more limited application. Third, a related question in the wake of *SAS* is whether the majority's reasoning extends beyond just claims challenged in a petition to grounds raised in a petition. The Board will likely have to address this issue almost immediately. Finally, the majority in *SAS* characterizes the institution decision as a "binary choice"—i.e., a yes or no decision on whether or not to institute. Slip Op. 7. Whether the PTAB will continue its ordinary practice of providing a detailed analysis on the merits of all claims and grounds in the institution decision becomes less certain in the wake of this decision.

The Court's decision today in *Oil States* is relatively straightforward as it preserves the status quo. The present case, on the other hand, fundamentally impacts PTAB procedures, which will need clarification from the PTAB. The PTAB will likely issue a memorandum addressing its interpretation of this case and implementation details.

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