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Federal Circuit Interprets SAS as Applying to Claims and Grounds

Sterne Kessler

STERNE KESSLER GOLDSTEIN & FOX

Federal Circuit Interprets *SAS* as Requiring Institution on all Claims and Grounds and Holds That It Has Jurisdiction to Review the Merits of Partially-Instituted IPRs

By: Pauline M. Pelletier and Jon E. Wright

In the wake of the Supreme Court's decision in *SAS Institute v. Iancu*—which did away with the Patent Trial and Appeal Board's (PTAB) partial-institution practice—parties and the Patent Office alike have been trying to understand the contours of the decision and what it means for post-grant proceedings going forward. A key question is whether *SAS* requires the PTAB to institute on all *grounds*, as well as all claims, addressed in the petition. Taking a conservative approach, the PTAB announced in its April 26, 2018 guidance that, regardless of whether *SAS* strictly requires institution on all grounds, its new practice would be to do so.

The Federal Circuit recently weighed in on this question in *PGS Geophysical AS v. Iancu*, explaining, in what stands to be a broadly influential interpretation, that "[w]e will treat claims and grounds the same in considering the *SAS* issues currently before us." No. 2016-2470, 2018 WL 2727663, (Fed. Cir. June 7, 2018). The opinion in *PGS*, authored by Judge Taranto and joined by Judges Wallach and Stoll, expands on this point: "Equal treatment of claims and grounds for institution purposes has pervasive support in *SAS*. Although 35 U.S.C. § 318(a), the primary statutory ground of decision, speaks only of deciding all challenged and added 'claim[s],' the Supreme Court spoke more broadly when considering other aspects of the statutory regime, and it did so repeatedly." In support, the opinion highlights various statements in *SAS*, including its proclamations that "the petitioner is master of its complaint and normally entitled to judgment on all of the claims it raises," that the statute contemplates a review "guided by a petition," and that the Director does not "get[] to define the contours of the proceeding," rather the "petitioner's petition," not the Director's discretion, "define[s] the scope of the litigation all the way from institution through to conclusion." Having evaluated this language in the Supreme Court's opinion, the Federal Circuit states: "We read those and other similar portions of the *SAS* opinion as interpreting the statute to require a simple yes-or-no institution choice respecting a petition, embracing all challenges included in the petition."

The *PGS* opinion also raises an important practical question: can the PTAB decide the merits of certain challenges in its final decision and then dismiss others as moot? The critical consequence of this, as the Federal Circuit explains, is that challenges dismissed in the PTAB's final decision as moot may be "subject to revival if appellate review of the decided challenges renders the undecided ones no longer moot." Meaning, if the PTAB attempts to lighten its workload by leaving duplicative challenges unresolved, in some situations the Federal Circuit may be forced to remand cases back to the PTAB—potentially multiple times—to address grounds they elected not to address the first time. While this issue was not presented in *PGS*, the Federal Circuit appears to have flagged it for the PTAB and future litigants.

The Federal Circuit's decision in *PGS* also resolved an important jurisdictional question. Specifically, whether the Federal Circuit can even review cases where the final written

decision on appeal violates 35 U.S.C. § 318(a). Following oral arguments in May, the Court ordered supplemental briefing on the following issues: "(i) whether this court has jurisdiction over these appeals under 28 U.S.C. § 1295(a)(4)(A) and (ii) whether the Board's final written decisions should be deemed *ultra vires* in light of *SAS* . . . ." The *PGS* opinion addresses each of these questions in significant detail and concludes that "the existence of non-instituted claims and grounds does not deprive us of jurisdiction to decide PGS's appeals." The opinion reasons that, even if the decisions on appeal violate 35 U.S.C. § 318(a), they are final agency actions properly subject to judicial review by the Court, stating: "Some of what the Board did is now seen to be legally erroneous under *SAS*, but legal error does not mean lack of finality."

In sum, the Federal Circuit's opinion in *PGS* provides significant guidance regarding the scope of the Supreme Court's holding in *SAS*; namely, that the PTAB is obligated to institute on all grounds as well as all claims, consistent with its newly adopted practice. *PGS* also holds that a *SAS*-type defect in a final decision pending on appeal does not necessitate a remand. The Federal Circuit notes, however, that if a party seeks relief under *SAS*—e.g., in the form of a remand for the PTAB to consider claims and grounds that should have been instituted—the Court could consider that request. Indeed, the Court has done so recently in two cases discussed in our Client Alert entitled "SAS Decision's Impact on Pending Appeals from the PTAB."

For more information, please contact:

Pauline M. Pelletier
Associate
ppelletier@sternekessler.com

Jon E. Wright
Director & Co-chair,
Appellate Practice
jwright@sternekessler.com