

Federal Circuit Sheds Some Light on How SAS May Impact Pending Appeals from the PTAB—Court Terminates Appeals of Partially-Instituted IPRs and Remands Back to the PTAB to Consider Non-Instituted Claims and Grounds in Post-SAS Orders



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The patent legal landscape is continuing to develop in the wake of the Supreme Court's recent decision in *SAS Institute v. Iancu*, in which it held that partial institution decisions in *inter partes* review proceedings (IPRs) violate 35 U.S.C. § 318(a). Within the last week, the Federal Circuit issued two non-precedential orders that provide insight into how the Court is, or at least certain judges are, interpreting and will apply SAS in pending appeals. In a nutshell, these orders remanded appeals of partially-instituted IPRs to the Patent Trial and Appeal Board ("PTAB") for further consideration in light of SAS. In one case, the petitioner requested the remand. In the other case, the patent owner requested the remand. Parties to such appeals should take note of these orders and assess whether remand to the PTAB would further their strategic objectives.

First, on May 25, 2018, the Federal Circuit issued a non-precedential order authored by Judge Moore, joined by Judges Wallach and Taranto, in the case of *Ulthera, Inc. v. DermaFocus LLC*, Appeal No. 18-1542. *Ulthera* involved a final decision in an IPR that did not address all challenged claims. The petitioner appealed to the Federal Circuit. Following SAS, the petitioner sought a remand to the PTAB. No briefing had yet been submitted. The patent owner opposed on grounds that a remand would unduly delay the related litigation, where the patent owner had recently sought to lift a stay put in place pending resolution of the IPR. In granting the request for a remand, the panel reasoned: "Under the circumstances of this case, where it is the petitioner who is making the request to remand and no merits briefing has yet occurred, we find that it is the most efficient course of action to remand for the Board to promptly issue a final written decision as to the challenged, but not instituted, claims. Importantly, doing so will ensure later on that there is no dispute or concern in the parallel district court proceedings regarding the scope of estoppel under 35 U.S.C. § 315(e) (2)." ECF. No. 22 at 3. With respect to the stay, the *Ulthera* panel left the issue of undue delay to "the sound discretion of the district court . . ." *Id.*

Then, on May 30, 2018, the Federal Circuit issued a non-precedential order *per curiam* terminating two IPR appeals in the case of *Polaris Industries Inc. v. Arctic Cat, Inc. et al.*, Appeal Nos. 2017-1870, 2017-1871. Patent owner Polaris appealed from two final decisions holding certain claims unpatentable. Below, the PTAB declined to institute review on all claims and grounds. Roughly two weeks after SAS, Polaris moved to dismiss its appeals on grounds that an "immediate remand" was necessary for the PTAB to correct its partial-final decisions in light of SAS. Polaris argued that, under SAS, failure to institute on all claims is a "jurisdictional" defect based on the "finality" requirement for appeals taken from IPRs to the Federal Circuit. Polaris argued that it had not waived the issue because SAS was an intervening change in the law.

Within a week, the Court ordered additional briefing and requested responses from both the petitioner (Arctic Cat) as well as the Solicitor of the Patent Office, who then intervened in the appeals. The Court directed the parties to address: (1) whether a patent owner (as opposed to a petitioner) has the right to seek a remand to the PTAB to resolve the patentability of claims challenged in an IPR petition, but for which review was not instituted; and (2) whether such a right must have been preserved below and/or in the briefing before the Court. Arctic Cat opposed dismissal and remand because Polaris had “prevailed” on its request to have institution denied as to certain claims and grounds and thus had no right to seek institution of those claims on appeal. Arctic Cat also argued that Polaris had waived the argument. The Solicitor similarly opposed based on waiver, arguing that Polaris had not raised the issue before the agency and had thus “forfeited” any right to relief based on *SAS*. The Office took the position, however, that *either* party (a petitioner or a patent owner) has a “right” to seek remand to obtain a decision on non-instituted claims, provided the issue was first raised and preserved before the PTAB.

In a non-precedential order dismissing the appeals, the Federal Circuit held that Polaris was entitled to seek a remand to allow the PTAB to consider the “noninstituted claims and grounds.” ECF No. 68 at 3. The Court explained: “A patent owner has an interest in obtaining a final written decision that addresses all challenged claims and resolves all questions of patentability that might otherwise cloud the perceived validity of its patent. And further, a patent owner benefits from complete decisions because following a final written decision on a claim, the petitioner, its real-parties-in-interest, and those in privity with the petitioner are largely barred from challenging that claim’s validity.” *Id.* The Court concluded that Polaris was justified in seeking remand “to obtain these benefits because the Board’s existing final written decisions do not address all challenged claims *or all grounds.*” *Id.* (emphasis added). The Court then addressed the parties’ waiver arguments and concluded that *SAS* constituted a “significant change in the law.” *Id.* at 3-4. The Court observed that, prior to the Supreme Court’s decision in *SAS*, “any attempt to argue against partial institution would have been futile under the Board’s regulations and our precedent.” *Id.* at 4. Accordingly, Polaris’s failure to challenge the partial institution decision before the PTAB and in its briefing to the Court was “excused.” *Id.*

While the Court’s May 30, 2018 order in *Polaris Industries* is non-precedential, and thus not binding on future panels, it is significant for three reasons. First, the order clarifies that both petitioners *and* patent owners have a right to seek relief from partial-institution. Second, it suggests that at least some judges are interpreting *SAS* as requiring institution not just on all claims, but on all *grounds* raised in the petition. Third, the Court’s decision on waiver clears the way for other parties who did not argue against partial-institution prior to *SAS* to raise the issue at almost any stage of review (e.g., even after the close of briefing at the Federal Circuit).

We will continue to monitor the Federal Circuit docket closely for developments in this area, including with respect to a series of orders issued by certain panels of the Court on May 4, 2018 requesting additional briefing on appellate jurisdictional issues implicated by *SAS*. Decisions in these cases may provide more guidance to parties as to how best to further their strategic objectives. We will provide additional client alerts as decisions in these cases issue.

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