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# PTAB HIGHLIGHTS

New developments in post-issuance proceedings

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## In IPR, a Patent Owner gets SASsy — With a Bold New Interpretation that the Supreme Court SAS Case Makes for Bad in many IPRs

By the Banner & Witcoff PTAB Group

October 15, 2018 — *Inter partes* reviews (IPRs) are canceling patent claims.<sup>i</sup> The U.S. Supreme Court decided that IPRs are constitutional, in *Oil States*.<sup>ii</sup> Almost immediately, institution of an IPR trial seemed to become easier. In its *SAS* case,<sup>iii</sup> the Court resolved that if the Patent Trial and Appeal Board (PTAB) instituted trial of any part of a petition's challenge, then the whole range of patent claims the petition challenged had to go into the trial together. That is, institution became all or nothing. Two days following the *SAS* decision, the PTAB adopted "Guidance" requiring institution of trial for not only all patent claims but also for all of the petition's grounds of challenge.<sup>iv</sup> Thus the current thinking at the PTAB is that if even a single ground of a petition should be instituted, then all of the grounds in that petition must be instituted.

But not everyone has been pliant on this matter. Indeed, at least one patent owner has read *SAS* to give the PTAB a different obligation in its institution decisions. This different reading is evident in *Delphi Tech's, Inc. v. Microchip Tech., Inc.*, IPR2017-00861, in a request for rehearing.<sup>v</sup>

The petitioner, Delphi, asserted six grounds challenging claims.<sup>vi</sup> Before *SAS*, the PTAB granted institution on two grounds, and denied institution on four other grounds, finding those grounds lacking.<sup>vii</sup> First, it found No. 1 lacking because it did not believe a prior art reference had all limitations of claims such as to support an anticipation challenge. Second, it found Nos. 3, 4, and 5 lacking on reasoning they improperly incorporated by reference material that was essential to the challenges. Third, the PTAB found ground No. 5 to also fail to specify where each element of challenged claims were found in prior art references. Fourth, the PTAB found ground No. 6 to lack sufficient stated detail. Thus, the PTAB declined grounds Nos. 1, 3 (in part), and 4-6 as failing to meet the requirements for institution imposed by 37 C.F.R. § 42.6(a)(3) and 104(b)(4).

After *SAS*, however, and pursuant to the Guidance, the PTAB modified its institution decision to include all patent claims and all grounds Nos. 1-6. That did not sit well with the patent owner, Microchip.

Instead, Microchip requested that the PTAB reconsider. Rather than instituting on all grounds, it argued, the PTAB should have instituted *no* grounds—it should have modified its decision from initiating a trial to a decision *denying all grounds and refusing a trial*. Its theory, it said, was that *SAS* changed some IPR law, but other IPR law did not allow the PTAB to consider IPR petitions that did not meet requirements for petitions. It found “only if” language in the patent statute, 35 U.S. § 312(a), where the statute states an IPR petition “may be considered only if—(1) the petition is accompanied by payment, (2) ... identifies all real parties ... (3) ... identifies ... each claim ... grounds ... and evidence ... (4) ... provides such other information as the Director may require by regulation; and (5) ... provides copies ...” The Delphi petition, Microchip argued, failed 35 U.S. § 312(a)(4) as to grounds Nos. 3 (in part) and 4-6. The petition failed, Microchip argued, to “provide ... information as the Director ... require[d] by regulation.” It failed to provide information required by 37 C.F.R. § 42.6(a)(3) and 104(b)(4). The rehearing request’s source of proof of the failure, the request said, was the institution decision’s own statements that the Delphi petition failed 37 C.F.R. § 42.6(a)(3) and 104(b)(4).

This *SAS*sy—bold and new—argument of this patent owner was considered in the final decision in the IPR. The argument was rejected. The result of the argument may require attention, however, even though the request to reconsider was denied, and *Cuozzo*<sup>viii</sup> bars most appeals from institution decisions. With the request denied, and with significant patent claims canceled, the patent owner may have reason to appeal, perhaps first to the Federal Circuit and then to the Supreme Court, for another interpretation of the IPR law. *Cuozzo* stated that it was emphasizing the narrowness of its conclusion that institution decisions were not appealable. It was not deciding, it said, appeal issues that reached beyond 35 U.S.C. § 314(d),<sup>ix</sup> and Microchip reached beyond § 314(d), to § 312. Microchip will surely have reason to appeal: the petition states the parties are in a patent infringement lawsuit as well as IPR.

If this argument ultimately succeeds, all IPR petitioners may have a bad time in IPRs ahead of them. The PTAB may continue institution practices of stating some grounds fail IPR regulations, which will give other patent owners similar 35 U.S.C. § 312 arguments. Or, the PTAB may change its practices in its institution decisions, and not comment on any patent claims or grounds except those for which it finds compliance, with 35 U.S. § 312(a) and all IPR regulations. That would prevent patent owners from asserting arguments such as the *SAS*sy one, in response to much less expressive institution decisions. But it would *not* prevent patent owners from asserting *SAS*sy arguments, as to any *final* decisions in IPRs that resolved that not all claims could be canceled on all grounds of petitions, because regulations such as 37 C.F.R. § 42.6(a)(3) and 104(b)(4) had not been met.

The upshot is that there may be much more sass to the SAS decision than now known from the decision itself, and from the PTAB's SAS Guidance.

For more information on this or any other PTAB or IPR topic, please contact the author, Charles Shifley, the reviewer, John Harris Curry, or any Banner & Witcoff lawyer.

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<sup>i</sup> PTAB AIA Trial Statistics April 2018 at 11, at [https://www.uspto.gov/sites/default/files/documents/trial\\_statistics\\_20180430.pdf](https://www.uspto.gov/sites/default/files/documents/trial_statistics_20180430.pdf). The institution rate is 62%, meaning that 65% of 62% or 40% of challenged claims are canceled.

<sup>ii</sup> *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, No. No. 16-712, 584 U. S. \_\_\_\_ (2018).

<sup>iii</sup> *SAS Institute Inc. v. Iancu*, 2018 WL 1914661 (U.S. Apr. 24, 2018).

<sup>iv</sup> <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/trials/guidance-impact-sas-aia-trial>

<sup>v</sup> *Delphi Tech's., Inc. v. Microchip Tech., Inc.*, IPR2017-00861 Paper 44 (May 21, 2018).

<sup>vi</sup> *Id.* Paper 1, Petition for *Inter Partes* Review (February 8, 2017).

<sup>vii</sup> *Id.* Paper 14, Decision (August 29, 2017).

<sup>viii</sup> *Cuozzo Speed Techs., LLC v. Lee*, 136 S.Ct. 2131 (2016).

<sup>ix</sup> *Id.* at 2141.