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Post-Grant Review

High Court Split on Forcing Patent Office to Cover All Arguments

U.S. Supreme Court Justices appeared split Nov. 27 on an attempt to force the Patent and Trademark Office to address every argument raised against a patent in an administrative validity challenge.

The proceedings known as inter partes reviews have two stages: the first to decide which of the challenger's arguments to use to institute trial, and a second to issue a final written decision. Now, final written decisions only address arguments that were instituted, so that arguments rejected at the first stage can still be used against patents in federal court challenges. But if the PTO is forced to address all arguments in its final written decisions, patent challengers could no longer use rejected arguments in court (*SAS Institute Inc. v. Iancu*, U.S., No. 16-969, oral argument 11/27/17).

Requiring the PTO to address all raised arguments could slow down the controversial proceedings that started in 2012 and were designed to be a faster, cheaper way to invalidate weak patents. It could also force both patent owners and challengers to adjust their tactics in inter partes reviews.

SAS Institute Inc. asked the Supreme Court to force the PTO's Patent Trial and Appeal Board, which decides IPRs, to address all of the arguments it raised in a challenge in its final written decision, arguing that the statute requires the board to address arguments "with respect to the patentability of any patent claim challenged by the petitioner"—not just instituted arguments.

"The justices' questions certainly seemed to suggest we'll see a split decision," Charles T. Steenburg, a patent litigation shareholder with Wolf, Greenfield & Sacks PC in Boston, told Bloomberg Law. While patent law isn't typically an issue that splits along ideological lines, questions from the more conservative justices seemed to adopt a strict-constructionist approach that focused on the words on the page, while the other justices appeared to take a broader view of the law's meaning, he said.

Any Ambiguity? Justice Stephen Breyer said he had trouble understanding why Congress would design the system as SAS proposed, especially since IPRs are designed to cost less and be speedier. Requiring the PTAB to address every challenged claim, even if trial is instituted on just one, seems inefficient, he said.

Justice Elena Kagan said the entire system gives considerable discretion to the PTAB in their decisions to institute; it's purely up to the board to decide whether it

will institute trial, a decision that can't be reviewed, and it can set up its own rules surrounding institution. In that context, it's hard to see why the board should be forced to take an all-or-nothing approach with regard to trial institutions, she said.

The conservative justices, however, questioned whether there was any ambiguity in the statute, 35 U.S.C. § 318(a), that would justify how the PTO contextualized it. Justice Samuel Alito's questions seemed to suggest no ambiguity, and that the PTAB must address any patent claim challenged by the petitioner in a final written decision. Justice Neil Gorsuch's questions, similarly, seemed to call for an interpretation more limited to the statute's wording.

The PTO argued there is ambiguity about what "any patent claim challenged by the petitioner" means. In the context of the statutory scheme, the PTO must issue a final written decision only on the patent claims that were instituted, and a claim isn't "challenged" unless it has been instituted, it said.

Breyer seemed to support this position, saying the word "any" is often ambiguous and can only be understood in context.

"If you can eat any fish, you can eat any fish. Think about that one," he said.

A Minor Tweak? The court could order the PTAB to change its procedures without affecting its practices much. Justice Anthony Kennedy asked if the PTAB could tell a challenger it would like to institute some, but not all, the challenged claims, and require the petition to be amended accordingly, before trial is instituted. Even Gorsuch, whose questioning suggested some skepticism about the PTAB's current authority, said such an approach would be permissible.

The discussion about Kennedy's approach seemed to touch on concerns about piecemeal litigation, William Milliken, a patent associate with Sterne, Kessler, Goldstein & Fox PLLC in Washington, told Bloomberg Law. If a challenger attacked 10 claims, and the PTAB said only two would be instituted, it may instead decide to go litigate all 10 in district court rather than have proceedings in the PTAB as well, he said.

During oral arguments, Gorsuch asked if requiring the challenger delete weak arguments was actually what Congress intended, as a way to maximize judicial efficiency.

Gregory Castanias of Jones Day argued for SAS. Jonathan Bond of the Department of Justice argued for the PTO.

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