

Checking In On SAS Institute 6 Months Later

By **Matthew Bultman**

Law360 (November 30, 2018, 8:03 PM EST) -- Six months after the U.S. Supreme Court put an end to the Patent Trial and Appeal Board's ability to pick what claims it examines in America Invents Act reviews, the dust has begun to settle, providing a picture of what life looks like after SAS Institute.

The court in *SAS Institute v. Iancu* ruled that if the PTAB plans to scrutinize a patent in an AIA review, it must address all the claims that are challenged in the petition. Following the April ruling, the board said it would also review all the arguments made in the petition.

There were a number of questions — and predictions — about how litigants, courts and the PTAB would respond to the ruling. Here's a look at how some of the biggest issues have been playing out.

Institution Rates

Under the old system, in which the PTAB could pick and choose which claims it wanted to review, it wasn't unusual for the board to examine only a subset of the challenged claims. Almost **20 percent of cases** pending when SAS Institute was decided were partial institutions of review.

With the PTAB now required to take an all-or-nothing approach, some wondered whether the board would begin to exercise its discretion to deny petitions when it finds the overall case is weak, even if some claims were likely invalid.

"Those decisions are starting to percolate up," said Nathan Speed, a shareholder at Wolf Greenfield & Sacks PC.

Earlier this month, for example, the PTAB denied Chevron Oronite Co. LLC's request for review of an Infineum USA LP patent for making oil more slippery. While Chevron challenged 20 patent claims, the board said the company had, at most, shown two were likely invalid.

"Instituting a trial with respect to all 20 claims based on evidence and arguments directed to [two dependent claims] is not an efficient use of the board's time and resources," the board wrote.

Still, there hasn't been a significant drop in the board's rate of institution.

During the first quarter of 2018, in the run-up to the SAS Institute ruling, the PTAB instituted review in

64 percent of cases, according to an analysis by Sterne Kessler Goldstein & Fox PLLC. This was in line with the board's 61 percent institution rate the year before SAS Institute.

Those numbers fell during the summer months, particularly in June, when the board's institution rate for inter partes review was 55 percent, and August, when it was 48 percent, Sterne Kessler found. These rates have since rebounded, hovering between 60 and 63 percent between the months of September and November.

Michael Specht, the co-chair of the patent office litigation practice at Sterne Kessler, said part of the reason for the upswing may be that challengers have become more selective, not only about which patents they challenge at the PTAB, but also the claims they challenge.

"I think, in general, it's critical for petitioners to get it right the first time," he said. "You see that where petitioners are putting in a lot more effort, generally speaking, to make sure that they have a really solid petition, which may be one reason why you start to see institution rates go up a little bit."

Analysis in Institutions

Another question was what level of analysis the PTAB would provide in its institution decisions.

PTAB judges have said they're **not required** to look at every challenged claim when deciding whether to institute review; analyzing one is enough. Many wondered how often the board would go this route and issue shorter decisions in an effort to offset the heavier workload as a result of SAS Institute.

The answer: It hasn't been all that often.

Fish & Richardson PC examined almost 370 decisions instituting IPR since the SAS Institute ruling. Just 23 percent have analyzed only a single claim. The other 77 percent have provided a more full analysis of the claims and arguments.

That number is even higher in recent months. Since July, the PTAB has analyzed more than one claim in 82 percent of its decisions to institute IPR.

"The trend is in fact going more toward the full analysis," Michael Hawkins, a principal at Fish & Richardson, said.

Attorneys say detailed institution decisions can be helpful in understanding what the board thinks are key issues in the case and what it sees as the strengths or weaknesses of a challenge. But it can also raise some strategic questions for patent owners and petitioners.

For example, if the board in its initial review appears skeptical that a particular claim will be shown to be invalid, how much time does the petitioner spend at trial trying to change the board's mind? Would it be better served focusing on arguments the board found to be stronger?

"The board is, again, showing a trend toward providing a full analysis and shedding light and helping the parties. But now there is some interesting internal strategy that is happening both on the patent owner side and the petitioner side when you're dealing with this," Hawkins said.

District Court Stays

The vast majority of patents involved in AIA reviews are also involved in district court litigation.

The prevailing wisdom after SAS Institute was that judges would be more likely to put an infringement case on hold when the patent has been challenged at the PTAB, knowing the board would decide the validity of all challenged claims if it decides any.

Although there have been a handful of examples where SAS Institute was a factor in a judge's decision to pause a case, it could take time before any broad trends emerge, according to Tasha Francis, an attorney at Fish & Richardson who has tracked stays in litigation.

"I think courts are still trying to deal with the repercussions of the SAS decision," Francis said.

Courts have different tendencies when it comes to pausing litigation while the PTAB reviews a patent. What SAS Institute may have done, according to Speed, is give judges already inclined to issue stays a new reason to do so even before an institution decision, which in the past has been rare.

One example was a May decision from a judge in California that put on hold an infringement case Wi-Lan Inc. brought against LG Electronics Inc. until the PTAB decided whether to institute review on LG's challenges to the patents.

"While review is not guaranteed ... in light of the Supreme Court's mandate to review all contested claims upon grant of [inter partes review] and the complexity of this case, the court finds [the simplification of issues] weighs in favor of a limited stay of proceedings until the [PTAB] issues its decisions on whether to institute IPR," the judge wrote in his decision.

Accused infringers were given additional ammunition for their stay requests earlier this month when the PTAB changed its claim construction standard to the one used in district court. Looking ahead, the alignment of standards combined with SAS Institute could make stays more favorable for courts.

"Having the PTAB apply the [same] claim construction standard, as a petitioner it becomes much easier to say that the PTAB proceeding is going to resolve many issues that would otherwise be in the litigation," Speed said.

Patent Owner Preliminary Responses

Before the PTAB decides whether to institute review, patent owners can file what is known as a preliminary response, responding to arguments in the petition.

In the past, patent owners had plenty of incentive to file this type of response. Even if review were instituted, there was a chance they could save some claims from review. But once SAS Institute took partial institutions off the table, the value of filing this response was questioned.

The thinking was that, as a patent owner, unless you're confident that you can defeat review entirely, why spend the money filing an initial response and show your cards?

Six months later, patent owners don't appear to have lost their appetite for preliminary responses, or POPRs. In fact, it's the opposite.

“Patent owners have been more interested as a result of SAS to actually provide POPRs, which is kind of interesting,” Latham & Watkins LLP partner Bob Steinberg said.

This is especially true for those whose patents are involved in parallel district court litigation.

Without a response from the patent owners, the chance the PTAB institutes review is extremely high. Steinberg said that can bolster an accused infringer’s argument that the district court litigation should be stayed even before an institution decision.

“If they don’t file [a POPR] and there’s a parallel litigation, that’ll work its way into an argument for a pre-institution stay,” he said.

What has changed about POPRs, some attorneys said, is the content.

Hawkins used the scenario of a petition that has a strong challenge to an independent claim but is weak with respect to dependent claims. Independent claims are broader and able to stand alone, while dependent claims are more narrow and refer back to, and depend upon, another claim.

Post-SAS, patent owners who think IPR could be instituted based on the independent claim may be inclined to leave arguments about the dependent claims out of their initial response, keeping those positions under wraps until later in the proceeding.

“There’s almost no incentive to show your cards as to why you are strong on several dependent claims if the board, for the most, once they’ve considered the independent claims they don’t need to go any further,” Hawkins said.

--Editing by Kelly Duncan and Alanna Weissman.