

Supreme Court strikes down PTAB “partial institution” practice for inter-partes review: PTAB guidance acknowledges that it must issue a final written decision for all challenged claims

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In a 5-4 decision with potentially wide-ranging implications for IPR practice and litigation, Justice Gorsuch (a dissenter in the *Oil States* decision upholding the constitutionality of IPRs) delivered the opinion of the Court in *SAS Institute Inc. v. Iancu*. The Court held that 35 USC. § 318(a) requires the PTAB to issue a final written decision for all claims challenged by a petitioner in an IPR petition. The Court rejected the PTAB’s practice of “partial institution.” The implications of this decision, particularly for pending IPRs that have been instituted but not finally resolved beyond appeal, are uncertain.

It is particularly interesting that Justice Gorsuch delivered the Court’s opinion in *SAS*, while the same day providing a dissenting opinion in *Oil States*. In *Oil States*, Justice Gorsuch expressed a preference for judicial oversight that is consistent with the effect the Court’s decision in *SAS* will have on IPRs. Under the challenged PTAB practice of “partial institution,” the PTAB need not issue a final written decision on claims for which review was not instituted. Further, under Section 314(d), the Board’s decision on whether or not to institute an IPR is not subject to appeal. *Cuozzo Speed Techs., LLC v. Lee*, 579 US __, __, 136 S. Ct. 2131, 2136 (2016) (slip op., at 2). Now, with the exception of claims removed by cancellation or settlement, if an IPR is instituted, the PTAB must issue a final written decision on all claims challenged in the petition, which will be subject to judicial review. Yesterday, the USPTO issued guidance on the effect of *SAS*, indicating that not only will the PTAB institute as to all claims or none, but it will “at this time . . . institute on all challenges raised in the petition.”

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 (“PTAB April 26 Guidance”).

One practical effect of *SAS* is that the estoppel provisions will now likely apply to all claims challenged in a petition. Partial institution can no longer present a scenario in which a challenger was unable to raise arguments regarding claims for which review was not instituted. See *Shaw Indus. Group, Inc. v. Automated Creel Sys., Inc.*, 817 F.3d 1293, 1300 (Fed. Cir. 2016) (estoppel does not apply to non-instituted claims because the challenger could not raise them during the IPR). For IPRs previously instituted on fewer than all claims challenged in the petition, the PTAB, courts, parties and practitioners will have to grapple with compliance with the Court’s *SAS* decision. This may be particularly difficult in cases that have progressed substantially or where the one-year period for filing an IPR has passed. As outlined below, many of these issues may only increase the workload on the PTAB.

For example, in any “partial institution” case currently on appeal, the *SAS* decision would seem to require the Federal Circuit to remand that case to the PTAB, directing it to take such steps, as necessary to address any

non-instituted claims that were challenged in the petition. The PTAB may then decide to reopen evidence, briefing and schedule another hearing, at least for the previously non-instituted claims. Alternatively, the PTAB might choose to update its decision to indicate that the claims for which it declined institution are affirmed.

Further issues arise with the time limits for IPRs. Section 316(a) requires the Director to proscribe regulations that require a final determination to issue not later than one year after institution, but, which for good cause shown, may be extended by not more than six months. For a pending case, one approach is that the parties may request the additional six months. Perhaps the PTAB would limit the additional time solely for completing the record on the non-instituted claims, particularly if a hearing has already been held. Another possibility, which would be more forgiving in terms of scheduling, would be to vacate the institution decision and issue a new institution decision based on the original petition (to avoid the expiration of the one-year period to bring an IPR) that would review all claims. Could this approach then be considered to reset the one-year clock? At least for now, the PTAB April 26 Guidance indicates that for pending cases instituted on fewer than all challenges, the PTAB may issue a supplemental order instituting trial on all challenged grounds and may take further action to manage the proceeding, including extending the schedule. Petitioners and Patent Owners are expected to meet and confer to address these issues.

An interesting twist could arise if the PTAB decides to follow the suggestion from Justice Ginsburg's dissent for new petitions—deny institution where the PTAB believes some claims should not be reviewed, but with an indication that it might reach a different outcome if only some claims were challenged. In *SAS*, the majority expressly declined to decide whether this approach would be permissible (slip op., at 11). If the PTAB takes this approach and a challenger then chooses to refile on fewer than all claims, should the estoppel provisions apply to all claims even though the PTAB has indicated it would not institute on a broader set of claims? A patent owner may argue that the challenger chose to file a new petition that did not seek to invalidate all claims so the estoppel provisions should apply. On the other hand, a challenger may argue that, based on the PTAB's rejection of the initial petition directed to a broader set of claims, estoppel should not apply to the claims for which the PTAB indicated it would not institute a review.

The PTAB April 26 Guidance indicates that the PTAB will “continue to assess the impact of [the *SAS*] decision on its operations and will provide further guidance in the future if appropriate.” We expect that the PTAB will also engage in subsequent rule-making to address the issues raised by *SAS*, but for now, the full effect of *SAS* remains uncertain.

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