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MASTER OF THE PETITION: EXPLORING THE TENSION  
BETWEEN THE PTAB AND PETITIONERS IN CONTROLLING THE  
SCOPE OF AIA TRIALS<sup>†</sup>

RAJA N. SALIBA\* & GRANT SHACKELFORD\*\*

The assignment of effective control over the scope of trials before the Patent Trial and Appeal Board (PTAB) of the U.S. Patent and Trademark Office (“Office”) under the America Invents Act of 2012 (AIA) has been an area of controversy since implementation of the Act. In *SAS Institute Inc. v. Iancu*, the question of control arose in the context of 35 U.S.C. § 318(a), and whether that provision requires the PTAB to issue a final written decision on all claims challenged by the petitioner in an *inter partes* review, allowing the scope of the petition to “guide the life of the litigation,” or instead permitted the Board to follow a practice, ostensibly authorized under Office rules, of instituting review as to only some claims challenged in the petition, and denying review as to the remaining claims.<sup>1</sup> Shortly before this Article went to press, in a 5-4 majority opinion written by Justice Gorsuch, the Supreme Court held that, while the PTAB has discretion over whether to institute an *inter partes* review,<sup>2</sup> if review *is* instituted the plain text of 35 U.S.C. § 318(a) imposes a nondiscretionary duty on the PTAB to issue a final written decision with respect to the patentability of all patent claims challenged by the petitioner, and does not permit denial of institution as to a subset of challenged claims.<sup>3</sup>

In reaching its decision, the Court brushed aside policy arguments that had been raised concerning the wisdom of this all-or-nothing approach:

Each side offers plausible reasons why its approach might make for the more efficient policy. But who should win that debate isn’t our call to make. Policy arguments are properly addressed to Congress, not this Court. It is Con-

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1. *SAS Inst. Inc. v. Iancu*, No. 16-969, slip op. at 1, 8, 584 U.S. \_\_, \_\_, \_\_ (2018).
2. *SAS Inst. Inc.*, slip op. at 8.
3. *Id.* at 4.

gress’s job to enact policy and it is this Court’s job to follow the policy Congress has prescribed. And whatever its virtues or vices, Congress’s prescribed policy here is clear: the petitioner in an *inter partes* review is entitled to a decision on all the claims it has challenged.<sup>4</sup>

While the Court based its decision on the plain statutory language, policy considerations over whether a petitioner in an AIA trial should have a measure of control over which claims are litigated before the PTAB, similar to a plaintiff in federal court who is master of the complaint, were at the center of oral argument before the Court last November.<sup>5</sup> The practical implications of the Court’s all-or-nothing mandate are likely to remain a primary concern of the PTAB as well as practitioners going forward. As such, the colloquy between the Justices and the parties during oral argument is instructive in considering the future ramifications of *SAS Institute*’s all-or-nothing approach for instituting *inter partes* reviews.

At oral argument before the Court, counsel for the Petitioner in *SAS Institute* argued:

**Counsel for Petitioner, SAS Institute Inc.:** The ordinary principle that the petitioner or the plaintiff in litigation is the master of its complaint, we—because so many of these cases follow litigation, we know best what claims we’re likely to be facing in litigation.<sup>6</sup>

The Government, defending the PTAB’s decision below, took a different view, arguing that the “notion of [‘]master of the complaint[’] just doesn’t translate” to AIA trials:

**Assistant to U.S. Solicitor General:** [T]hat’s an important feature of *inter partes* review, that this notion of master of the complaint just doesn’t translate here, one, because [35 U.S.C.] Section 311(b) doesn’t say you may get review of anything you want, but you may get review only of these kinds of things, but more fundamentally because the point of this scheme is to give

4. *Id.* at 10–11.

5. *SAS Inst. Inc. v. Matal*, No. 16-969 (U.S. argued Nov. 27, 2017). Mr. Matal served as interim director of the U.S. Patent and Trademark Office.

6. Transcript of Oral Argument at 24:7–12, *SAS Inst.*, 138 S. Ct. 350 (No. 16-969).

the agency an opportunity to reconsider decisions in the form of patent claims it's previously issued.<sup>7</sup>

This Article primarily explores the policy question of who should control the issues addressed in AIA trials. We (1) compare AIA trials with district court actions and then (2) examine the question answered in *SAS Institute*, focusing on statements made during oral argument with respect to potential practical problems associated with defining the scope of AIA trials at institution.

#### I. THE PTAB AFFORDS PARTIES FILING CASES LESS CONTROL OVER THE SCOPE OF ISSUES FOR TRIAL THAN DISTRICT COURTS.

A central issue in *SAS Institute* is whether a petitioner in an *inter partes* review should be given control over the scope of the proceeding, consistent with the principle that the plaintiff in a district court action ordinarily is the master of its complaint.<sup>8</sup> To examine this question, it is helpful to compare the nature of AIA trials with that of district court actions.

The majority decision in *SAS Institute* recognized a similarity between *inter partes* review and civil litigation:

Much as in the civil litigation system it mimics, in an *inter partes* review the petitioner is master of its complaint and normally entitled to judgment on all of the claims it raises, not just those the decisionmaker might wish to address.<sup>9</sup>

In his dissent, Justice Breyer, joined by Justices Ginsburg, Sotomayor, and Kagan, was less persuaded by similarities between *inter partes* review and civil litigation, finding more significant the specialized agency aspects of *inter partes* review for reexamining earlier grants:

Neither am I helped by analogizing the *inter partes* review proceeding to civil litigation. Cf. *ante*, at 2–3, 5. That is because, as this Court said in *Cuozzo*, *inter partes* review is a “hybrid proceeding.” It has some adversarial characteris-

7. *Id.* at 64:13–23.

8. See Brief for Petitioner at 24, *SAS Inst.*, No. 16-969 (citing *Holmes Grp., Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 831 (2002)).

9. *SAS Inst. Inc. v. Iancu*, No. 16-969, slip op. at 5, 584 U.S. \_\_, \_\_ (2018).

tics, but “in other significant respects, *inter partes* review is less like a judicial proceeding and more like a specialized agency proceeding.” Its purposes are not limited to “helping resolve concrete patent-related disputes among parties,” but extend to “reexamin[ing] . . . an earlier administrative grant of a patent” and “protect[ing] the public’s ‘paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope.’”<sup>10</sup>

Distinct from *inter partes* reexaminations, the former proceedings they replaced, AIA trials are said to be adjudicatory proceedings, not examinational proceedings before the Patent Office.<sup>11</sup> Congress intended that these trials provide “another means to administratively challenge the validity of a patent at the [Patent Office]—creating a cost-effective alternative to formal litigation.”<sup>12</sup> As discussed below, while generally adjudicatory in nature, AIA trials differ in important ways from district court actions, particularly with respect to scope and control of the proceedings.

District court civil actions generally begin with relatively broad claims and counterclaims set forth in the parties’ notice pleadings, with issues then crystallizing towards trial.<sup>13</sup> Actions commence upon filing the complaint and generally proceed on all issues the plaintiff chose to raise in its complaint.<sup>14</sup> In a complaint for patent infringement, for example, a plaintiff may assert multiple patents,<sup>15</sup> and under certain circumstances may name

10. *SAS Inst.*, slip op. at 6–7 (Breyer, J. dissenting) (citations omitted).

11. See *Ariosa Diagnostics v. ISIS Innovation Ltd.*, IPR2012-00022, Paper 166 at 51 (P.T.A.B. Sept. 2, 2014) (citing H.R. REP. NO. 112-98, pt. 1 at 46–47 (2011)) (the AIA “converts *inter partes* reexamination from an examinational to an adjudicative proceeding, and renames the proceeding ‘*inter partes* review.’”); see also *id.* at 75; 157 CONG. REC. 3429–30 (2011) (remarks of Sen. Kyl) (“Among the reforms that are expected to expedite these proceedings [is] the shift from an examinational to an adjudicative model”); cf. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016) (characterizing *inter partes* review as “hybrid proceeding,” having adjudicatory aspects “helping resolve concrete patent-related disputes among parties” as well as examinational aspects “help[ing] protect the public’s paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope.”) (internal quotation omitted). Questions as to the nature of AIA trials may also be addressed in *Oil States Energy Services LLC v. Greene’s Energy Group, LLC* (No. 16-712), which raises constitutional questions regarding AIA trials, and was argued the same day as *SAS Institute*.

12. 157 CONG. REC. S951 (daily ed. Feb. 28, 2011) (statement of Sen. Hatch); see also 157 CONG. REC. S952 (daily ed. Feb. 28, 2011) (statement of Sen. Grassley).

13. See FED. R. CIV. P. 8(a)(2) (requiring “a short and plain statement of the claim showing that the pleader is entitled to relief”); see also, e.g., *Scripps Research Inst. v. Illumina, Inc.*, No. 16-CV-661-JLS-BGS, 2016 WL 6834024, at \*5 (S.D. Cal. Nov. 21, 2016) (“to adequately plead direct infringement, a plaintiff must allege sufficient facts to plausibly show that a defendant’s accused instrumentality contains each limitation of the asserted patent claim.”).

14. FED. R. CIV. P. 3.

15. See, e.g., *Hearing Components Inc. v. Shure Inc.*, No. 9:07-CV-104, 2008 WL 2485426 (E.D. Tex. June 13, 2008) (asserting multiple patents); *Fenster Family Patent Holdings Inc. v. Siemens Med.*

multiple defendants.<sup>16</sup> Claim construction hearings address the construction of the asserted patent claims, following discovery that may broadly encompass “relevant” information, allowing the parties to develop their theories as litigation proceeds.<sup>17</sup> Importantly, district court actions are not statutorily limited in duration.

By contrast, in AIA trials the issues are generally crystallized at the outset, beginning with a petition limited to a single patent and setting forth in detail each proposed ground of unpatentability on a claim by claim basis.<sup>18</sup> The petition must be accompanied by all of the petitioner’s evidence supporting its case-in-chief, including any direct testimony in the form of sworn declarations or affidavits.<sup>19</sup> Prior to its decision on institution, the Board gives the patent owner an opportunity to file a preliminary response, including supporting evidence.<sup>20</sup> Then the Board makes the decision whether to institute trial, and the scope thereof, based on these papers.<sup>21</sup> Office rules governing *inter partes* reviews and post-grant reviews expressly permit the PTAB to institute a proceeding on less than all the challenged claims and, or, less than all proposed grounds of unpatentability.<sup>22</sup> Claim construction is addressed up front, in the pre-institution papers and decision on institution, obviating a formal *Markman* hearing.<sup>23</sup> Discovery in AIA trials is generally limited to the evidence filed in support of the parties’ briefs (i.e., petition and patent owner response) and cross-examination of

Sols. USA Inc., No. 04-0038, 2005 WL 2304190 (D. Del. Sept. 20, 2005) (same); Verizon Cal. Inc. v. Ronald A. Katz Tech. Licensing LP, 326 F. Supp. 1060, 1066 (C.D. Cal. 2003) (same).

16. See 35 U.S.C. § 299(a) (2012) (joinder of accused infringers).

17. FED. R. CIV. P. 26(b)(1) (providing that “[p]arties may obtain discovery regarding any nonprivileged matter that is relevant to any party’s claim or defense and proportional to the needs of the case” and “[i]nformation within this scope of discovery need not be admissible in evidence to be discoverable”).

18. 35 U.S.C. §§ 312(a), 322(a); see also Office Patent Trial Practice Guide, 77 Fed. Reg. 48,764 (Aug. 14, 2012) (“where a party believes that a specific term has meaning other than its plain meaning, the party should provide a statement identifying a proposed construction of the particular term and where the disclosure supports that meaning.”); Aqua Prods., Inc. v. Matal, 872 F.3d 1290, 1309, 1312 (Fed. Cir. 2017) (en banc) (O’Malley opinion) (“[T]he petitioner raises its best arguments at the outset; the patent owner has the opportunity to adjust the scope of its claims if need be; and the Board provides a speedy ruling as to the patentability of the original and amended claims.”).

19. 35 U.S.C. § 322(a)(3)(B) (2015).

20. *Id.* § 313. While patent owners may file testimonial evidence with a preliminary response, the PTAB will resolve any issues of material fact created by testimony submitted with a preliminary response in favor of the petitioner for purposes of deciding whether to institute review. 37 C.F.R. §§ 42.108(c), 42.208(c) (2017).

21. See 35 U.S.C. §§ 314(a)–(b), 315(c), 324 (a) & (c), 325(c); see also America Invents Act § 18(a)(1)(E) (2011); 37 C.F.R. §§ 42.108(a)–(b), 42.208(a)–(b), 42.300(a).

22. See 37 C.F.R. §§ 42.108(a)–(b), 42.208(a)–(b).

23. See *id.* §§ 42.104(b)(3), 42.204(b)(3).

declarants.<sup>24</sup> Absent a showing of good cause, an AIA trial must be concluded within twelve months following institution.<sup>25</sup>

What this comparison demonstrates is that AIA trials, although adjudicatory, differ from district court actions in many ways, one of the most important differences being the PTAB's control at institution over the scope of the proceeding—the source of the dispute in *SAS Institute*.<sup>26</sup> Unlike in district court, where the plaintiff by virtue of its complaint has a significant degree of control over the scope of its case, the petitioner in an AIA trial is accorded less control over the claims litigated. Although the petitioner has discretion whether to file a petition, and on what grounds, the PTAB has discretion over whether to institute trial.<sup>27</sup> Accordingly, by statutory design, ultimate control over institution in an AIA proceeding rests with the PTAB.

That the issues in AIA trials are crystallized at the outset underscores the significance of the PTAB's decisions regarding institution. These decisions contain the PTAB's preliminary findings as to the “reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition,”<sup>28</sup> and are issued by the same panel of Administrative Patent Judges tasked with overseeing the trial and issuing the final written decision.<sup>29</sup> Therefore, it is no surprise that the PTAB's decision on institution is a good predictor of the ultimate outcome of trial.<sup>30</sup>

24. Rules pertaining to discovery are set forth in *id.* §§ 42.51–.55; *see also* 35 U.S.C. §§ 23–26; *SCHOTT Gemtron Corp. v. SSW Holding Co.*, IPR2013-00358, Paper 43 at 3 (P.T.A.B. Feb. 14, 2014) (“Discovery in an *inter partes* review proceeding . . . is less than what is normally available in district court patent litigation, as Congress intended *inter partes* review to be a quick and cost effective alternative to litigation.”), *aff'd w/o op.*, 612 F. App'x 614 (Fed. Cir. Aug. 11, 2015) (*per curiam*) (nonprecedential).

25. 35 U.S.C. § 316(a)(11) (2014) (setting forth the one-year deadline and also provides that the Director may, for good cause shown, extend this deadline by up to six months).

26. The petitioner in *SAS Institute* based its arguments on 35 U.S.C. § 318(a) and the belief that this statute requires the PTAB's final written decision to address all claims challenged in its petition. *See* Brief of Petitioner at 18, *SAS Inst. Inc. v. Matal*, 138 S. Ct. 350 (2017) (No. 16-969). However, the issue at least arguably originates from the PTAB's decision to institute trial on less than all of the challenged claims, precluding the *SAS Institute* petitioner from litigating all of its claims in a single forum. *See id.* at 28.

27. *See* 35 U.S.C. § 314 (2012); *see also* 37 C.F.R. §§ 42.108(b), 42.208(b).

28. *See* 35 U.S.C. § 314(a) (2012); *see also id.* § 324(a) (setting forth the threshold for instituting post grant reviews as whether “the information presented in the petition . . . would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable”).

29. *See, e.g.*, *Ethicon Endo-Surgery, Inc. v. Covidien LP*, 812 F.3d 1023, 1033 (Fed. Cir. 2016) (“[t]here is nothing in the Constitution or the statute that precludes the same Board panel from making the decision to institute and then rendering the final decision.”), *reh'g en banc denied*, 826 F.3d 1366 (Fed. Cir. 2016) (*en banc*) (*per curiam*), *cert. denied*, 137 S. Ct. 625 (2017).

30. According to the Patent Office as of December 31, 2017, of all final written decisions, 65% found all instituted claims unpatentable, 16% found some instituted claims unpatentable, and only 19% found no instituted claim unpatentable. *See AIA Trial Statistics*, U.S. PAT. & TRADEMARK OFF.,

Notwithstanding the important role of the PTAB's decision on institution, the Supreme Court in *Cuozzo Speed Technologies, LLC v. Lee* confirmed that 35 U.S.C. § 314(d) precludes judicial review of this decision, at least with respect to the PTAB's determination whether the petition establishes a reasonable likelihood of unpatentability.<sup>31</sup> As a result, the PTAB retains control over the issues litigated and decided in an AIA trial—an issue central to the question in *SAS Institute*.

## II. WHAT CONTROL SHOULD THE PTAB HAVE OVER THE SCOPE OF ISSUES IN AN AIA TRIAL?

At issue in *SAS Institute* is the mandatory scope of the PTAB's final written decision under 35 U.S.C. § 318(a), which provides: “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).”<sup>32</sup> Until *SAS Institute* struck down the practice, it was not uncommon for the PTAB to issue a partial institution decision allowing trial to proceed on less than all challenged claims.<sup>33</sup> SAS presented the question whether the statutory language in § 318(a) prohibits the PTAB from issuing a final written decision that addresses patentability of *only some* of the claims challenged in the petition.<sup>34</sup> Likening the petitioner in an AIA trial to a plaintiff who is master of the complaint in a district court action, SAS argued that, under § 318(a), if an AIA trial is instituted it should in almost all circumstances conclude with a final written decision on the patentability of *all claims* challenged in the petition.<sup>35</sup>

At oral argument, SAS argued that the statutory language presents the PTAB with a binary set of alternatives: *if* the PTAB in its discretion decides to institute a proceeding, *then* it is required to issue a final written decision on all challenged claims.<sup>36</sup> SAS contended that its interpretation

<https://www.uspto.gov/patents-application-process/appealing-patent-decisions/statistics/aia-trial-statistics> (last visited Jan. 30, 2018).

31. See *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2139–42 (2016); see also 35 U.S.C. § 314(d); *Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364, 1369 (Fed. Cir. 2018) (*en banc*).

32. See Petition for Writ of Certiorari at 3, *SAS Inst. Inc. v. Matal*, 138 S. Ct. 350 (2017) (No. 16-969) (emphasis added).

33. See 37 C.F.R. §§ 42.108(b), 208(b) (2017) (permitting the PTAB to issue a partial institution decisions); see also Saurabh Vishnubhakat, Arti K. Rai & Jay P. Kesan, *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 BERKELEY TECH. L.J. 45, 78 (2016) (reporting that for *inter partes* review petitions filed by March 31, 2014, about 58% of institution decisions that granted review did so as to less than all of the challenged claims).

34. See *id.*

35. Brief for Petitioner at 24, *SAS Inst.*, 138 S. Ct. 350 (No. 16-969).

36. Transcript of Oral Argument at 12:25–13:3, *SAS Inst.*, 138 S. Ct. 350 (No. 16-969).

aligned with the AIA's purpose of creating an effective, efficient, and fair system for determining patentability.<sup>37</sup> By contrast, SAS argued, a final written decision that does not address the patentability of all challenged claims forces litigants to confront validity challenges in two separate tribunals and thus "destroys the carefully crafted provisions of the America Invents Act . . . intended to be an efficient substitute for district-court invalidity litigation."<sup>38</sup>

Several Justices acknowledged at oral argument that the statutory language appeared to aid SAS's case.<sup>39</sup> However, this acknowledgement was tempered by concerns that SAS's interpretation would result in an end-run around the Court's recent decision in *Cuozzo*:

**Justice Sotomayor:** Well, I don't see what else you're trying to do, because what will you do? You will come up on appeal and say the Board was wrong in not instituting review of those other claims? That's what *Cuozzo* was about, us saying you can't do that.<sup>40</sup>

SAS disagreed, arguing that because § 318(a) relates to the ultimate question of *patentability* of all challenged claims in the final written decision and not review of the PTAB's reasonable basis determination in the decision on institution:

**Justice Sotomayor:** So would the review on appeal be on the basis of a motion—like a motion to dismiss? On the face of whatever you presented the Board with, at the beginning, did the Board have a reasonable basis to conclude that no reasonable basis existed to challenge the validity of that claim?

37. Brief for Petitioner at 15–16, *SAS Inst.*, 138 S. Ct. 350 (No. 16-969).

38. *Id.*; see also *id.* at 29–30. Furthermore, SAS argued, the PTAB's decision in *SAS Inst.* to institute on challenged claim 4, but not challenged claim 2, which the Board believes is broader in scope than claim 4, "not only propagat[es] inefficiencies . . . , but, as in this case, an unreviewable absurdity." Reply Brief for Petitioner at 8, *SAS Inst.*, 138 S. Ct. 350 (No. 16-969). SAS argues that as a result "the parties will have to relitigate the patentability of [claim 2] in the district court," which is "exactly the kind of 'administrative obstinacy' that . . . prevents the statutory provisions from 'act[ing] in harmony, like a well-oiled machine.'" *Id.* at 9.

39. Transcript of Oral Argument at 25:19–26:5, *SAS Inst.*, 138 S. Ct. 350 (No. 16-969) ("I have no doubt that the language you point to helps you, but where I run into trouble is I can't imagine how a statute is supposed to work where you, objecting, say: I object to 10 claims, all right? Now we look at this and say: You're going to get that grant; if just one of those 10 claims is reasonable likelihood, you'll prevail.") (J. Breyer).

40. *Id.* at 6:9–14.

**SAS:** No, the review would not be over the reasonable basis or not. The review would be on the question of patentability.<sup>41</sup>

The Justices also expressed concerns that implementation of SAS's statutory interpretation would create due process issues and be unworkable.<sup>42</sup> Justice Sotomayor appeared to suggest that due process concerns might only be remedied with an all-or-nothing approach:

**Justice Sotomayor:** What you really want to say is the Board shouldn't institute partial reviews . . . . I think what you're saying is, *once it determines you have enough evidence to challenge one claim, it should hold a hearing on everything. Because without that, you can't really decide patentability in a due process way, in a fair way.* So why have you limited your challenge in the way you have? What's the purpose of doing that? And what advantage does that give you? It seems to me that it's an unfair advantage to the other side.

It's an unfair advantage to the system. So why don't you just argue what you really want to argue, which is, I should have an opportunity to litigate all of my claims?

**SAS:** Well, that's exactly—that is exactly our argument. We should have the opportunity to litigate them . . . .<sup>43</sup>

Based on this exchange, SAS in effect appeared to advocate an all-or-nothing approach, wherein if institution is warranted as to at least one challenged claim, *either*: (1) the non-instituted claims are not litigated during trial, but are still addressed in the final written decision and subject to appeal; or (2) the petitioner is given the opportunity to litigate all of its challenged claims during the trial. Either approach raises complications.

Under the first approach, notwithstanding a detailed petition and a detailed decision on institution, the record at the end of trial would be incomplete, as it would lack the patent owner's full arguments and evidence with

41. *Id.* at 8:13–24.

42. *See id.* at 10:21–11:17.

43. *Id.* (emphasis added).

respect to the non-instituted claims subject to appeal. This is because the patent owner files a preliminary response prior to a decision on institution, at which time the patent owner is not permitted an opportunity to obtain discovery, including cross-examination of the petitioner's declarants, and indeed is, by rule, not fully credited by the Board for purposes of determining whether to institute.<sup>44</sup> Following a decision on institution, logically the patent owner's papers and evidence would largely be limited to patentability of the instituted claims. Accordingly, on appeal, as to the "non-instituted" claims the Federal Circuit would be left to decide fact-intensive questions of patentability based on an incomplete record.<sup>45</sup>

Also unclear under this approach would be the treatment of estoppel. While SAS, apparently seeking to allay concerns about fairness and efficiency, argued that estoppel would apply to the non-instituted challenged claims,<sup>46</sup> it is unclear whether this position is consistent with the applicable statutory language regarding estoppel. Under 35 U.S.C. § 315(e), for example, regardless whether a subsequent proceeding is in court or the Office, estoppel from a prior IPR applies to "any ground that the petitioner raised or reasonably could have raised *during that inter partes review*" (emphasis added). The Federal Circuit has held that this language does not apply to grounds that a petitioner raises in its petition but upon which the PTAB does not institute an AIA trial.<sup>47</sup> Thus, SAS's view, under which estoppel would apply to claims that are included in the final written decision but are not litigated during the trial, appears to be in tension with the Federal Circuit's interpretation of the statutory language.<sup>48</sup>

It is also unclear how estoppel would apply to alternative grounds of unpatentability for non-instituted claims (e.g., anticipation and obviousness based on different combinations of references). Again, to the extent the PTAB does not institute trial on certain grounds, under current law the peti-

44. See 37 C.F.R. § 42.108(c) (2017); see also *supra* note 18.

45. The Federal Circuit has explained that "[i]n appeals from the PTAB, 'we have before us a comprehensive record that contains the arguments and evidence presented by the parties and our review of the [PTAB]'s decision is confined to the four corners of that record.'" *In re Nuvasive*, 842 F.3d 1376, 1380 (Fed. Cir. 2016) (quoting *In re Watts*, 354 F.3d 1362, 1367 (Fed. Cir. 2004)). The Federal Circuit further added, "[w]e 'cannot exercise [our] duty of review unless [we] are advised of the considerations underlying the action under review.' Indeed, 'the orderly functioning of the process of review requires that the grounds upon which the [PTAB] acted be clearly disclosed and adequately sustained.'" *Nuvasive*, 842 F.3d at 1382 (quoting *SEC v. Chenery Corp.*, 318 U.S. 80, 94 (1943)).

46. Brief for Petitioner at 4–5, *SAS Inst.*, 138 S. Ct. 350 (No. 16-969).

47. *Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc.*, 817 F.3d 1293, 1299 (Fed. Cir. 2016), *cert. denied*, 137 S. Ct. 374 (2016).

48. Moreover, while SAS itself might be willing to subject itself to estoppel for non-instituted claims, it would appear that most petitioners would not benefit from such an expansion of estoppel.

tioner is not estopped from re-litigating those non-instituted grounds.<sup>49</sup> Whether the decision in *SAS Institute* maintains this situation, and continues to permit institution on fewer than all grounds, is arguably unclear. The question was not before the Court, and the Court did not expressly address it. Complicating the matter further, although the PTAB sometimes denies institution of alternate proposed grounds on the merits, it sometimes does so based on practical considerations, relating to the board's ability to complete review within the prescribed one-year time limit, and not reflective of a substantive decision on patentability.<sup>50</sup> At the present, however, this issue may be moot in view of the USPTO's published guidance following *SAS Institute* that "the PTAB will institute as to all claims or none. At this time, if the PTAB institutes a trial, the PTAB will institute on all challenges raised in the petition."<sup>51</sup>

The second of the two posited approaches, in which all challenged claims are tried, requiring the parties to argue and introduce evidence with respect to each claim, would raise its own issues of fairness and efficiency. Under that approach, a patent owner could be hauled before the PTAB to defend the patentability of all of its claims upon the showing by the petitioner of a reasonable likelihood of unpatentability as to only a single claim. This effect of sweeping into trial claims for which there is no reasonable question of unpatentability might encourage gamesmanship, and unjustly favor petitioners seeking to stay related concurrent district court actions.<sup>52</sup> The patent owner faces further burdens here, due to the word count limitations for the patent owner responses, which would hinder its ability to develop arguments for each claim.<sup>53</sup>

Another possible difficulty with this second approach is that it could encourage the PTAB to focus its decision on institution on only a single claim, deferring a more complete analysis of all the challenged claims until its final written decision. This result would deprive the parties of the benefit of the PTAB's expertise at the time of institution, which can help focus the issues and encourage settlement.<sup>54</sup>

49. *Shaw*, 817 F.3d at 1299–1300.

50. *Id.* at 1299 n.2.

51. *Guidance on the Impact of SAS on AIA Trial Proceedings*, U.S. PAT. TRADEMARK OFF. (April 26, 2018), [https://www.uspto.gov/sites/default/files/documents/guidance\\_on\\_the\\_impact\\_of\\_sas\\_on\\_aia\\_trial\\_proceedings\\_%20%28april\\_26%2C\\_2018%29.pdf](https://www.uspto.gov/sites/default/files/documents/guidance_on_the_impact_of_sas_on_aia_trial_proceedings_%20%28april_26%2C_2018%29.pdf) (last visited Apr 26, 2018).

52. *See* *NFC Tech. LLC v. HTC Am., Inc.*, No. 2:13-CV-1058-WCB, 2015 WL 1069111, at \*5–6 (E.D. Tex. Mar. 11, 2015) ("courts have been nearly uniform in granting motions to stay proceedings in the trial court after the PTAB has instituted inter partes review proceedings").

53. *See* 37 C.F.R. § 42.24 (2017).

54. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. 48,768 (Aug. 14, 2012) ("There are strong public policy reasons to favor settlement between the parties to a proceeding.").

For these reasons, SAS's proposed all-or-nothing approach may be problematic. However, an alternative third approach raised by Justice Kennedy at oral argument and by Justice Ginsburg's written dissent may provide a workable compromise, which could address SAS's concern of piecemeal adjudication and the litigation of patentability challenges in multiple tribunals, and might be implementable without statutory changes:

**Justice Kennedy:** Could the Board contact the parties and say, we will not grant review as to all of the challenges claimed, but if you reduce it to just claims 3 and 4, we will hear it? Could the Board do that?<sup>55</sup>

Justice Gorsuch revisited Justice Kennedy's question later in oral argument and suggested that such an approach might be workable, recognizing that the PTAB "could do what Justice Kennedy said. That—that would—everybody agrees would remain an available choice."<sup>56</sup> SAS and the Patent Office likewise agreed.<sup>57</sup>

This suggestion resurfaced when the case was decided. In her written dissent from the majority opinion, Justice Ginsburg, joined by Justices Breyer, Sotomayor, and Kagan, took up this point and noted that the PTAB "could simply deny a petition containing challenges having no 'reasonable likelihood' of success, §314(a). Simultaneously, the Board might note that one or more specified claims warrant reexamination, while others challenged in the petition do not. Petitioners would then be free to file new or amended petitions shorn of challenges the Board finds unworthy of inter partes review."<sup>58</sup> However, notwithstanding Justice Gorsuch's apparent sympathy with this proposition during oral argument, the majority opinion in a footnote questioned whether such a stratagem would be consistent with the statute's requirements.<sup>59</sup>

Under the take-it-or-leave-it approach suggested by Justices Kennedy and Ginsburg, prior to institution, the PTAB could provide the petitioner with the choice of either: (1) withdrawing its patentability challenges that are deemed by the PTAB not to have met the threshold standard for institution; or (2) withdrawing the petition altogether. The first choice would al-

55. Transcript of Oral Argument at 20:6–17, *SAS Inst. Inc. v. Matal*, 138 S. Ct. 350 (2017) (No. 16-969).

56. *See id.* at 60:19–22.

57. *See id.* at 20:6–17, 60:19–61:4.

58. *SAS Inst. Inc. v. Iancu*, No. 16-969, 584 U.S. at \_\_ (Ginsburg, J. dissenting) (slip op. at 1).

59. *See SAS Inst.*, slip op. at 11, n\*.

low the trial to proceed and a final written decision to address all challenged claims for which the PTAB concluded petitioner had established a reasonable likelihood of unpatentability. The second choice would allow the petitioner to avoid piecemeal adjudication and proceed directly in district court. Importantly, the choice is left to the petitioner, who filed the petition in the first place, and would be most familiar with the underlying dispute between the parties.

This take-it-or-leave-it approach could even be implemented without substantially changing the “playing field.” The first choice (the petitioner withdrawing its challenges to certain claims) leaves the patent owner in much the same position as under the current statutory scheme, where an AIA trial proceeds only with respect to instituted claims. An amended petition challenging fewer claims than in the original petition could be deemed to have the same filing date as the original petition so as to avoid triggering the statutory one-year bar under 35 U.S.C. § 315(b).<sup>60</sup> Under the second choice (the petitioner withdrawing its petition), the patent owner would stand in the presumably more favorable position of having to defend its patent claims only in its initial choice of forum, i.e., the district court.

Furthermore, regardless of which choice the petitioner selects, the scope of estoppel would remain the same as under the current scheme.<sup>61</sup> That is, the petitioner would seemingly not be estopped with respect to any withdrawn claims, which would not be instituted, and thus not “raised during that inter partes review.”<sup>62</sup>

Admittedly, this “take-it-or-leave-it” approach raises potential concerns of its own. For example, allowing a petitioner to withdraw a petition after the PTAB has identified a reasonable likelihood of unpatentability with respect to at least one of the challenged claims seems contrary to one objective of AIA trials—allowing the Office to review its earlier decisions and “help[] protect the public’s ‘paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope.’”<sup>63</sup> It is arguably inconsistent with this objective for the Office to ignore a likely patentability error that has already come to its attention under § 314. On the other hand, under the current scheme the PTAB already allows parties to terminate a

60. Currently, the Board’s rules make allowance for correction of certain clerical mistakes. *See* 37 C.F.R. § 42.104(c) (2012).

61. *See* 35 U.S.C. § 315(e) (2012).

62. *Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc.*, 817 F.3d 1293, 1299–1300 (Fed. Cir. 2016).

63. *See* *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016) (quoting *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945)) (citing H.R. REP. NO. 112-98, pt. 1, at 39–40 (2011) (*Inter partes* review is an “efficient system for challenging patents that should not have issued”)).

proceeding by settlement after the PTAB's institution decision even after such potential errors have been identified.<sup>64</sup>

Another question raised by the take-it-or-leave-it approach is whether the Office should publish preliminary findings with respect to the petitioner's challenged claims. The petitioner, for example, might be reluctant to make an election absent the opportunity to review the Office's rationales set forth in a decision on institution. On the other hand, publication of the Office's preliminary findings would arguably amount to an advisory opinion.<sup>65</sup> District courts' treatment on the admissibility of such tentative opinions may raise complex questions.<sup>66</sup>

Another consideration is the impact of this approach on the pre-institution schedule. Section 314(b) requires that the PTAB issue its decision regarding institution within three months of receiving a preliminary patent owner response (or if no such preliminary response is filed, the last date on which such response may be filed). To satisfy this requirement under a take-it-or-leave-it approach, the PTAB would need to limit the time the petitioner has to decide whether to have trial instituted on a subset of the originally challenged claims.

#### CONCLUSION

In *SAS Institute*, the Supreme Court agreed with the petitioner that the PTAB's partial institution practice on less than all challenged claims contravened 35 U.S.C. § 318(a). However, a "trial on all-claims-or-none" approach potentially raises due process and other issues for both petitioners and patent owners. An alternative approach, raised by Justice Kennedy at oral argument and by Justice Ginsburg in her written dissent, could provide a compromise solution, under which the petitioner is given the choice whether to proceed to trial under the partial scope preferred by the PTAB, or to forgo the PTAB forum altogether and challenge the claims in court instead. While petitioners in AIA trials are not on equal footing as a plaintiff in a district court action, under this approach they would gain at least

64. See 35 U.S.C. §§ 317, 327; see also 37 C.F.R. § 42.74 (2013).

65. See U.S. CONST. art. III, § 2, cl. 1 (case or controversy clause for federal courts); see also, e.g., *Muskat v. United States*, 219 U.S. 346, 362 (1911) ("The result will be that this court, instead of keeping within the limits of judicial power and deciding cases or controversies arising between opposing parties, as the Constitution intended it should, will be required to give opinions in the nature of advice concerning legislative action, a function never conferred upon it by the Constitution.").

66. For example, district courts already disagree on the admissibility of PTAB institution decisions under current practice. See, e.g., *Wis. Alumni Research Found. v. Apple, Inc.*, 135 F. Supp. 3d 865, 875 (W.D. Wis. 2015) (granting defendant's motion *in limine* seeking to preclude evidence regarding the PTAB's denial of institution of an IPR proceeding); *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, 34 F. Supp. 3d 1061, 1068 (C.D. Cal. 2014).

some measure of control to litigate their claims in the most efficient and cost-effective forum.