

THE SUPREME COURT'S SAS DECISION: HAS ALL-OR-NOTHING INSTITUTION CREATED A WAVE OF CHANGE?



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When the U.S. Supreme Court decided *SAS Institute Inc. v. Iancu* in the spring of 2018, it held that the Patent Trial and Appeal Board must institute *inter partes* review on either all claims raised in a petition or none of them. The ruling triggered anticipation of a major shift in the Board’s approach to institution of *inter partes* review.

Did the expected wave of change occur?

To find out, we conducted original research into the impact of *SAS*. In the following analysis, we separate the hype from reality and consider the implications for *inter partes* review practice.

THE SUPREME COURT'S SAS DECISION: HAS ALL-OR-NOTHING INSTITUTION CREATED A WAVE OF CHANGE?

In April 2018, the U.S. Supreme Court held in *SAS Institute Inc. v. Iancu* that the Patent Trial and Appeal Board (Board or PTAB) must institute *inter partes* review (IPR) on either all claims raised in a petition or none of them.[1]

In interpreting the mandate for the Board to “issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner,” the Supreme Court ruled that the “Board *must* address *every* claim the petitioner has challenged.”[2] In other words, “[r]ather than contemplate claim-by-claim institution,” the statute “anticipates a regime where a reasonable prospect of success on a single claim justifies review of all.”[3]

Prior to the SAS ruling, the Board often adopted a piecemeal approach, instituting review on some claims while denying review on others. Now that approach is no longer an option. In guidance issued after the Supreme Court’s ruling, the Board clarified that it “will institute as to all claims or none.”[4]

Institution Rates Before and After SAS

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Some speculated the Board would seize on language from the Supreme Court’s opinion and grant institution after finding a single ground or claim having a “reasonable likelihood” of success without addressing the remaining grounds or claims. Doing so would lighten the Board’s burden and remain true to the Supreme Court’s instructions.

Others predicted that institution rates might decline because the Board would elect to deny petitions liberally where weak grounds outnumbered stronger ones, which would also conserve the Board’s time and resources.

In practice, however, the Board’s post-SAS approach to institution has remained much the same as before, except in certain narrow circumstances. The SAS decision has not caused the sea change that many expected.

As a general matter, institution rates have increased only slightly since the SAS decision. Statistics published by the U.S. Patent and Trademark Office indicate that institution rates since the inception of IPRs and other similar proceedings for challenging a patent have steadily declined.[5] For example, the

institution rate for petitions decided by the Board in fiscal year 2015 was 68%. That rate declined to 60% in fiscal year 2018.[6] In fiscal year 2019, which began several months after the Supreme Court issued the SAS decision, the institution rate increased to 64%, as of the end of April 2019.[7] Thus, SAS did not create a wild swing in institution rates either way, although the decision may have generally encouraged the Board to institute, which reversed the long decline in institution rates.

64%

FISCAL YEAR 2019 INSTITUTION RATE (as of April 2019)

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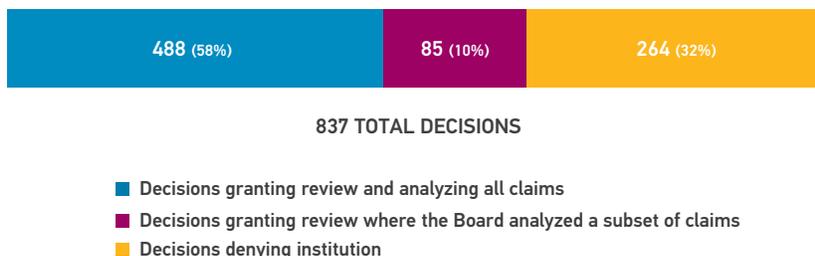
Detailed Data on the Impact of SAS

To tease out other trends and themes from Board institution decisions issued since SAS, we collected and analyzed hundreds of decisions.

First, we searched Lex Machina’s decision database for IPR proceedings to identify Board institution decisions issued between April 25, 2018—the day after the Supreme Court decided SAS—and February 20, 2019. That search returned a total of 837 decisions (excluding joinder decisions).

Next, we analyzed those decisions to determine whether the Board granted or denied institution and to understand how the Board approached institution, including whether it addressed all, or fewer than all, grounds and claims in the decision. The graph below shows the overall results of the analysis.

POST SAS INSTITUTION AND SCOPE OF ANALYSIS



In 264 of the 837 decisions, the Board denied institution; in the remaining 573 decisions, the Board instituted review. The institution rate based on these data is 68.5%, slightly higher than the 64% rate calculated by the Patent Office for fiscal year 2019 through the end of April. Where the Board instituted review, our analysis revealed that the Board considered all grounds and claims in 488 of 573 decisions. Conversely, the Board addressed only a subset of grounds or claims in 85 of those 573 decisions.

Implications for IPR Practice

Our analysis yielded observations relevant for practitioners involved in IPR proceedings.

1. Since SAS, the Board has largely continued to analyze all grounds and claims raised in a petition. In doing so, even though the Board institutes on either all grounds or none, it has signaled to petitioners when their arguments do not meet the “reasonable likelihood” standard for proving

unpatentability in an IPR.[8] That gives petitioners some indication that they are unlikely to succeed, or at least that they face an uphill battle, in showing unpatentability during the trial phase of the IPR.

2. Occasionally, the Board has taken the liberty to analyze only a subset of petitioners' arguments while ultimately granting institution on all claims.
3. The Supreme Court's guidance on institution has spurred the Board to deny institution in rare circumstances where most of the challenged grounds do not meet the "reasonable likelihood" standard and far outweigh others that do.

Overall, despite the hype and speculation following the decision, SAS does not appear to have radically shifted the Board's approach to analyzing grounds and claims for institution. Although the Board is now more likely to institute than before SAS, it uses the "reasonable likelihood" standard to point out to petitioners where their arguments are likely to fail during the IPR trial.

Analysis of All Claims and Grounds Remains the Norm

The Board's current claim-specific analysis during the institution phase is largely consistent with its pre-SAS approach.

As described briefly above, approximately 85% of post-SAS Board decisions granting institution continued to analyze all grounds and claims raised in the petition (488 of 573 decisions granting institution). This indicates that, despite SAS describing institution based on a single claim, the Board typically applies its pre-SAS approach of analyzing all grounds and claims.

Moreover, the Board often uses the "reasonable likelihood" standard to provide petitioners with an indication of their chances of eventual success on each ground and claim raised. For example, in IPR2018-00479, petitioner asserted three grounds of unpatentability. The Board determined that petitioner demonstrated a reasonable likelihood of success for two of those grounds. With respect to the third ground, however, the Board stated that "Patent Owner's arguments and [expert] testimony cast some doubt on certain elements of Petitioner's analysis." [9] The Board nevertheless instituted on all grounds because SAS required it to do so. [10] This example is typical of other cases where the Board identified grounds or claims that seemed questionable or failed to meet the "reasonable likelihood" standard, but the Board instituted review anyway in compliance with the Supreme Court's instructions in SAS.

Despite SAS describing institution based on a single claim, the Board typically applies its pre-SAS approach of analyzing all grounds and claims.

As shown in the "Decisions Granting Review: With and Without Doubts" graph below, of the 488 Board decisions granting institution that addressed all grounds and claims, nearly 30% (143) included statements by the Board that it had doubts about some arguments or that some arguments did not meet the "reasonable likelihood" standard.

DECISIONS GRANTING REVIEW: WITH AND WITHOUT DOUBTS



In practice, the Board’s institution decisions have remained much the same as they were before *SAS*, insofar as they find a reasonable likelihood of success on some grounds and claims but not on others. Ultimately, *SAS* may have simply changed the form of the Board’s ruling. Before, the Board could partially deny institution on claims that did not meet the “reasonable likelihood” standard. Now, if the petitioner shows a “reasonable likelihood” of success for at least one claim challenged in a petition, the Board must institute. But the Board still tells the petitioner where arguments are wanting and therefore unlikely to succeed at trial.

It remains to be seen how frequently the Board might change its mind on these preliminary assessments when issuing final written decisions at the end of trial. In any event, the Board’s institution decision provides petitioners with at least a rough idea of which claims are likely to succeed and which are not. That indication might affect trial preparation and strategy, including whether to devote time and resources to grounds or claims about which the Board seems skeptical.

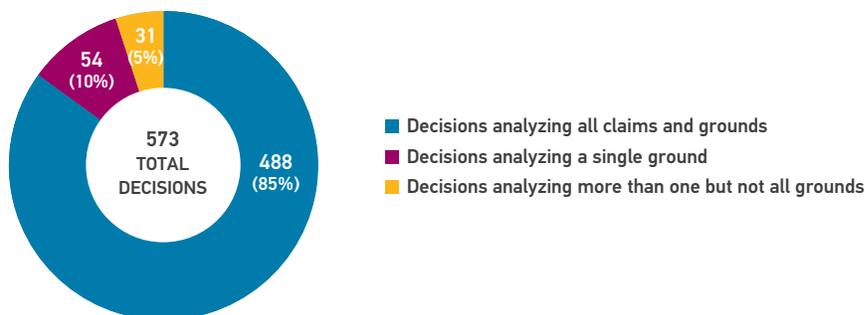
Sometimes the Board Reviews Fewer Than All Claims

Notwithstanding the general trend described above, the institution decision data also include examples where the Board reviews a subset of claims challenged in a petition (perhaps only one) and then concludes its analysis. The *SAS* decision and its all-or-nothing approach to institution offer cover to the Board when pursuing this strategy, which decreases review burden and increases efficiency. Based on the Supreme Court’s opinion, the Board can review a subset of the challenged claims, find that the petitioner carried its burden on that subset, and then institute on all grounds and claims.

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As described above and illustrated below in the “Decisions Granting Review: Scope of Grounds Reviewed” graph, in roughly 15% of the trials instituted during the relevant time frame (85 out of a total of 573 decisions granting institution), the Board instituted review despite analyzing only a subset of grounds or claims. In approximately two-thirds of those decisions (54 out of 85), the Board instituted review after expressly reviewing only a single ground or claim to determine that the petitioner was likely to succeed.

DECISIONS GRANTING REVIEW: SCOPE OF GROUNDS REVIEWED



One example of single-claim review is IPR2018-01053.[11] There, petitioner Moen filed a petition requesting IPR of claims 7-16 of a patent. Patent owner Kohler disclaimed claims 7 and 8, leaving claims 9-16 for analysis. Moen asserted that claims 9-16 were obvious over the Lu and Bors references. The petition included a claim-by-claim, and limitation-by-limitation, comparison of the prior art references to the claims of the challenged patent. The Board proceeded to analyze Moen’s unpatentability arguments for just claim 9, noting that Kohler did not substantively respond to those arguments.[12]

The Board concluded that Moen “established that there is a reasonable likelihood that [it] would prevail in challenging claim 9.”[13] The Board then instituted IPR of claims 9-16 on the obviousness ground without examining any additional claims.

In sum, it is relatively uncommon for the Board to analyze a subset of grounds or claims when deciding to institute review—the Board applied that approach in about one out of every six decisions to institute in the applicable data set. To account for that possibility, it makes sense for petitioners to lead with claims where the arguments are most likely to meet the “reasonable likelihood” standard. Doing so may convince the Board that it need look no further before deciding to institute. In that case, petitioners might avoid unhelpful statements from the Board in the institution decision stating that other arguments do not meet the “reasonable likelihood” standard, instead leaving that determination for trial.

Good Arguments for Relatively Few Grounds or Claims Cannot Save an Otherwise Doomed Petition

While the Board has been true to the SAS directive, it has also indicated that SAS cannot save a petition that fails to show a reasonable likelihood of success for most claims. In particular, the Board recently designated as informative two decisions where it denied institution as an inefficient use of resources because a large proportion of the challenges were unlikely to succeed:

IPR2018-00923: In this case, the petitioner argued that 20 claims were unpatentable over the prior art. The Board found the petitioner had demonstrated “at most, a reasonable likelihood of prevailing with respect to two dependent claims.”[14] The Board denied the petition, concluding that “instituting a trial with respect to all twenty challenged claims based on evidence and argument directed to dependent claims 3 and 4 is not an efficient use of the Board’s time and resources.”[15]

Key Tip

- > It makes sense for petitioners to lead with claims where the arguments are most likely to meet the “reasonable likelihood” standard.

IPR2018-01310: In this challenge, the petitioner contended that 23 claims were unpatentable based on four asserted grounds. After analyzing the asserted grounds, the Board denied the petition, finding that the petitioner demonstrated “a reasonable likelihood of success with respect to only two claims on one asserted ground.”[16] As it did in IPR2018-00923, the Board concluded that “instituting a trial with respect to all twenty-three claims and on all four grounds based on evidence and arguments directed to only two claims and one ground would not be an efficient use of the Board’s time and resources.”[17]

These cases illustrate that, despite the Board’s general propensity to follow the letter of *SAS* and institute on all claims and all grounds, it can deviate from that general rule. When a petitioner fails to meet its burden on the vast majority of the grounds and claims raised, the Board may exercise its discretion to deny institution, rather than blindly applying *SAS*. But the circumstances must be relatively extreme for the Board to adopt this approach. As demonstrated by the large number of decisions where the Board institutes review despite noting there are grounds unlikely to succeed, a small number of problematic arguments will not render a petition fatally infirm. The informative decisions described above suggest a potential rule of thumb of 10%. That is, the Board is likely to deny the petition where no more than 10% of the grounds are likely to succeed. Practitioners should take note that weaker arguments are not likely to lead to denial so long as stronger arguments predominate.

Conclusion: The Ripple Effect of *SAS* on IPR Practice

Based on our review of post-*SAS* institution decisions, the Board, in following the Supreme Court’s instructions, has typically continued to provide petitioners with detailed analyses of each of the asserted grounds. That might include an indication that the Board believes that some grounds do not meet the “reasonable likelihood” standard for IPRs.

The Board’s prevalent approach provides petitioners with an opportunity to adapt their IPR strategy. They can attempt to convince the Board on reply that any initial negative findings may not have been warranted. Or they might choose to focus on the arguments the Board found more persuasive during the institution phase.

The Board’s opinions might also be useful for petitioners and patent owners alike when considering settlement, because they provide an overview of the Board’s thinking on the merits early in the case, much as partial institution decisions did before the advent of *SAS*. The data also show that the Board may institute review after evaluating only a subset of claims; petitioners should organize their arguments accordingly.

Finally, the Board’s recent informative opinions serve as cautionary tales to petitioners: *SAS*’s all-or-nothing approach does not ensure institution where numerous weak grounds crowd out a few stronger ones. On the other hand, that imbalance must be severe to push the Board toward non-institution, and a minority of weaker arguments will not lead to denial, a fact that might encourage petitioners to take some risks.

Our analysis indicates that while the *SAS* decision changed the form of the Board’s institution practice, the substance is largely the same. The Supreme Court’s directive has not prevented the Board from



Key Tip

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continuing to provide practitioners with an early view into the Board's thinking on all claims. Knowing the subtle effects the Supreme Court's decision has had on Board institution practice gives practitioners the chance to alter their strategy and tactics to achieve the desired outcome, whether institution or denial.

This article was co-written by Perkins Coie attorneys Tyler R. Bowen and Emily J. Greb. They were assisted by firm colleagues Gene W. Lee, Bryan D. Beel and Maria A. Stubbings.

ENDNOTES

- [1] *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1359–60 (2018).
- [2] 35 U.S.C. § 318(a); *SAS Inst.*, 138 S. Ct. at 1354.
- [3] *SAS Inst.*, 138 S. Ct. at 1356.
- [4] *Guidance on the impact of SAS on AIA trial proceedings*, USPTO (Apr. 26, 2018), <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/trials/guidance-impact-sas-aia-trial>.
- [5] *Trial Statistics, IPR, PGR, CBM*, Patent Trial & Appeal Board (Apr. 2019) (“Board Trial Statistics”), at 6, https://www.uspto.gov/sites/default/files/documents/trial_statistics_apr_2019.pdf.
- [6] *Id.*
- [7] *Id.*
- [8] 35 U.S.C. § 314(a).
- [9] IPR2018-00479, Paper 7 at 16–17 (P.T.A.B. Aug. 8, 2018).
- [10] *Id.* at 27–28 (“In light of SAS, the USPTO Guidance, and our above-described determination that Petitioner has met its burden [as to another ground], we . . . determine that it is appropriate to institute *inter partes* review with respect to [this] challenge.”).
- [11] IPR2018-01053, Paper 7 (P.T.A.B. Aug. 13, 2018).
- [12] *Id.* at 7–14.
- [13] *Id.* at 14.
- [14] IPR2018-00923, Paper 9 at 11 (P.T.A.B. Nov. 7, 2018).
- [15] *Id.*
- [16] IPR2018-01310, Paper 7 at 43 (P.T.A.B. Jan. 24, 2019).
- [17] *Id.*

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