SAS Inst., Inc. v. Iancu
138 S. Ct. 1348 (2018)

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BACKGROUND

In 2011, Congress established a new mechanism for cancelling patent claims, called “inter partes review.” Congress created inter partes review to allow third parties to dispute previously issued patent claims in a judicial process before the Patent Trial and Appeal Board (“Board”) of the United States Patent and Trademark Office (“PTO”). To initiate an inter partes review, a party must file a petition identifying the disputed claims and the grounds for challenging those claims. The patent owner then has an opportunity to file a response to that petition. If the Director of the Patent Office believes there is a reasonable likelihood that the petitioner will be successful with respect to at least one of the challenged claims, then the Director will decide whether to institute an inter partes review based on the petition. If an inter partes review is instituted and not dismissed, at the end of the litigation the Director “shall issue a final written decision with respect to the patentability of “any” patent claim challenged by the petitioner.”

The PTO regulation recognized the Director’s power of “partial institution” which allows a Director to authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim. However, Petitioner SAS Institute, Inc. (“SAS”) challenged the Director’s power of “partial institution” in this case, and the Supreme Court granted certiorari.

PROCEDURAL HISTORY

SAS filed a petition for an inter partes review with the Board to review 16 individual claims of ComplementSoft’s patent. Having the power of partial institution, the Board on behalf of the Director granted SAS’s petition for inter partes review, but instead of reviewing all 16 disputed claims, only granted a review of nine claims and denied the rest. As a result, the Board issued a final written decision on the patentability of only those nine claims, leaving out the other claims which the Board had refused to review. SAS sought review of this decision in the United States Court of Appeals for the Federal Circuit.

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3. 37 C.F.R. § 42.108(a).
On appeal, the Federal Circuit rejected SAS’s argument that the inter partes review statute required the Board to make a decision on the patentability of all claims made by the petitioner. The Federal Circuit held the Board was entirely within its discretion to address only those claims awarded review by the Director as opposed to being required to address all of the petioned claims. A subsequent petition for rehearing en banc was denied, and the United States Supreme Court granted certiorari.

**ISSUE**

The Court addressed whether the PTO is required to issue a final written decision with respect to the patentability of all patent claims challenged by the petitioner or only those that it deemed reviewable under the plain text of 35 U.S.C. § 318(a).

**DECISION**

The Supreme Court held that under the Patent Act, the PTAB is required to issue a final written decision addressing every patent claim the petitioner has challenged. The Court stated that it owed no deference to the Patent Office’s regulation of “partial institution” which is the decision to review only some claims challenged in an inter partes review petition. The Supreme Court also ruled that it had the power to review whether the PTO Director exceeded his statutory authority by not reviewing all claims challenged in the petition even though the agency’s initial decision to institute a petition is nonreviewable.

**REASONING**

The Supreme Court began by reviewing the statutory text of the Patent Act, which read that the Board “shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner.” 4 While the PTO believed that they had the discretion to pick the claims being reviewed for inter partes review, the Court found that the language of the statute did not support such a notion. According to the Court, the plain meaning of the statute directs the Board to address “every” claim challenged by the petitioner.5 It rejected the discretionary power of the Director to make decisions on claims of its own choice asserting that nowhere in the statute is “partial institution” provided.

The Court also reasoned that the intent of the legislator is to make the process “adversarial” where the petition would be the focus of the litigation, rather than “inquisitive” where the Director makes discretionary decisions.6 The Court emphasized that the petitioner would be the chief of its claims, and the Director is required to make its decisions pursuant to the petition.

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6. Id at 1355.
The Court also pointed out that, once the Director determines the reasonable likelihood of unpatentability of one of the claims presented to it, it is no longer within the discretion of the Director to determine the scope of the review. Thus, the petitioner would have the right to get a judgment on all of its claims.

The Director raised an argument emphasizing the difference in parlance between two different sections of the statute, which might indicate its discretion to make decisions on chosen claims. It argues that while §314(a) says the Director must focus on the claims found “in the petition” at the beginning of the case; §318(a) says it must resolve the claims challenged “by the petitioner” at the conclusion of the case; thus indicating that the Director need not address all claims. However, the Court responded that as long as the language of the statute is clear and coherent, there is no need to go beyond the text.

The Court also rejected the policy argument that it would be inefficient for the Director to entertain all claims. The Court based its rejection on the ground that the Court is not within its mandate to evaluate policy justifications as its authority is limited to interpreting the statute as enacted by the legislator. The Court further said that it is up to Congress to evaluate the policy arguments that each side presented and decide which approach is better.

Additionally, the Court held that the deference outlined in Chevron, where decisions need to be left to the discretion of agencies, is not applicable in this case. The Court reasons that such principle would be relevant only when there is ambiguity in the text, and the courts are not able to understand the meaning of a text in the particular statute by applying the traditional rules of interpretations. However, the Court reaffirms that the language of this section of the statute is very clear, and hence it leaves no room for deference.

Similarly, the Court rejected the argument that the decision of the Director is final and non-appealable on all issues of inter partes reviews. The Director argued that the Court does not have the power to revert the final decision of the agency based on the holding in the Cuozzo case and §314(d). However, the Court underscored that Cuozzo does not allow the agency to act beyond its legal limits and does not preclude judicial review to all issues of inter partes reviews. The Court also stated that the statute does not rule out judicial review on the issue of the power of the Director to make decisions on some of the claims of its own choice. According to the Court, the prohibition of judicial review is limited to the initial decision of the Director as to whether to allow inter partes review or not, which is final and non-appealable. In this case, however, the Court found that the Director acts beyond its statutory authority by limiting review to the few of the claims of its own discretion choice. The Court reasoned that this limitation is neither supported

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7. Id. at 1357.
in the Cuozzo holding nor is it “clearly and convincingly” provided in the statute, and therefore, the Court has the power to review the agency’s decision in this case.\footnote{SAS Inst., 138 S. Ct. at 1360.}

The Court’s decision thus reversed the Board’s prior practice of delivering “partial institution” decisions and required that if the Board decides to institute at least one claim, it must address each claim challenged in the petition. The Federal Circuit’s decision is reversed, and the case is remanded.

**DISSENT: JUSTICE GINSBURG**

Justice Ginsburg, joined by Justices Breyer, Sotomayor, and Kagan, dissented. According to the dissent, the statute was not unambiguous as to the nature of the proceedings on inter partes review, particularly in regards to section 318(a) which has a “gap” in the words “challenged by the petitioner.”\footnote{Id at 1364.} Ginsburg explained that these words, on the one hand, could be referring to the challenged claims in the initial petition. On the other hand, they could be referring to the challenged claims that survived the initiation phase and made it to the proceeding. Therefore, the dissent argues that this gap in the interpretation of the statute would allow the PTO to appropriately act within its authority, and fill this gap with regulation, which it did in this case.

Even though Justice Kagan did not join, the other dissenters also contended that the “partial review” regulation established under Chevron was most practical since it created “a well-functioning statutory scheme by using a hypothetical reasonable legislator, and asking what such legislator would consider in the question of delegating gap-filling authority to the agency.”\footnote{Id at 1364.} Additionally, all the dissenters, including Justice Kagan, agree that the agency’s regulation of “partial review” is reasonable and important so that its time and effort is not wasted in reviewing claims that have already been found as frivolous. The dissent opinion also states that asking the Board to have a final written decision with respect to these frivolous claims would lead to a judicial review of the Board’s weeding-out decision, which Congress has already declared to be non-reviewable. In the end, the dissent affirmed the Federal Circuit decision that the majority reversed.

\footnote{SAS Inst., 138 S. Ct. at 1360.}
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