

SAS Institute Follow-Up: New PTAB Procedures and Strategies

The PTAB's new guidance in light of a recent Supreme Court ruling changes the dynamics for patent owners and petitioners.

Key Points:

- Partial institutions are no longer permitted. The PTAB will review all petitioned claims *and grounds*, or deny institution completely.
- Currently pending reviews that received partial institution decisions — estimated to be at least 20% of all instituted reviews — are receiving supplemental institution decisions to add the previously denied claims and grounds back into the proceedings.
- PTAB strategies will evolve rapidly as the parties and the PTAB adapt to the new procedures.
- Parties will place stronger emphasis on a coordinated strategy taking into account the PTAB, the district court, and the eventual appeals to the Federal Circuit.

Background

The Supreme Court maintained the status quo in *Oil States Energy Services v. Greene's Energy Group*,¹ holding that the Inter Partes Review (IPR) statute² does not violate Article III or the Seventh Amendment right to a jury trial. (See Latham's prior [Client Alert](#) for more information.)

In *SAS Institute Inc. v. Iancu*,³ however, the Supreme Court changed the way the Patent Trial & Appeal Board (PTAB) does business. The Court reversed the Federal Circuit, holding that whenever the PTAB institutes an IPR and reaches a final written decision, the PTAB must decide the patentability of *all* claims challenged in the petition. The Court reasoned in part that the PTAB's decision whether to institute the IPR is "binary" and the PTAB cannot pick and choose which patent claims to review.⁴

Since then, the PTAB issued its *Guidance on the Impact of SAS on AIA [America Invents Act] Trial Proceedings*.⁵ As the authors of this *Client Alert* had predicted in [an article](#) last September, the PTAB extended *SAS Institute's* holding and abandoned partial institutions. In addition to reaching all challenged claims in its final written decisions, the PTAB will either institute review of all claims and *all grounds* unless it denies institution altogether. This change will have a profound effect on PTAB practice for both parties and their overall litigation strategy.

PTAB's Guidance Post-*SAS Institute*

The PTAB issued its *Guidance on the Impact of SAS on AIA Trial Proceedings* just two days after the Supreme Court's decision.⁶ Although the *SAS Institute* Court held that the PTAB's final written decisions must address the patentability of all of the *claims* challenged by the petitioner, the PTAB will go further. In this Guidance, the PTAB announced that it will institute review of all claims *and grounds*, or deny institution completely.⁷

For pending cases, the PTAB will supplement institution decisions if needed, adding any denied claims and grounds back into the instituted proceeding.⁸ The parties should meet and confer to determine what, if any, additional briefing, argument, and schedule adjustments are necessary or desired. After resolving as many of these issues as they can on their own, the parties should seek a conference call with the PTAB to propose a path forward and discuss any remaining issues. The panel will decide on a case-by-case basis whether to grant any additional briefing, discovery, oral argument, and schedule adjustments. The panel may grant an extension to the statutory 12-month schedule, if warranted.⁹

The PTAB's final written decisions will address all patent claims "still pending at the time of the decision."¹⁰ The Guidance does not require the PTAB to address all grounds in its final written decision. This gives a panel discretion to find a claim unpatentable on only some of the petitioner's grounds and decline to reach the others. However, final written decisions will almost certainly address all of a petitioner's proposed grounds before declaring that the petitioner failed to meet its burden to demonstrate unpatentability.

As explained in this earlier [Client Alert](#), these changes will likely increase the PTAB's importance. The PTAB will now function more as an *alternative* venue for validity, as opposed to a *supplemental* venue, because it will fully grant (or completely deny) institution and reach all of the challenged claims. In addition, fully instituted petitions should increase the likelihood of obtaining a stay of concurrent district-court litigation. Consequently, petitioner/defendants should carefully evaluate which venue provides them with the best chance of success for validity challenges that rely on prior-art patents and publications.

Petitioner and Patent Owner Strategies Post-*SAS Institute*

Petitioner and patent-owner strategies evolved rapidly during the first few years of AIA proceedings. *SAS Institute* has created another time of rapid change as the parties and the PTAB learn to operate within a new framework. In addition, each party will need to place a stronger emphasis on a well-coordinated PTAB, district court, and Federal Circuit strategy.

The stakes at the PTAB are higher for both parties after *SAS Institute* and the PTAB's Guidance. Petitioners can no longer overload a petition, hoping that one of many briefly explained grounds will resonate with the PTAB panel and that the denied grounds will be insulated from the IPR estoppel. The PTAB will no longer partially institute such a kitchen-sink petition; it will institute review of all of the claims and grounds, or none. Consequently, a PTAB panel faced with an overloaded petition may simply exercise its statutory discretion and deny institution.¹¹ Alternatively (and perhaps worse for the petitioner), the panel may find that one marginal ground warrants institution, but after a full proceeding, confirm the validity of all (or some) of the asserted claims in its final written decision — saddling the petitioner/defendant with a broad estoppel in district court.

In addition to avoiding these unfavorable results, petitioners will benefit in other ways by focusing each petition on a limited number of fully explained grounds targeting a reasonable number of claims. An instituted IPR is more likely to substantially simplify concurrent district-court litigation, so the petitioner

should find obtaining a stay easier. Further, a petitioner may now obtain judicial review of what would have been denied grounds or claims in a partial institution.

Patent owners also need to adjust their tactics post-*SAS Institute*. A patent owner can no longer focus its preliminary response solely on the petitioner's weakest challenges to simplify the instituted proceeding or extract a few asserted claims and allow the infringement suit to proceed on just those claims. *SAS Institute* forecloses such tactics because the PTAB will institute on all claims and grounds even if the petition has only one meritorious challenge against one claim.¹²

Indeed, patent owners need to evaluate the advantages and disadvantages of filing the optional preliminary response. Depending on the circumstances, a patent owner may be better served by saving its best arguments for its full response after institution.¹³ By waiting, the patent owner will have an opportunity to cross-examine the petitioner's expert. The patent owner may also benefit from significant fact discovery and the parties' solidified contentions in district court, and unlike a decision denying institution, a victory in a final decision will invoke the IPR estoppel. On the other hand, waiting will increase the likelihood of a stay of the district-court litigation and a disappointed petitioner will be able to appeal the PTAB's final written decision to the Federal Circuit.

Conclusion

The PTAB practice will evolve rapidly as the parties and the PTAB learn how to operate under this new framework. Petitioners will likely prepare more focused and carefully thought-out petitions to avoid outright denial or broader estoppel. Patent owners will likely reconsider the conventional wisdom for filing preliminary responses, with some choosing to refrain from filing them altogether. In addition, both sides should have a well-coordinated strategy taking into account the whole case: the district court litigation, the new dynamic at the PTAB, and the inevitable appeals to the Federal Circuit.

If you have questions about this *Client Alert*, please contact one of the authors listed below or the Latham lawyer with whom you normally consult:

[Bob Steinberg](#)

bob.steinberg@lw.com
+1.202.637.2301
Washington, D.C.

[Jonathan M. Strang](#)

jonathan.strang@lw.com
+1.202.637.2362
Washington, D.C.

[Lisa K. Nguyen](#)

lisa.nguyen@lw.com
+1.650.470.4848
Silicon Valley

You Might Also Be Interested In

[Supreme Court Rulings Increase the PTAB's Importance](#)

[Why the Patent Trial and Appeal Board Should Fully Decide Instituted Petitions](#)

[Aqua Products Levels the Playing Field at the PTAB](#)

[We've Got Washington Covered](#)

Client Alert is published by Latham & Watkins as a news reporting service to clients and other friends. The information contained in this publication should not be construed as legal advice. Should further analysis or explanation of the subject matter be required, please contact the lawyer with whom you normally consult. The invitation to contact is not a solicitation for legal work under the laws of any jurisdiction in which Latham lawyers are not authorized to practice. A complete list of Latham's *Client Alerts* can be found at www.lw.com. If you wish to update your contact details or customize the information you receive from Latham & Watkins, visit <https://www.sites.lwcommunicate.com/5/178/forms-english/subscribe.asp> to subscribe to the firm's global client mailings program.

Endnotes

-
- ¹ 584 U.S. ___, No. 16-712 (April 24, 2018).
 - ² Although the Supreme Court addressed IPRs in *Oil States* and *SAS Institute*, the same reasoning applies to the other AIA proceedings.
 - ³ 584 U.S. ___, No. 16-969 (April 24, 2018).
 - ⁴ See Latham's previous [Client Alert](#) for a discussion of these cases.

⁵ USPTO, “Guidance on the Impact of SAS in AIA Trial Proceedings,” April 26, 2018, *available at* 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.

⁶ *Id.*

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

¹¹ 35 U.S.C. § 314(a).

¹² USPTO, *supra* note 5. It remains to be seen whether a patent owner might successfully extract enforceable patent claims at the institution stage post-SAS *Institute* by disclaiming the broader claims and demonstrating that the petitioner did not meet its burden with respect to the narrower ones.

¹³ By foregoing a preliminary response, the patent owner does not guarantee institution. By statute, the Board must still satisfy itself that the petitioner demonstrated a likelihood of prevailing on at least one claim. 35 U.S.C. § 314(a).