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PATENT

Scope of patent review, deference at issue before Supreme Court

By Patrick H.J. Hughes

The U.S. Supreme Court grilled software developer SAS Institute Inc. and the U.S. Patent and Trademark Office over the scope of inter partes review proceedings, and intellectual property experts have told Thomson Reuters how they thought the oral argument went.

SAS Institute Inc. v. Matal et al., No. 16-969, oral argument held, 2017 WL 5680366 (U.S. Nov. 27, 2017).

SAS argued that the Patent Act's language requires the Patent Trial and Appeal Board to review every challenged part of a patent during an IPR — a patent-review process established under the America Invents Act of 2011.

SAS had asked the court to determine how Section 318(a) of the Patent Act, 35 U.S.C.A. § 318(a), which says the PTAB "shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner," limits an IPR proceeding.

The crux of the dispute is whether Section 318(a) requires the PTAB to issue final decisions only for



U.S. Supreme Court building

REUTERS/Gary Cameron

those claims upon which it institutes IPRs, rather than all claims raised by the petitioner.

Douglas Sharrott, an IP attorney at Fitzpatrick Cella Harper & Scinto who was not involved in the

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EXPERT ANALYSIS

Taming the uncertainty of ad hoc procedures in PTAB remand proceedings

Perkins Coie attorneys Bing Ai and Patrick McKeever discuss what happens when the Federal Circuit remands a dispute for the Patent Trial and Appeal Board to resolve.

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EXPERT ANALYSIS

When final is not so final: Strategies for overcoming final rejections

Emily Miao and Alyaman Amin Amer of McDonnell Boehnen Hulbert & Berghoff discuss options patent applicants can take following a rejection at the U.S. Patent and Trademark Office.

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Supreme Court

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case, said the oral argument indicated the justices will find Section 318(a) is ambiguous.

Quoting Justice Stephen Breyer, Sharrott said if that is the case, the “very practical way to construe [Section 318(a)] is to permit review on a claim-by-claim basis and a final written decision on only the instituted claims, as [is] presently done under the USPTO’s discretionary rulemaking authority.”

David Silverstein, an IP attorney with Axinn, Veltrop & Harkrider, agreed that the high court’s decision likely would not affect the



Fitzpatrick Cella Harper & Scinto attorney Douglas Sharrott said the oral argument indicated the justices will find Section 318(a) is ambiguous.

USPTO’s current practice. Silverstein was also not involved in the case.

“Throughout the argument, it was clear that the court has concerns over what they regard as the impracticalities of an all-or-nothing approach to IPRs,” Silverstein said.

Edward Ramage, an attorney at the Nashville office of Baker Donelson Bearman Caldwell & Berkowitz, predicted the justices will make some sort of compromise, “perhaps with changes in the IPR process,” he said.

“If this happens, the decision in *SAS Institute* becomes vastly more important since it can be the vehicle for compelling some of those changes,” Ramage said. He was not involved in the case.

GETTING TO THE SUPREME COURT

SAS’ case before the Supreme Court stems from its dispute with ComplementSoft



“It was clear that the court has concerns over what they regard as the impracticalities of an all-or-nothing approach to IPRs,” Axinn, Veltrop & Harkrider attorney David Silverstein said.

LLC, the exclusive assignee of U.S. Patent No. 7,110,936, a system for generating and maintaining software code.

When ComplementSoft accused SAS of infringement, SAS petitioned to have all claims of the ‘936 patent subjected to an IPR proceeding.

The PTAB agreed to review some, but not all 16, of the claims challenged in SAS’ petition.

The PTAB found all but one of the claims it reviewed unpatentable. *SAS Inst. v. ComplementSoft LLC*, No. IPR2013-226, 2014 WL 3885937 (P.T.A.B. Aug. 6, 2014).



Baker Donelson Bearman Caldwell & Berkowitz attorney Edward Ramage predicted the justices will make some sort of compromise.

On appeal, the U.S. Court of Appeals for the Federal Circuit rejected SAS’ argument that the PTAB’s final decision should have addressed the validity of all the claims. *SAS Inst. v. ComplementSoft LLC*, 825 F.3d 1341 (Fed. Cir. 2016).

The high court agreed to resolve the dispute last May.



Barnes & Thornburg attorney Jeff Kelsey noted that while the *Chevron* doctrine was discussed prominently in SAS’ briefs, it was mentioned infrequently during oral argument.

DEFERENCE

In its opening brief SAS argued that the PTAB’s “partial-decision practice” should not be entitled to deference under the *Chevron* doctrine.

The doctrine, which stems from the high court’s ruling in *Chevron USA Inc. v. Natural Resources Defense Council Inc.*, 467 U.S. 837 (1984), requires judges to defer to an administrative agency’s interpretation of ambiguous statutory terms where the agency’s interpretation is reasonable.

SAS’ brief noted that *Chevron* deference has come under fire from those who think the ruling allows executive bureaucracies to unconstitutionally “swallow” up the other branches of government.

In its response brief the federal government defended the PTAB’s IPR procedures, saying every aspect of an IPR is “claim-specific.”

The Patent Act “does not address the scope of review the USPTO must institute, and it is best read to require only that final decisions must address the claims the USPTO has agreed to review,” the government said.

ORAL ARGUMENT

Barnes & Thornburg attorney Jeff Kelsey, based in Indianapolis, said that while the *Chevron* doctrine was discussed prominently in SAS' briefs, it was mentioned infrequently during oral argument.

"Several of the justices noted the broad discretion given to the PTAB regarding the institution of [IPRs], and they questioned whether it was reasonable to believe that, in this one area, the PTAB has no discretion and must address any and all of claims raised by the petitioner," Kelsey said. He was not involved in the case.

SAS argued that the USPTO's IPR processes are confined to the scope described in Section 311(b) of the Patent Act, which says an IPR petition "may request to cancel

as unpatentable one or more claims of a patent."

SAS' petition challenged all 16 claims of the '936 patent. SAS told the court it deserved "a final written decision" for each.

Justice Sonia Sotomayor questioned SAS' position.

"You could have chosen to challenge four and still gone back to district court and challenged all 16 in district court," she said.

Justice Elena Kagan emphasized that the Patent Act gives the PTAB certain discretionary power.

"It says you never have to institute; it's your choice whether to institute ... so it's a little bit odd to say, 'well, here's the one thing you don't have discretion over when it comes to institution,'" Justice Kagan said.

The Supreme Court is scheduled to make a ruling by June. [WJ](#)

Attorneys:

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Respondents: Nathan K. Kelley, U.S. Patent and Trademark Office, Alexandria, VA; Michael Kanovitz and Matthew V. Topic, Loevy & Loevy, Chicago, IL

Related Filings:

Oral argument: 2017 WL 5680366
ComplementSoft's brief: 2017 WL 3948186
Respondent's brief: 2017 WL 3948437
Petitioner's brief: 2017 WL 3098282
Federal Circuit opinion: 825 F.3d 1341
PTAB decision: 2014 WL 3885937

See Document Section A (P. 21) for the oral argument.

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