



# Supreme Court Strikes Down “Partial” Administrative Reviews of Patent Claims

May 23, 2018

In *SAS Institute, Inc. v. Iancu*, the U.S. Supreme Court concluded that the Director of the U.S. Patent and Trademark Office (USPTO) has no authority to limit administrative review of previously issued patent claims to only some of the claims challenged by a private party. The Court held that once the USPTO Director (Director) chooses to institute an “inter partes review” (IPR) of patent claims, he must decide the patentability of *all* claims challenged in the private party’s original petition requesting IPR. This Sidebar discusses the case’s background, the Court’s decision, and its implications for the patent system.

## Background

A patent is a type of intellectual property [granted by the federal government](#) pursuant to Congress’s [constitutional authority to promote and reward scientific and technological progress](#). Patents offer individuals, companies, and institutions economic incentives to engage in research and development activities that may lead to innovative designs and processes. Patent holders enjoy an exclusive [right to exclude others](#) from making, using, offering for sale, or selling their invention throughout the United States, or importing the invention into the United States, for a [limited period of time](#), during which they may try to recoup their investments through use of the invention, [sale of licenses, and collection of royalty payments](#). In exchange for this monopoly, patent holders must publicly share their discoveries and creations; such disclosure [may “stimulate further innovation” and permits the public to use the invention upon expiration of the patent](#).

The [Patent Act](#) charges the USPTO with the [responsibility for granting and issuing patents](#). Inventors are entitled to a patent if USPTO examiners believe their invention satisfies statutory patentability standards. Specifically, the new invention must be (1) [patentable subject matter](#) (a “process, machine, manufacture, or composition of matter”) and (2) [novel, nonobvious, and useful](#). An application for a patent consists of two primary parts: (1) a [“specification,”](#) which is a written description of the invention that would enable a person skilled in the particular technology field to make or use the invention, and (2) one or more [“claims”](#) that describe the parameters of the subject matter that the applicant considers his invention or discovery and [define the scope of their patent rights](#).

**Inter Partes Review.** Although issued patents are [presumed to be valid](#), the public [may challenge their validity](#) either in litigation (as an [affirmative defense](#) or [counterclaim](#) when sued for patent infringement,

Congressional Research Service

<https://crsreports.congress.gov>

LSB10137

or in a [declaratory judgment action](#)) or request a review of the validity of patent claims in one of several [administrative proceedings](#) conducted by an adjudicatory body within the USPTO called the Patent Trial and Appeal Board (PTAB). During “[inter partes review](#),” the PTAB [has the authority](#) to reexamine and possibly cancel a patent claim that the USPTO had previously granted. An IPR may be instituted after a [petition](#) is filed by “a person who is not the owner of a patent,” and only after “the Director determines that the information presented in the petition . . . shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” The petition may request the cancellation of one or more issued patent claims [on the grounds](#) that they fail to satisfy the patentability standards of novelty and nonobviousness.

If an IPR is instituted, the PTAB must issue a final written decision regarding the patentability of the challenged claims [within a year of the IPR’s commencement](#), with an extension of six months possible for good cause shown. The Director [must then issue a certificate](#) that cancels patent claims determined to be unpatentable; confirms claims determined to be patentable; and incorporates in the patent any new or amended claims determined to be patentable. A party dissatisfied with the PTAB’s final written decision [may appeal](#) to the U.S. Court of Appeals for the Federal Circuit (Federal Circuit).

***Partial Institution of IPR.*** In [August 2012](#), the USPTO [exercised its statutory authority](#) to promulgate regulations establishing and governing IPR. One of these regulations asserts the Director’s power to institute an administrative review as to “[all or some](#)” of the patent claims challenged in the IPR petition, and “on all or some of the grounds of unpatentability asserted for each claim.” (In this context, a “ground” is the basis upon which the petitioner relies for arguing the invalidity of each patent claim.) The practice of “partial institution” of IPR, in which the Director decides to review only certain patent claims challenged in a petition, was the focus of the Supreme Court’s scrutiny in *SAS Institute v. Iancu*.

***Lower Court Litigation.*** In *SAS Institute v. Iancu*, [SAS Institute petitioned for IPR](#) of all sixteen claims of ComplementSoft’s software patent, alleging the patent claims were unpatentable because they were obvious or not novel. Asserting authority under the USPTO’s “partial institution” regulation, the Director agreed to review only nine of the claims challenged in SAS’s petition and denied IPR of the rest. The PTAB issued a final written decision upholding one of the claims and finding the remaining eight to be unpatentable; however, the decision did not address the seven claims that the Director declined to include in the IPR. SAS appealed the PTAB’s decision to the Federal Circuit, arguing that the IPR statute commands the PTAB to decide the validity of every patent claim SAS challenged in its petition. A divided panel of the Federal Circuit [disagreed](#), finding “no statutory requirement” that the PTAB must consider the patentability of all claims raised in an IPR petition, and [construing](#) the IPR statute as “only requir[ing] the Board to address claims as to which review was granted.”

## The Supreme Court’s Decision

By a 5-4 vote, the Court determined that the USPTO Director lacks the statutory authority to “[curate the claims](#)” challenged in an IPR petition. Instead, the Court held that once the Director agrees to institute an IPR, the patentability of *every* claim challenged in the petition *must* be decided in the administrative review proceeding. The Court’s opinion, authored by Justice Gorsuch, concluded that the “[plain text](#)” of the IPR statute—which [states](#) that the PTAB “shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner”—imposes a “nondiscretionary duty” on the Director to resolve the patentability of each and every claim the petitioner has challenged. In support of this interpretation, Justice Gorsuch cited a dictionary definition of the word “any” and Supreme Court precedents regarding the meaning of both “any” and “shall.” In addition, he [observed](#) that the IPR statute does not authorize the Director to institute IPR proceedings on his own. Rather, the Director is authorized to decide “[whether to institute an \[IPR\]](#) . . . pursuant to a petition” filed by a third party, statutory “language [that] indicates [the Director has] [a binary choice](#)—either institute review or don’t.” Finally, the Court reasoned that the statute’s use of the phrase “pursuant to a petition” indicates that the Director must

choose to institute an IPR that is in accordance with, or in conformity to, the petition. Under this statutory interpretation, the Court determined that the Director lacked the authority “to depart from the petition and institute a *different* inter partes review of his own design.”

Justice Gorsuch found further support for the Court’s conclusion by **contrasting** the IPR statute with the statute governing another type of administrative proceeding—**ex parte reexamination**—that allows the Director to investigate a question of patentability “[o]n his own initiative, and any time” he chooses. Compared to the “agency-led, inquisitorial” approach under the ex parte reexamination statute, Congress elected to create a “party-directed, adversarial process” for IPR. Justice Gorsuch **noted** that the ex parte reexamination statute permits “the Director to institute proceedings on a claim-by-claim and ground-by-ground basis,” which is a “known and readily available approach” that Congress did not apply to IPR.

The Court dismissed the policy argument raised **by the Director, and echoed** in the dissenting opinions written by **Justice Ginsburg** and **Justice Breyer**, claiming that partial institution promotes efficiency by allowing the PTAB “to focus on the most promising challenges and avoid spending time and resources on others.” (In contrast, SAS made a policy argument that partial institution creates *inefficiencies* by opening up the possibility that patent claims the Director declines to include in IPR will be litigated in federal court). While acknowledging that “[e]ach side offers plausible reasons why its approach might make for the more efficient policy,” Justice Gorsuch **stated that** “[p]olicy arguments are properly addressed to Congress, not this Court.” Finally, he **rejected** the Director’s assertion that because the IPR statute “is at least ambiguous on the propriety of” partial institution, the Court should defer to the USPTO’s reasonable interpretation of the statute under the *Chevron* framework for judicial review of agency actions. The Court determined that there was “**no uncertainty**” as to the meaning of the IPR statute that would warrant the application of *Chevron* deference to the USPTO’s interpretation. Justice Gorsuch also declined SAS’s suggestion that the Court use this case as an opportunity to abandon *Chevron*, stating that “whether *Chevron* should remain is a question we may leave for another day.”

**Dissenting Opinions.** In her dissenting opinion, Justice Ginsburg **criticized** “the Court’s wooden reading” of the IPR statute that “preclude[s] the Board’s . . . rational way to weed out insubstantial challenges” to patent claims. In a lengthier dissent, Justice Breyer **concluded that** the IPR statute “leaves a gap” after the phrase “any patent claim challenged by the petitioner” that the USPTO has the authority to fill. He noted that the phrase “challenged by the petitioner” could mean either the claims in the petitioner’s initial IPR petition or only the claims that are admitted to the IPR proceeding. Given his stance that the statute contains this ambiguity, Justice Breyer would have **applied the *Chevron* doctrine** and upheld the partial institution regulation as a reasonable exercise of the USPTO’s rulemaking authority under the statute.

## Implementation, Implications, and Potential Impacts

On April 26, 2018, the PTAB issued a preliminary **guidance document** describing how it will implement the requirements of the Supreme Court’s decision. Among other things, the PTAB explained that, in light of the Court’s opinion, it will decide to institute IPR “as to all claims or none” and, furthermore, if instituted, the PTAB will consider “all challenges raised in the petition.” (Note that *SAS Institute* addressed only whether the PTAB must review every patent claim challenged in a petition, and did not expressly mention whether the PTAB must review every ground of unpatentability that the petitioner asserted for each claim. Although the Chief PTAB Judge **has acknowledged** this potential ambiguity in *SAS Institute*, the Board’s use of the phrase “all challenges” indicates it has chosen to review every claim and every ground of unpatentability raised in a petition.) For any “partially instituted” proceedings pending at the time *SAS Institute* was released, the PTAB “may issue an order supplementing the institution decision” to consider the other claims and grounds raised in the petition and may allow the parties additional briefing, time, discovery, or other actions to address the additional claims.

*SAS Institute* has the potential to **impact** the USPTO's operations and workload by eliminating a practice that allowed the agency to limit the number of challenged patent claims that were analyzed in an IPR. Instead, as discussed above, *SAS Institute* requires the PTAB to address *all* patent claims challenged in a petition, which may increase its workload (and potentially, the workload of the Federal Circuit, which hears appeals from the PTAB). It is possible that, because the decision to institute IPR is discretionary, the PTAB could be wary of approving a petition that would likely consume a lot of PTAB resources and potentially cause the IPR proceeding to exceed its statutory time limits of 1 or 1.5 years, potentially leading the PTAB to deny a greater number of petitions. It is also possible that, because the PTAB's final written decision must now address the patentability of every claim, the PTAB may need to write longer decisions in order to explain why it is upholding or invalidating each claim challenged in a petition (or conversely, the decisions may become more cursory because there is more work to be done). In her dissent, Justice Ginsburg **noted** that the PTAB could still find a way to conduct an IPR only with respect to challenges that it determines have a "reasonable likelihood" of success: the Board could simply deny the original petition and simultaneously inform the petitioner "that one or more specified claims warrant reexamination, while others challenged in the petition do not. Petitioners would then be free to file new or amended petitions shorn of challenges the Board finds unworthy of inter partes review."

The Court's decision also could raise strategic and procedural issues for parties involved in patent litigation. For example, parties may want to **consider carefully** whether to challenge patent claims administratively or in court (and, furthermore, which patent claims and on what grounds of unpatentability). For instance, the Patent Act specifies that if a patent claim survives an IPR, the individual who commenced the IPR (and his privies) are barred, in any future administrative or judicial proceeding, from asserting that "the claim is invalid on any ground that the petitioner **raised or reasonably could have been raised** during" IPR. This "estoppel" provision prevents a party from getting more than one chance to seek an administrative or judicial review of patent claims. Before *SAS Institute*, courts were somewhat **divided** about the extent to which a petitioner is foreclosed from judicially or administratively challenging **any claims for which IPR was not instituted**. Following *SAS Institute*, the petitioner would **appear to be precluded** from litigating, in another legal forum, the grounds for unpatentability of any claim challenged in an IPR petition because the PTAB would have issued a final decision regarding every ground asserted in the petition.

If Congress has concerns about *SAS Institute*'s consistency with legislative intent and its impact on the patent system, Congress could respond to the Court's opinion in several ways. For example, Congress could choose to amend the Patent Act to codify the Director's previous "partial institution" practice of allowing IPR on a claim-by-claim basis. Congress may also conduct oversight as the PTAB implements the Court's decision to determine whether there is a decrease in the desirability or effectiveness of administrative review proceedings following *SAS Institute* (due to, for example, the strategic choices made by those deciding whether to file a IPR petition; if PTAB elects to institute fewer IPR proceedings; or if IPR proceedings take longer to conclude), and consider whether further changes to the IPR process are warranted based on its determinations.

## Author Information

Brian T. Yeh  
Legislative Attorney

---

## Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.