

# PATENT LITIGATION POST-*SAS*: NUANCED IMPLICATIONS OF BINARY IPR INSTITUTION

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## I. INTRODUCTION

Modern patent litigation demands offensive and defensive maneuvering on multiple fronts. A single case may play out in district court and the Federal Circuit, in proceedings before the Patent Trial and Appeal Board (PTAB or Board), in investigations before the International Trade Commission (ITC), and in transnational and supranational forums across the globe.<sup>1</sup> Within the United States, one of the most prominent mechanisms for resolving patent disputes is inter partes review (IPR) before the PTAB. IPR allows a party to challenge a patent's validity before the PTAB in an expedited and adversarial process. This process, and the relationship between the Board and the petitioner, was significantly altered by *SAS Institute Inc. v. Iancu* in 2018.<sup>2</sup> In *SAS*, the Supreme Court held that the Board had the power to institute IPR only on all claims challenged in a petition. In other words, the PTAB possessed only the authority to decide whether or not to institute IPR in an all-or-nothing, binary manner. Partial institution of IPR on only some claims in a given petition is now prohibited.

How did *SAS* change the patent litigation landscape? This Note seeks to provide a response to this question in several parts. Section II.A and Section II.B of this Note describe the emergence of *SAS* by summarizing the short history of inter partes review. Section II.C turns to the case itself, detailing the story that led to the Supreme Court case and performing a close reading of the majority and dissenting opinions. Section II.D summarizes responses to *SAS* from the PTAB, the Federal Circuit, and Administrative Patent Judges. In Part III, the Note analyzes the post-*SAS* landscape. Section III.A summarizes the findings of the analysis. Section III.B presents new data on pre-*SAS* and

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DOI: <https://doi.org/10.15779/Z38BZ61860>

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1. See generally Johann Pitz et al., *Survey, in* PATENT LITIGATION IN GERMANY, JAPAN AND THE UNITED STATES: A PRACTITIONER'S GUIDE 1, 1–16 (2015) (describing the patent systems of Europe, Japan, and the United States).

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

post-*SAS* IPR decisions. Section III.C examines motions to stay district court actions pending IPR to understand *SAS*'s consequences outside the PTAB context. Finally, Section III.D investigates some possible social and institutional ramifications of the data. Overall, this Note describes the nuanced post-*SAS* landscapes, and suggests practical ways to take advantage of those landscapes in patent litigation.

## II. LEGAL BACKGROUND

### A. INTER PARTES REVIEW

Congress designed IPR as a cheaper, faster alternative to conventional patent litigation in district courts.<sup>3</sup> The structure of IPR is codified at Chapter 31 of Title 35 of the U.S. Code.

IPR trial proceedings are adversarial proceedings before the PTAB<sup>4</sup> that allow any non-owner of a patent to petition for the cancellation of patent claims.<sup>5</sup> Nine months after a patent is granted (or immediately after the termination of a post-grant review if one is instituted), any non-owner may petition for the institution of an IPR “to cancel as unpatentable [one] or more claims of a patent” on a ground available under § 102 or § 103 of 35 U.S.C.

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3. See Anne S. Layne-Farrar, *The Cost of Doubling Up*, 10 LANDSLIDE 52, 1 (2018); H.R. REP. NO. 112-98, pt. 1, at 48 (2011) (stating the purpose of the PTAB's administrative processes is to “provid[e] quick and cost effective alternatives to litigation”).

4. In addition to inter partes reviews, the PTAB also presides over Post Grant Review and Covered Business Method proceedings. However, IPRs predominate with 92% of PTAB petitions seeking IPR institution. United States Patent and Trademark Office, *TRIAL STATISTICS: IPR, PGR, CBM 3* (Aug. 2018), [https://www.uspto.gov/sites/default/files/documents/Trial\\_statistics\\_20180831.pdf](https://www.uspto.gov/sites/default/files/documents/Trial_statistics_20180831.pdf) [perma.cc/C38G-KQN3].

5. *Inter Partes Review*, USPTO.GOV, <https://www.uspto.gov/patents-application-process/appealing-patent-decisions/trials/inter-partes-review> [perma.cc/D3T6-NAP8] (last visited Dec. 23, 2019); see *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1352 (2018) (“The new [inter partes review] procedure allows private parties to challenge previously issued patent claims in an adversarial process before the Patent Office that mimics civil litigation.”). While any non-owner of a patent may challenge a patent through IPR, standing to appeal IPR decisions in the Federal Circuit is more complicated. See *E.I. DuPont de Nemours & Co. v. Synvina C.V.*, 904 F.3d 996, 1004–05 (Fed. Cir. 2018) (holding that an IPR petitioner operating a plant capable of infringing the challenged patent had “satisfied the injury in fact requirement for Article III standing”); *JTEKT Corp. v. GKN Auto., Ltd.*, 898 F.3d 1217, 1221, (Fed. Cir. 2018) (holding that an IPR petitioner with an evolving product concept failed to establish actual injury sufficient for Article III standing), *petition for cert. filed*, (U.S. Dec. 12, 2018) (No. 18-750); see also *Federal Circuit Update-October 2018: Intellectual Property and Appellate Practice Groups 4–5*, GIBSON, DUNN & CRUTCHER LLP (Oct. 1, 2018), <https://www.gibsondunn.com/wp-content/uploads/2018/10/federal-circuit-update-october-2018-1.pdf> [perma.cc/7KSP-TX8A] (noting that *JTEKT* and *DuPont* together “illustrate[] the fact dependent and uncertain nature of the standing inquiry”).

and “on the basis of prior art consisting of patents or printed publications.”<sup>6</sup> The petition is similar to a civil complaint and must set forth the petitioner’s grounds for standing, the specific claim or claims challenged, the statutory grounds under § 102 or § 103 on which the challenges are based, the purported prior art, the proffered claim construction, and any relevant evidence.<sup>7</sup> Once a petition is filed, a patent owner has three months to submit a preliminary response to the petition.<sup>8</sup> Within three months of the filing of a preliminary response or the last date on which such a response may be filed, the Director of the Patent and Trademark Office (“Director”), through the PTAB,<sup>9</sup> issues a decision on whether to institute an IPR.<sup>10</sup> If the petition and response show “that there is a reasonable likelihood that the petitioner would prevail with respect to at least [one] of the claims challenged in the petition,” the Director may institute an IPR.<sup>11</sup> The Director’s decision whether to institute the IPR is final and nonappealable.<sup>12</sup>

Once instituted, IPR strongly resembles conventional civil litigation. The parties to an IPR may engage in limited discovery, including depositions; file briefs; present at an oral hearing; and even settle the dispute and dismiss the IPR.<sup>13</sup> Unlike in civil litigation, however, during IPR, a patent owner may also move to amend the patent to cancel challenged claims or propose a reasonable number of substitute claims.<sup>14</sup> Absent dismissal, the Board will issue a decision “with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under § 316(d).”<sup>15</sup> Once a final decision is issued, IPR estoppel applies and a petitioner is barred from relitigating the claims before the PTAB.<sup>16</sup>

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6. 35 U.S.C. § 311 (2012); *see id.* § 315(b) (“An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent.”).

7. *See* 37 C.F.R. § 42.104 (2012).

8. *Id.* § 42.107(b).

9. *Id.* § 42.4(a).

10. 35 U.S.C. § 314(b) (2012).

11. 35 U.S.C. § 314 (2017).

12. *Id.* § 314(d); *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2142 (2016) (“[W]here a patent holder merely challenges the Patent Office’s ‘determin[ation] that the information presented in the petition . . . shows that there is a reasonable likelihood’ of success ‘with respect to at least [one] of the claims challenged,’ . . . § 314(d) bars judicial review.” (second alteration in original)).

13. 35 U.S.C. §§ 316–317 (2012).

14. *Id.* § 316(a)(9).

15. *Id.* § 318.

16. *See id.* § 315(e)(1) (prohibiting a petitioner from “request[ing] or maintain[ing] a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review”).

In general, IPR proceedings cost patent owners and petitioners far less than district court litigation and reach final decisions more quickly.<sup>17</sup> In contrast to district court infringement cases, where patents are afforded a presumption of validity, in IPR proceedings, petitioners must only show by the preponderance of evidence standard that the claims are unpatentable.<sup>18</sup> Further, because district courts and the PTAB applied different standards in claim construction until the Patent and Trademark Office's recent rule change, in IPRs filed prior to November 13, 2018, it was easier for evidence to be invalidating prior art in an IPR proceeding than in a district court proceeding.<sup>19</sup>

Patents are often subject to both district court litigation and PTAB proceedings. Approximately 85% of patents facing IPR challenges are also litigated in district court.<sup>20</sup> This “doubling up” can affect district court proceedings through IPR estoppel.<sup>21</sup> IPR estoppel precludes a petitioner-defendant from later asserting a ground that the petitioner raised or reasonably could have raised during IPR.<sup>22</sup> Prior to *SAS*, both the PTAB and district courts did not extend IPR estoppel to claims raised in a petition but not instituted.<sup>23</sup>

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17. In 2015, “the median cost of an IPR through a PTAB hearing was \$275,000 and through appeal was \$350,000.” Layne-Farrar, *supra* note 3, at 53 (2018). Patent infringement litigation typically cost \$1 million through discovery and \$2 million through final disposition, even for low stakes cases with \$1–\$10 million in dispute. *Id.*

18. 35 U.S.C. § 316(e); Layne-Farrar, *supra* note 3, at 54.

19. See Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, 83 Fed. Reg. 51340 (USPTO Oct. 11, 2018) (to be codified at 37 C.F.R. pt. 42) [hereinafter *USPTO Changes to Claim Construction Standard*]; Layne-Farrar, *supra* note 3, at 55. Previously, the USPTO applied the “broadest reasonable interpretation” standard to claim construction, while federal courts and the ITC followed the claim construction standard first established in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005). See *USPTO Changes to Claim Construction*, at 51341. For IPRs filed on November 13, 2018 or later, the PTAB applies the same standard as federal courts and the ITC, the *Phillips* standard. *Id.*

20. Layne-Farrar, *supra* note 3, at 53; Saurabh Vishnubhakat et al., *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 BERKELEY TECH. L. J. 45, 69 (2016).

21. See 35 U.S.C. § 315(e)(2) (2017); Layne-Farrar, *supra* note 3, at 54.

22. See 35 U.S.C. § 315(e)(2); Layne-Farrar, *supra* note 3, at 54. IPR estoppel does not bind parties in district court litigation who were neither the petitioner, the real party in interest, nor a privy of the petitioner in the IPR proceeding. 35 U.S.C. § 315(e)(2) (2017); *cf.* *WesternGeco LLC v. ION Geophysical Corp.*, 889 F.3d 1308, 1320 (Fed. Cir. 2018) (holding that the PTAB's consideration of a party's opportunity to control IPR petition was appropriate for determining whether the party was a privy of the petitioner for the purposes of § 315(b)'s time bar).

23. See Barbara Clarke McCurdy & Arpita Bhattacharyya, *Continuing Uncertainty on Scope of IPR Petitioner Estoppel*, LAW360 (Jan. 4, 2018), <https://www.law360.com/articles/997725/continuing-uncertainty-on-scope-of-ipr-petitioner-estoppel> [perma.cc/PJT8-QMCK] (noting that the PTAB and district courts do not apply IPR estoppel to noninstituted claims, and that *SAS* would “likely bear heavily on estoppel against noninstituted claims”).

## B. PARTIAL INSTITUTION OF IPR

Prior to *SAS*, the PTAB recognized the practice of partial institution, whereby the Board could authorize IPRs to proceed on “all or some of the challenged claims and on all or some of the grounds of unpatentability asserted for each claim.”<sup>24</sup> In other words, the PTAB could choose to institute an IPR in part and allow only some of the challenges in a given petition to proceed. For example, the PTAB could choose to only address some claims challenged in a petition, on only some grounds of unpatentability raised in the petition. In early 2018, approximately 14% of institution decisions were partial institutions.<sup>25</sup>

## C. *SAS INST., INC. V. IANCU*

On April 24, 2018, the Supreme Court issued its opinion in *SAS Inst., Inc. v. Iancu*, holding that the PTAB may only make IPR institution decisions on a binary basis, and not in part.<sup>26</sup> In *SAS*, the defendant in the underlying patent infringement case had petitioned for IPR to challenge certain claims of the plaintiff’s patent and the PTAB instituted on some challenged claims. Following an appeal from the PTAB’s decision and the Federal Circuit’s decision affirming the PTAB’s partial institution rule, the Supreme Court granted certiorari and ultimately abolished partial IPR institution. Justice Gorsuch delivered the opinion of the Court and was joined by Chief Justice Roberts and Justices Kennedy, Thomas, and Alito.<sup>27</sup> Justice Ginsburg wrote a dissenting opinion, which was joined by Justices Breyer, Sotomayor, and Kagan.<sup>28</sup> Justice Breyer wrote an additional dissent, in which Justices Ginsburg and Sotomayor joined, and in which Justice Kagan joined in part.<sup>29</sup>

Years before the Supreme Court decision, the case started as a patent infringement suit in district court, then an IPR before the PTAB. ComplementSoft LLC was the assignee of U.S. Patent No. 7,110,936.<sup>30</sup> The ’936 patent protected an “Integrated Development Environment for generating and maintaining source code . . . in particular, programmed in data manipulation languages.”<sup>31</sup> ComplementSoft filed a suit against SAS Institute

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24. 37 C.F.R. § 42.108(a) (2017).

25. John B. Pegram, *Inter Partes Review Survival Rates Based on Decision Statistics—A Preliminary Report*, FORDHAM IP INST. (2018), <http://fordhamipinstitute.com/wp-content/uploads/2018/03/Inter-Partes-Review-Decision-Statistics-2018-04-03.pdf> [perma.cc/BUV5-EQFH].

26. *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1353 (2018).

27. *Id.* at 1352.

28. *Id.* at 1360.

29. *Id.* Justice Kagan joined the Breyer dissent except as to Part III-A.

30. *SAS Inst., Inc. v. ComplementSoft, LLC.*, 825 F.3d 1341, 1343 (Fed. Cir. 2016) [hereinafter *SAS (Federal Circuit)*], *rev’d*, 138 S. Ct. 1348 (2018).

31. *Id.* at 1343 (quoting U.S. Patent No. 7, 110, 936 col. 2 ll. 8–11).

in the Northern District of Illinois for infringing the '936 patent.<sup>32</sup> SAS filed a petition for IPR of the '936 patent with the PTAB, challenging all sixteen of '936's claims as anticipated under 35 U.S.C. § 102 or obvious under 35 U.S.C. § 103.<sup>33</sup> A year after instituting IPR of claims 1 and 3–10, the PTAB issued its decision, finding that SAS had “shown, by a preponderance of evidence, that claims 1, 3, and 5–10 [were] unpatentable,” but had “not met its burden to show that claim 4 [was] unpatentable.”<sup>34</sup>

SAS appealed to the Federal Circuit from the PTAB's decision, arguing that “the Board misconstrued a claim term and that the Board erred by not addressing in the decision claims SAS petitioned against, but that the Board did not institute as part of the proceeding.”<sup>35</sup> ComplementSoft cross-appealed two of the Board's claim constructions.<sup>36</sup> Following oral argument, the Federal Circuit found that the Board had not erred in any of the claim constructions and held that “the Board did not need to address in its final written decision claims it did not institute.”<sup>37</sup> Nonetheless, the Federal Circuit vacated the PTAB's determination that claim 4 was patentable and remanded the matter.<sup>38</sup>

Following the denial of petitions for panel rehearing and rehearing en banc,<sup>39</sup> SAS petitioned for a writ of certiorari on January 21, 2017, presenting the question:

Does 35 U.S.C. § 318(a), which provides that the Patent Trial and Appeal Board in an inter partes review “shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner,” require that Board to issue a final written decision as to every claim challenged by the petitioner, or does it allow that Board to issue a final written decision with respect to the patentability of only some of the patent claims challenged by the petitioner, as the Federal Circuit held?<sup>40</sup>

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32. Complaint for Patent Infringement at 2, *ComplementSoft LLC v. SAS Inst., Inc.*, No. 1:12-cv-7372 (Sept. 14, 2012).

33. Petition for Inter Partes Review under 37 C.F.R. § 42.100, *SAS Inst., Inc. v. ComplementSoft, LLC.*, 825 F.3d 1341 (Fed. Cir. 2016) (No. IPR2013-00226), 2013 WL 5402630; *SAS (Federal Circuit)*, 825 F.3d at 1346.

34. *SAS Inst., Inc. v. ComplementSoft, LLC.*, No. IPR2013-00226, (P.T.A.B. Aug. 6, 2014).

35. *SAS (Federal Circuit)*, 825 F.3d at 1343; see Petitioner SAS Institute, Inc.'s Notice of Appeal, 825 F.3d 1341 (Fed. Cir. 2016) (No. IPR2013-00226), 2015 WL 113813.

36. *SAS (Federal Circuit)*, 825 F.3d at 1343.

37. *Id.* at 1343.

38. *Id.*

39. Order Denying the Petition for Rehearing En Banc, *SAS Inst., Inc. v. ComplementSoft LLC*, 2016 WL 9330462, at 2 (Fed. Cir. Nov. 7, 2016).

40. Petition for a Writ of Certiorari, at i, *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348 (2018) (No. 16-969), 2017 WL 491052.

In its opening Supreme Court brief, SAS argued that the Federal Circuit's decision was contrary to § 318(a) and the America Invents Act (AIA) and its purpose.<sup>41</sup> In response, the Director<sup>42</sup> reframed the questions presented as:

1. Whether the USPTO may agree to institute inter partes review regarding the patentability of a subset of the patent claims of which review is requested.
2. Whether, if the USPTO institutes review of some but not all of the claims that are challenged in a petition for inter partes review, the Board must address the unreviewed claims in its final written decision.<sup>43</sup>

The Director argued that PTAB's claim-by-claim determination was proper because the AIA foreclosed judicial review of the decision not to institute review of certain claims, the AIA's language supported a claim-by-claim institution, the U.S. Patent and Trademark Office (USPTO) regulation was entitled to deference, and the Board properly issued decisions addressing instituted claims only.<sup>44</sup> Specifically, the Director argued that under *Chevron*, the PTAB's choice to allow partial institution was entitled to deference because it was a reasonable interpretation of the language in § 318(a).<sup>45</sup>

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41. Brief for Petitioner, *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348 (2018) (No. 16-969), 2017 WL 3098282. The Intellectual Property Owners Association (IPO) submitted an amicus curiae brief in support of the Petitioner. Brief of Amicus Curiae Intellectual Property Owners Association in Support of Petitioner, 138 S. Ct. 1348 (2018) (No. 16-969), 2017 WL 3141393. In the brief, IPO argued that the plain language of the AIA required binary institution, that partial institution required non-instituted claims to be re-litigated, and that partial institution undermined the legislative intent of the AIA. *Id.* at 2.

42. The Director of the United States Patent and Trademark Office, who was an Intervenor in the case at the Federal Circuit stage, became a respondent in the proceeding before the Supreme Court. Petition for a Writ of Certiorari, at i, *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348 (2018) (No. 16-969), 2017 WL 491052.; Brief for the Federal Respondent, *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348 (2018) (No. 16-969), 2017 WL 3948437.

43. Brief for the Federal Respondent, at I, *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348 (2018) (No. 16-969), 2017 WL 3948437 at \*I. The Houston Intellectual Property Law Association (HIPLA) submitted an amicus brief in support of the Respondents. Brief of Amicus Curiae Houston Intellectual Property Law Association in Support of Respondents, *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348 (2018) (No. 16-969), 2017 WL 4082014. HIPLA argued that the requiring the PTAB's IPR decisions to address each raised challenge would essentially make the institutions appealable and would increase inefficiency. *Id.* at 4–5. Further, HIPLA argued, IPR was “not intended to, and in reality simply does not, replace the invalidity portion of the district court litigation.” *Id.* at 14–15. Thus, “the harm threatened to a patent owner” by binary IPR institution was “likely greater than any harm [a] patent owner face[d] through the loss of a few estoppel arguments” under partial institution, HIPLA concluded. *Id.*

44. Brief for the Federal Respondent at III, *SAS Inst., Inc. v. Iancu*, 238 S. Ct. 1348 (2018) (No. 16-969), 2017 WL 3948437, at \*III.

45. *Id.* at \*44.

In a manner much more focused on public policy, ComplementSoft stated the question presented as: “Does the America Invents Act require patent owners and the Patent Trial and Appeal Board to spend resources conducting an inter partes review on patent claims in which the petitioner failed to show even a reasonable likelihood of success in its petition?”<sup>46</sup> ComplementSoft argued that claim-by-claim analysis and institution were improper because the language and context of the AIA supported the more efficient approach.<sup>47</sup> Further, ComplementSoft argued, the PTAB’s existing interpretation served fairness and efficiency objectives and was entitled to deference.<sup>48</sup>

Justice Gorsuch’s majority opinion focused primarily on statutory interpretation and left policy arguments to be “properly addressed to Congress, not [the] Court.”<sup>49</sup> Starting with § 318, the Court reasoned that the “shall issue” and “any patent claim challenged” language “supplie[d] a ready answer” to the issue presented and held that the statute meant that “the Board *must* address *every* claim the petitioner has challenged.”<sup>50</sup> Partial institution, the Court noted, granted the Director a “partial institution power” that “appear[ed] nowhere in the text of § 318, or anywhere else in the statute.”<sup>51</sup> The Court held that this expansion of the Director’s power was contrary to the statutory structure of the IPR process.<sup>52</sup> Comparing IPR to “the civil litigation system it mimics” and contrasting it to the ex parte examinations of the past, the Court found that the IPR petitioner was rightly the “master of its complaint.”<sup>53</sup> “[I]t’s the petitioner, not the Director, who gets to define the contours of the proceeding,” the Court concluded.<sup>54</sup>

Similarly, the Court found that the language of § 314 provided only for a “binary choice—either institute review or don’t” and provided no “license to depart from the petition and institute a *different* inter partes review.”<sup>55</sup> Further, the “at least [one] of the claims” language of § 314(a) “anticipate[d] a regime where a reasonable prospect of success on a single claim justify[ed] review of all.”<sup>56</sup>

The Court found that the rest of the statute confirmed that all claims challenged in an instituted petition must be addressed in a decision. That a

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46. Brief for Respondent ComplementSoft, LLC, at i, *SAS Inst., Inc. v. Iancu*, 238 S. Ct. 1348 (2018) (No. 16-969), 2017 WL 3948186, at \*i.

47. Brief for Respondent ComplementSoft, LLC, at 11–12 *SAS Inst., Inc. v. Iancu*, 238 S. Ct. 1348 (2018) (No. 16-969), 2017 WL 3948186, at \*11–12.

48. *Id.* at 20–21.

49. *SAS Inst., Inc. v. Iancu*, 238 S. Ct. 1348, 1358 (2018).

50. *Id.* at 1354.

51. *Id.* at 1355.

52. *Id.*

53. *Id.*

54. *Id.*

55. *Id.* at 1355–56.

56. *Id.* at 1356.



patent owner must submit a “response to the petition” after IPR institution further supports a binary choice, and not a partial institution structure.<sup>57</sup> The possibility of a patent owner canceling a challenged claim provided a ready explanation for the discrepancy between “in the petition” used in § 314 and “by the petitioner” used in § 318.<sup>58</sup> “Whatever differences they might display,” the court concluded, “§ 314(a) and § 318(a) both focus on the *petitioner’s* contentions and, given that, it’s difficult to see how they might be read to give the *Director* power to decide what claims are at issue.”<sup>59</sup>

The Court found the Director’s *Chevron* argument—that the PTAB’s regulation permitting partial review was entitled to deference—unpersuasive because after applying traditional tools of interpretation to the statute in question, the Court was left with no uncertainty that warranted deference.<sup>60</sup> Where traditional tools of statutory interpretation suffice to elucidate, *Chevron* deference is inapposite.<sup>61</sup>

Finally, Justice Gorsuch addressed the issue of whether the Court possessed the power to review the Director’s partial institution decision. The Director argued that given § 314(d) and the Court’s decision in *Cuozzo*, the Supreme Court lacked this authority.<sup>62</sup> Section 314(d) provided that the “determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.”<sup>63</sup> The majority found that the *Cuozzo* court held that courts were prevented “from entertaining an argument that the Director erred in instituting an inter partes review of certain patent claims.”<sup>64</sup> However, the Court held that even under *Cuozzo*, § 314(d) did not “enable the [Patent and Trademark Office] to act outside its statutory limits.”<sup>65</sup> Partial institution, the Court determined, was just the type of “shenanigan” that *Cuozzo* emphasized was to be curtailed through judicial review.<sup>66</sup>

Justices Ginsburg, Breyer, Sotomayor, and Kagan dissented from the majority’s opinion. In the first dissenting opinion, Justice Ginsburg characterized the majority’s interpretation of 35 U.S.C. § 318(a) as a “wooden” reading that would lead to inefficiency.<sup>67</sup> Under the majority’s holding, Justice Ginsburg hypothesized, the PTAB “could simply deny a petition containing

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57. *Id.* (citing § 316(a)(8)).

58. *Id.* at 1357.

59. *Id.*

60. *Id.* at 1358; *see Chevron U.S.A., Inc. v. Nat. Res. Def. Council Inc.*, 467 U.S. 847 (1984).

61. *Id.*

62. *Id.* at 1359.

63. *Id.*

64. *Id.*; *see Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131 (2016).

65. *Chevron*, 467 U.S. at 1359.

66. *Id.*

67. *Id.* at 1360 (Ginsburg, J., dissenting).

challenges having no ‘reasonable likelihood’ of success” and petitioners could simply file an amended petition “shorn of challenges the Board [found] unworthy of [IPR].”<sup>68</sup>

Justice Breyer’s dissent more closely mirrored the majority’s progression. First, he interpreted the statute at issue as leaving a “gap that Congress implicitly delegated authority to the [Patent and Trademark Office] to fill.”<sup>69</sup> The language of the statute, Justice Breyer noted, created an ambiguity as to the meaning of “claim[s] challenged by the petitioner.”<sup>70</sup> Further, Justice Breyer thought it implausible that “patent claim challenged by the petitioner” in § 318(a) referred to challenges raised, but never instituted.<sup>71</sup> Instead, it seemed more reasonable that the phrase referred to challenges made during the course of an IPR.<sup>72</sup> Second, Justice Breyer reasoned that under *Chevron*, the PTAB possessed the “gap-filling authority” necessary for enacting reasonable rules to overcome this ambiguity.<sup>73</sup> Finally, Justice Breyer found that the PTAB’s regulation that permitted partial institution was a “reasonable exercise of [its] authority.”<sup>74</sup> Because Congress had explicitly granted the PTAB the authority to “issue regulations setting forth the standards for the showing of sufficient grounds to institute a review and establishing and governing inter partes review,” the PTAB has the authority to order a partial institution.<sup>75</sup>

#### D. AFTER *SAS*

Two days after the *SAS* ruling was issued, the USPTO issued a release entitled “Guidance on the impact of SAS on AIA trial proceedings.”<sup>76</sup> In the brief announcement, the USPTO stated that “at this time, if the PTAB institute[d] a trial, the PTAB [would] institute on all challenges raised in the petition.”<sup>77</sup> With regard to pending trials in which a panel instituted only some challenges raised in a petition, the Office stated, “the panel may issue an order supplementing the institution decision to institute on all challenges raised in the petition.”<sup>78</sup>

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68. *Id.*

69. *Id.* (Breyer, J., dissenting).

70. *Id.* at 1362.

71. *Id.* at 1363.

72. *Id.*

73. *Id.* at 1364–65.

74. *Id.* at 1365.

75. *Id.* (quoting §§ 316(a)(2), (4); *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2142 (2016)).

76. UNITED STATES PATENT AND TRADEMARK OFFICE, *Guidance on the Impact of SAS on AIA Trial Proceedings* (Apr. 26, 2018) [hereinafter *USPTO Guidance on SAS*], <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/trials/guidance-impact-sas-aia-trial> [perma.cc/D93F-4F7Q].

77. *Id.*

78. *Id.*

Subsequently, the Federal Circuit in *PGS Geophysical* upheld the PTAB's new "all challenges raised" approach.<sup>79</sup> Noting that the "[e]qual treatment of claims and grounds for institution purposes has pervasive support in *SAS*," the court found that just as the PTAB was not to decide whether to institute on a claim-by-claim basis, neither should the Board institute in a "ground-by-ground" manner.<sup>80</sup>

Administrative Patent Judges have advised counsel for petitioners to continue to focus their IPR petitions on their strongest arguments and reminded counsel for patent owners that they may use statutory tools, such as amendments, to respond to IPRs.<sup>81</sup>

### III. ANALYSIS

#### A. SUMMARY OF ANALYSIS

This Note examines two primary loci of *SAS*'s effect on patent litigation: decisions in IPR proceedings and motions to stay in district court litigation. The first part of this analysis gathers and interprets data from IPR decisions issued before and after *SAS* to understand how petitioners may best pursue IPR in a post-*SAS* world. The data suggest that the claims proceeding through IPR as a result of *SAS* are getting less analysis than the claims unaffected by *SAS*.<sup>82</sup> Additionally, the ultimate success rate for IPR claims likely instituted because of *SAS* is significantly lower than claims likely unaffected by *SAS*.<sup>83</sup>

Second, this Note scrutinizes post-*SAS* orders on motions to stay pending IPR to investigate how defendants may leverage *SAS* in seeking stays of district court litigation.<sup>84</sup> This analysis suggests that the motions filed prior to IPR institutions are unlikely to benefit from *SAS* unless filed in the Northern District of California or the Central District of California. And even those motions face uncertain odds. Finally, the Note explores potential social and institutional consequences of *SAS*.<sup>85</sup>

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79. *PGS Geophysical AS v. Iancu*, 891 F.3d 1354, 1360 (Fed. Cir. 2018).

80. *Id.*

81. James A. Worth & David P. Ruschke, *PTAB Practice Tips Post-SAS*, 100 J. PAT. & TRADEMARK OFF. SOC'Y 271, 276 (2018).

82. *See infra* Section III.B.3. Claims unaffected by *SAS*, or strong claims, are claims with strong IPR challenges that would have been instituted even before *SAS*. Because it is not possible to pinpoint the exact claims instituted because of *SAS*, this Note distinguishes between mixed and uniform IPR decisions to identify the claims likely instituted because of *SAS*. *See infra* Section III.B.2.

83. *See infra* Section III.B.4.

84. *See infra* Section III.C.

85. *See infra* Section III.D.

## B. IPR DECISIONS AFTER *SAS*

### 1. *IPR Decisions*

The PTAB issues decisions in IPRs to “address the issues necessary for resolving the proceedings” by determining the patentability of challenged patent claims.<sup>86</sup> The decisions are issued on behalf of the PTAB pursuant to 35 U.S.C. § 318(a) by panels of three administrative patent judges. The decisions often include a procedural history and identify the claims and grounds on which the Board determines patentability challenges. Petitioners make seek judicial review of an IPR decision by appealing to the Federal Circuit.<sup>87</sup>

### 2. *Methodology*

This Note analyzes 200 decisions in IPR proceedings, 100 issued prior to *SAS* and 100 issued after.<sup>88</sup> The 100 pre-*SAS* decisions were all issued in the early months of 2018 before the *SAS* opinion was published on April 24, 2018.<sup>89</sup> The 100 post-*SAS* decisions were issued in the months following, but no earlier than April 26, 2018, when the PTAB released its “Guidance on the Impact of SAS on AIA Trial Proceedings.”<sup>90</sup> Because each design patent can have only one claim, decisions in IPRs of design patents were excluded.<sup>91</sup>

The data gathered from each decision includes: (1) the number of claims decided, (2) the number of claims determined to be unpatentable, (3) the number of claims not determined to be unpatentable, (4) the number of prior art references considered, and (5) the length of the decision in pages.<sup>92</sup>

Given the variation in formats and limits of decisions, it was not possible to identify the decisions that included more claims or grounds as a result of the *SAS* ruling. However, the data revealed that mixed decisions—decisions finding some claims were unpatentable and others not unpatentable—increased by 6% (Figure 1). *SAS* held that a petitioner is “entitled to a final

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86. 35 U.S.C. § 318; Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,768 (Aug. 14, 2012).

87. 35 U.S.C. § 141(a). Standing to appeal to the Federal Circuit is complex. *See supra* note 5.

88. The IPR decisions were selected at random.

89. *SAS Inst., Inc. v. Iancu*, 238 S. Ct. 1348, 1348 (2018).

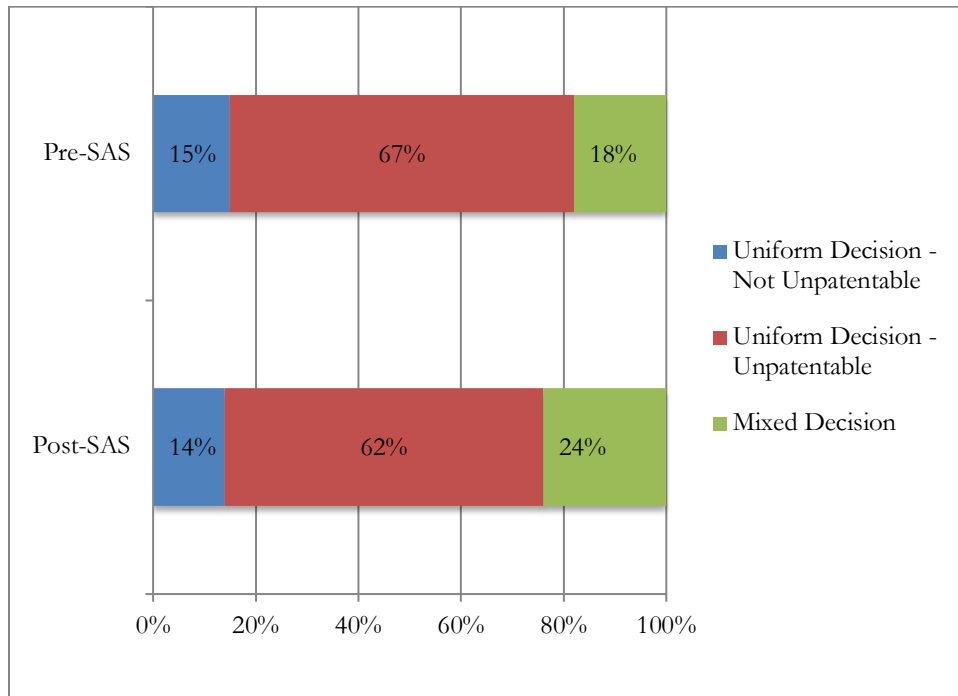
90. *USPTO Guidance on SAS*, *supra* note 96. For pre-*SAS* analysis, decisions from January 2018 to April 2018 were considered. For post-*SAS* analysis, decisions from April 2018 to September 2018 were considered.

91. *See* 37 C.F.R. § 1.153(a) (“More than one claim is neither required nor permitted.”); A Guide to Filing a Design Patent Application, *A Single Claim*, USPTO.GOV, <https://www.uspto.gov/patents-getting-started/patent-basics/types-patent-applications/design-patent-application-guide> [perma.cc/F9XP-XP95] (last visited Dec. 23, 2019).

92. Blank pages were not considered a page for the purposes of calculating decision lengths.

written decision addressing all of the claims [he] has challenged.”<sup>93</sup> This holding would likely result in weakly challenged claims, SAS-added claims, receiving final determination when bundled with stronger challenges. Given this effect, it is reasonable that the rate of mixed decisions increased following SAS. For these reasons, this Note looks particularly to mixed decisions to understand how SAS may have affected IPR decisions overall.<sup>94</sup> By the same reasoning, uniform decisions finding all challenged claims not unpatentable likely capture claims unaffected by SAS, claims with strong challenges that would have been instituted even before SAS.

**Figure 1. Proportion of Mixed Decisions and Uniform Decisions (Considering 100 pre-SAS and 100 post-SAS IPR Decisions)**



### 3. *Post-SAS, Each Instituted Claim Likely Receives Less Analysis in IPR Decisions*

At first glance, IPR decisions issued after the SAS decision are in general longer. However, a closer examination suggests that following SAS, the PTAB

93. SAS Inst., Inc. v. Iancu, 238 S. Ct. 1348, 1359 (2018).

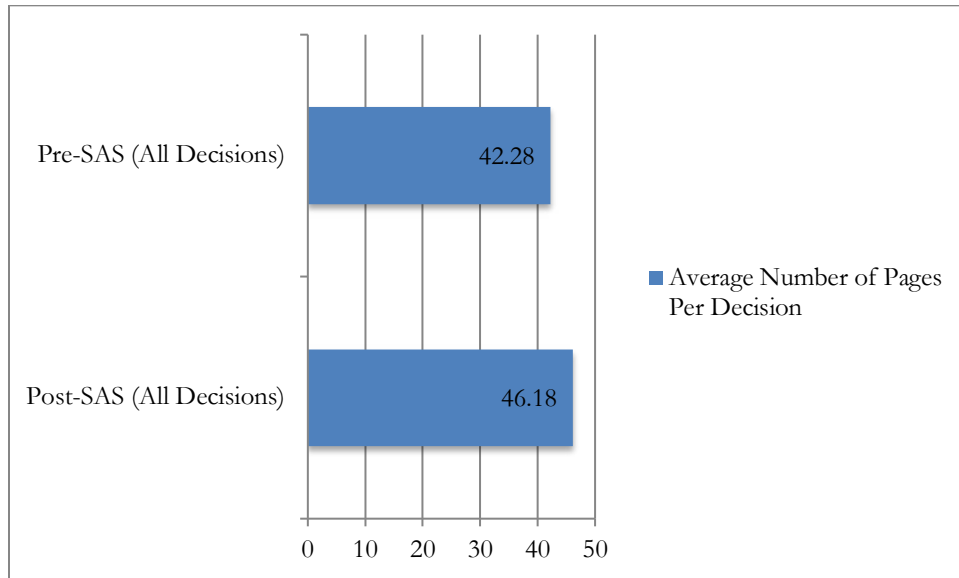
94. However, it is worth noting that mixed decisions would not account for all SAS-added claims. Some SAS-added claims would be addressed in uniform decisions if the added claims were instituted with strong claims—claims that would have been instituted even before SAS—ultimately found to be not unpatentable.

has analyzed *SAS*-added claims less thoroughly than claims unaffected by *SAS*.

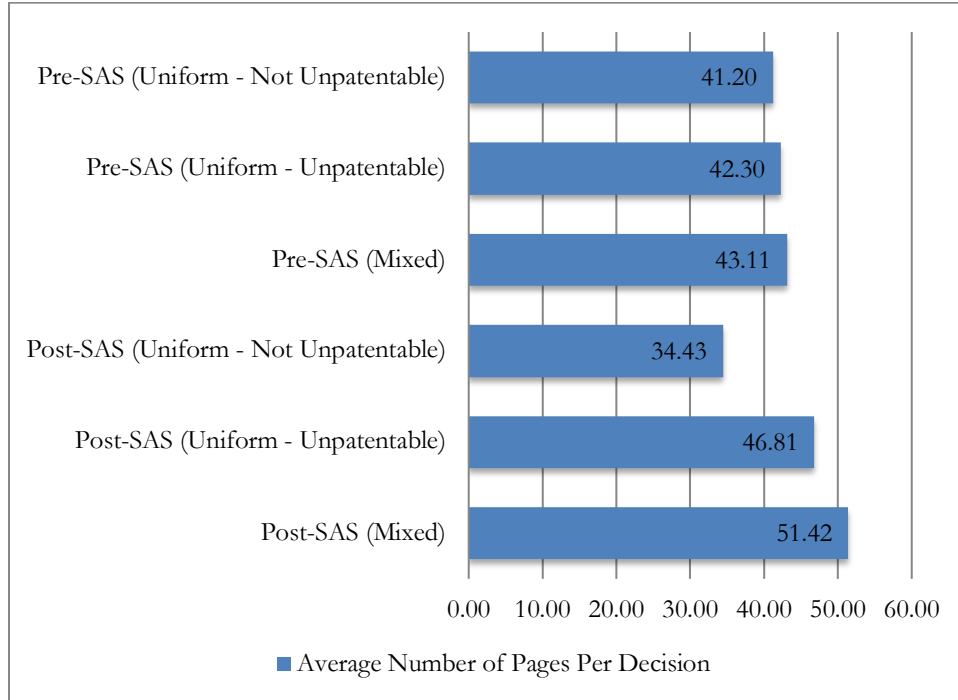
Overall, an average post-*SAS* decision, at 46.18 pages long, is nearly 4 pages longer than a pre-*SAS* decision (Figure 2). Breaking down the data further, it is obvious that most of this increase is correlated with a rise in mixed decisions. The average mixed decision is about 8.31 pages longer than its pre-*SAS* counterpart (Figure 3). In contrast, the average post-*SAS* decision with a uniform outcome of not unpatentable has decreased by 6.77 pages. The average post-*SAS* decision with a uniform outcome of unpatentable has increased by only 4.51 pages (Figure 3).

Comparing uniform decisions with mixed decisions reveals that the difference in average length between the two categories has also increased following *SAS*. As explained above, mixed decisions are of special interest because of their likely inclusion of *SAS*-added claims. When partial institution was still practiced, the difference in length between uniform (both unpatentable and not unpatentable) and mixed decisions was fewer than two pages. After *SAS*, the difference increased to just under seventeen pages, preliminarily suggesting that IPRs with *SAS*-added claims are receiving the bulk of the increase in IPR decision analysis (Figure 3).

**Figure 2. Average number of pages per IPR decision (Overall) pre-*SAS* and post-*SAS***



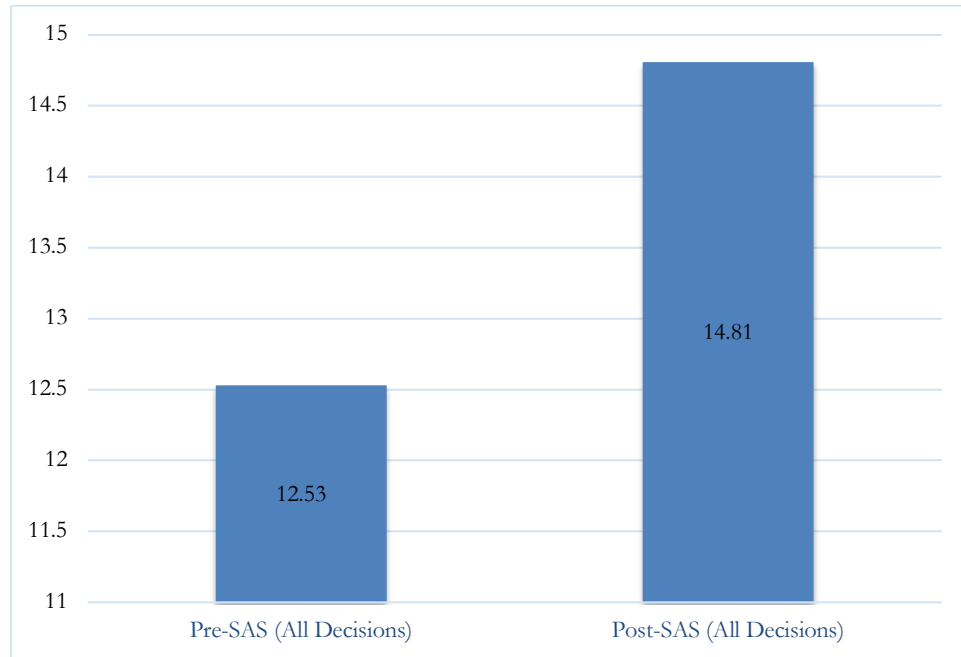
**Figure 3. Average number of pages per IPR decision (Uniform v. Mixed Decisions) pre-SAS and post-SAS**



However, this increase does not mean that claims are receiving more analysis after SAS's ruling, especially when scrutinized alongside the increase in claims per decision. Examining the rise in the number of claims per decisions post-SAS suggests that each claim is likely receiving less analysis post-SAS. Overall the number of claims subject to determination in the average decisions increased by 2.28 claims, raising the average number of claims in a decision from 12.53 to 14.81 claims (Figure 4). Differentiating between mixed and uniform decisions shows that an average mixed decision determines the patentability of approximately 5.28 more claims than its pre-SAS counterpart, for an average total of 18.67 claims (Figure 5). A uniform decision post-SAS, on the other hand, considers only 1.25 more claims than pre-SAS, for an average total of 13.59 claims. Distinguishing between mixed decisions and uniform decisions in this way shows that most of the additional claim load is coming in through mixed decisions. As a result, the difference between mixed and uniform decisions, in terms of average number of claims, is much wider than before, with the average mixed decision determining 5.07 more claims than an average uniform decision.<sup>95</sup>

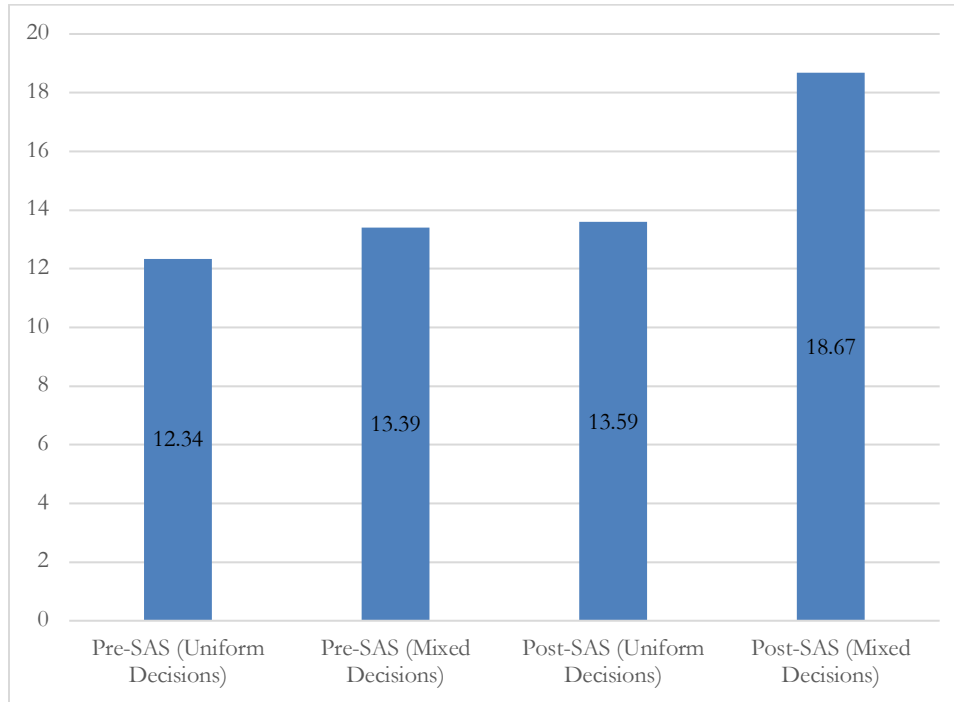
95. Prior to SAS, the difference in average number of claims between uniform and mixed decisions was 1.05, with the mixed decision determining slightly more claims.

Figure 4. Average number of claims per IPR decision (Overall) pre-SAS and post-SAS





**Figure 5. Average number of claims per IPR decision (Uniform v. Mixed Decisions) pre-SAS and post-SAS**



The number of prior art references considered in decisions has not changed much following *SAS*. Though the PTAB’s “Guidance on the impact of *SAS* on AIA trial proceedings” extended *SAS*’s reach to all grounds of unpatentability in a petition, the data do not show much of an increase in the number of prior art references in decisions.<sup>96</sup> Across the board, the average number of prior art references per decision changed less than 0.20 references, from 3.85 to 4.04. Even looking only at mixed decisions, the average number of prior art references rose merely 0.40 references, suggesting that *SAS* has not increased the institution of otherwise excluded prior art.

Examining closely the number of pages distributed to each group of claims reveals that certain claims are likely receiving less analysis in IPR decisions after *SAS*. Looking at the number of pages per claim, it initially appears that claims are receiving on average one more page in final decision consideration per claim, for a total of 7.45 pages per claim (Table 1). However, looking to the distribution between uniform and mixed decisions, it becomes clear that the increase is absorbed only by the uniform decisions. The average uniform decision receives 1.93 pages per claim more analysis than the average uniform decision did prior to *SAS*, for a total average of 8.57 pages per claim (Table 1).

96. See USPTO *Guidance on SAS*, *supra* note 76.

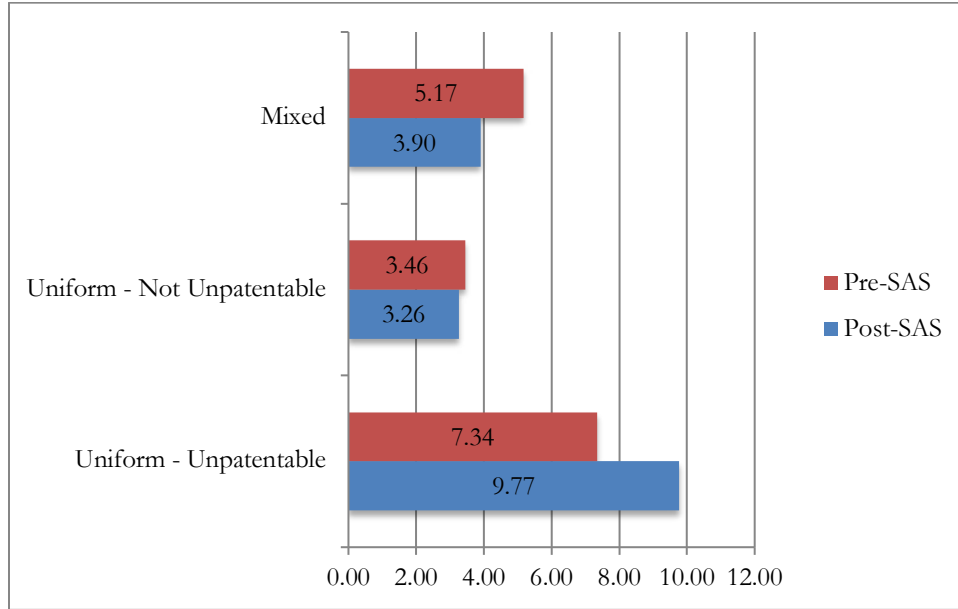
Conversely, mixed decisions are actually receiving about 1.27 pages per claim less than they would have prior to *SAS*, for a total of 3.90 pages per claim (Table 1). Prior to *SAS*, mixed decisions had about 1.46 fewer pages per claim than uniform decisions (Table 1). In the post-*SAS* world, mixed decisions receive 4.67 fewer pages per claim than uniform decisions, suggesting that there is a significant difference in the depth of analysis for claims with a strong likelihood of unpatentability and for claims included as a result of *SAS* (Table 1).

**Table 1. Average number of pages per claim (All Decisions; Uniform Decisions; Mixed Decisions)**

	Average Number of Pages Per Claim for All Decisions	Average Number of Pages Per Claim for Uniform Decisions	Average Number of Pages Per Claim for Mixed Decisions	Disparity Between Uniform Decisions and Mixed Decisions
<b>Pre-<i>SAS</i></b>	6.37	6.63	5.17	1.46
<b>Post-<i>SAS</i></b>	7.45	8.57	3.90	4.67
<b>Change</b>	1.08	1.94	(1.27)	3.21

Manipulating the data another way shows that the increase in average page per claim overall is concentrated in uniform decisions that found all challenged claims unpatentable (rather than in uniform decisions that found all challenged claims *not* unpatentable). The average number of pages per claim for uniform unpatentable decisions increased 2.43 pages per claim, from 7.35 pages per claim to 9.77 pages per claim (Figure 6). For uniform not unpatentable decisions, the average number of pages per claim decreased 0.20 pages per claim, from 3.46 pages per claim to 3.26 pages per claim (Figure 6). More dramatically, the average number of pages per claim for mixed decisions decreased by 1.27 pages per claim, from 5.17 pages per claim to 3.90 pages per claim (Figure 6). As a result, the difference in average number of pages per claim between mixed decisions and uniform unpatentable decisions was over 5.87 pages per claim after *SAS*. Prior to *SAS*, the difference was only 2.17 pages per claim.

Figure 6. Average number of pages per claim (Uniform Decisions-Not Unpatentable; Uniform Decisions Unpatentable; Mixed Decisions)



The reduction in average pages per claim in mixed decisions suggests that in the months following *SAS*, the PTAB has analyzed the *SAS*-added claims less thoroughly. It is not clear if that reduction is focused on the additional claims themselves. But whether the *SAS*-added claims themselves, the stronger claims that accompany them, or both receive less analysis, it appears that overall in IPRs where *SAS* likely added claims, analysis measured in pages per claim is reduced. That the average number of pages per claim for mixed decisions is far closer to the average number of pages per claim for uniform not unpatentable decisions than the uniform unpatentable decisions further indicates that the *SAS*-added claims are receiving less intensive analysis. In other words, the *SAS*-added claims are likely receiving the treatment that not unpatentable claims typically achieve in decisions: analysis that is far briefer than that afforded ultimately unpatentable claims.

The increased disparity between uniform unpatentable decisions mixed claims, on the other hand, highlights a more surprising finding. Uniform unpatentable decisions are actually receiving significantly more pages per claim in analysis. This increase may show that strong IPR challenges are rewarded with significantly more thorough analysis in decisions.

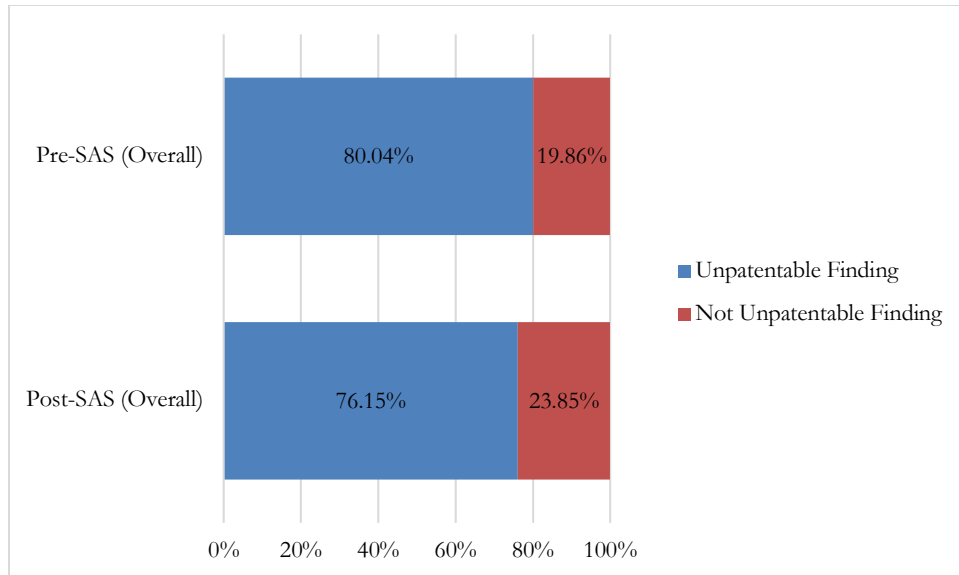
The number of pages divided by the number of prior art references reveals that prior art references are getting more pages per reference after *SAS*. Across the board, prior art references are receiving only a very slight increase of pages

per reference.<sup>97</sup> Looking at mixed decisions, the increase is more discernable: mixed decisions saw a rise of 2.30 pages per prior art reference after *SAS*. However, this gain is likely due to the lack of significant increase in prior art references following *SAS*.

#### 4. *SAS* Has Decreased the Rate of Success on the Claim Level

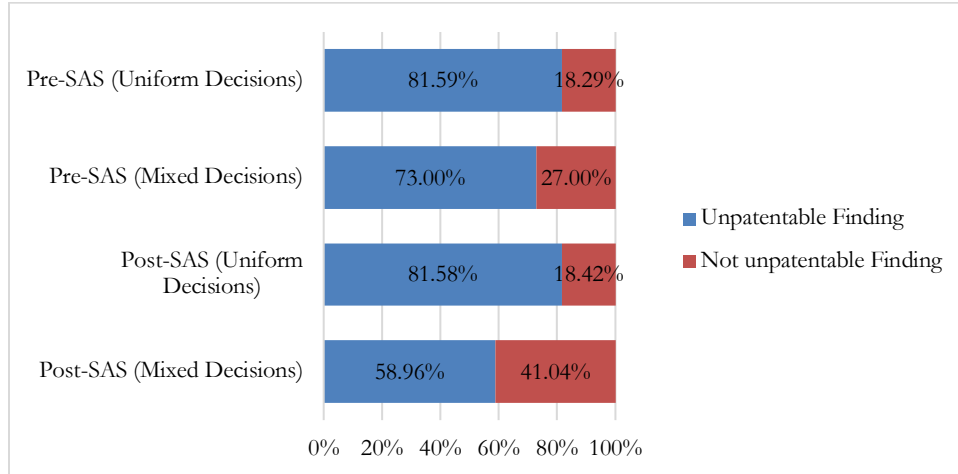
After *SAS*, the overall likelihood of getting an unpatentable decision on a given claim is 76.15%, a decrease of 3.89% (Figure 7). This change was concentrated in mixed decisions. The rate of achieving an unpatentable decision barely changed for uniform decisions, moving from 81.59% to 81.58% (Figure 8). For mixed decisions, the rate of getting an unpatentable determination decreased by 14.05%, falling from 73.00% to 58.96% (Figure 8). This plummet reinforces the conclusion that the claims added by *SAS* are unlikely to be found unpatentable by the same Board that would have excluded them from review in the first place. Put another way, post-*SAS*, the PTAB has been forced to rule on weak challenges it would have dismissed pre-*SAS*.

**Figure 7. Proportion of unpatentable to not unpatentable findings (Overall) pre-*SAS* and post-*SAS***



97. After *SAS*, the average pages per prior art reference increased 0.76 units.

**Figure 8. Proportion of unpatentable and not unpatentable findings (Uniform v. Mixed Decisions) pre-SAS and post-SAS**



Overall, the increase in mixed decisions indicates that more claims are ultimately being decided as a result of *SAS*, but other changes demonstrate that the case did not confer sweeping benefits on IPR petitioners. Specifically, the changes in decision length suggest that in petitions where claims were instituted because of *SAS*, claims are receiving far less analysis. The dramatic disparity between uniform and mixed decisions following *SAS* reinforces the conclusion. Further, the success rate for petitioners, the rate at which they achieve unpatentable determinations, has fallen after *SAS*, particularly in mixed decisions.

### C. DISTRICT COURT RULINGS ON MOTIONS TO STAY PENDING IPR

Though *SAS* affirmed the role of petitioners as master of their IPR “complaints,” IPR petitioners are often subject to their opponent’s prerogative in parallel civil litigation.<sup>98</sup> A defendant in a civil infringement action may seek to stay the district court proceeding pending the IPR.<sup>99</sup> District courts are not required to stay cases pending IPR, but possess the discretion to grant stays.<sup>100</sup> Courts typically evaluate the following factors when determining whether to stay pending IPR: (1) whether a stay will simplify issues in question and trial of the case; (2) whether the stay will unduly prejudice or present a clear tactical disadvantage to the nonmoving party; and (3) whether discovery is complete,

98. See Layne-Farrar, *supra* note 3, at 53.

99. See generally Joel Sayres & Julie Wahlstrand, *To Stay or Not to Stay Pending IPR? That Should be a Simpler Question*, CHI.-KENT J. INTELL. PROP., no. 3, at 52–53 (2018) (discussing inconsistent outcomes for motions to stay pending IPR as frustrating the potential of IPR to function as a “complete substitute” for district court litigation).

100. See, e.g., *Viskase Corp. v. Am. Nat. Can Co.*, 261 F.3d 1316, 1328 (Fed. Cir. 2001).

and whether a trial date has been set.<sup>101</sup> Additionally, courts may consider whether a stay would reduce the burden on the court and parties.<sup>102</sup>

At factor one of the stay equation, courts consider how an IPR decision may limit the universe of the district court case. Under the doctrine of IPR estoppel, the issuance of an IPR decision will estop a petitioner-defendant from further arguing invalidity based on any ground that was raised, or reasonably could have been raised, in the IPR.<sup>103</sup> Even in cases where defendants will not be bound by IPR estoppel, for instance in cases where IPRs are brought by nonparties, IPR may simplify the issues to be tried by canceling claims, providing the court with the PTAB's expert opinion, or clarifying the scope of the claims.<sup>104</sup>

Following *SAS*, some practitioners noted that the end of partial institution necessarily meant that petitioners would no longer be able to preserve non-instituted grounds for later litigation.<sup>105</sup> Others explicitly linked this

101. Jim Warriner, *Measuring the Success of Motions to Stay Pending IPR*, LAW360 (June 6, 2017), <https://www.law360.com/articles/928654/measuring-the-success-of-motions-to-stay-pending-ipr> [perma.cc/V9LS-ECE8]; see *Symantec Corp. v. Zscaler, Inc.*, No. 17-cv-04426-JST, 2018 WL 3539267, at \*1 (N.D. Cal. July 23, 2018); *First Am. Title Ins. Co. v. MacLaren, L.L.C.*, No. 10-363-GMS, 2012 WL 769601, at \*4 (D. Del. Mar. 9, 2012); *Armor All/STP Prods. Co. v. Aerospace Commc'ns Holdings Co.*, No. 6:15-CV-781, 2016 WL 6397269, at \*2 (E.D. Tex. Oct. 28, 2016).

102. See *Murata Mach. USA v. Daifuku Co., Ltd.*, 830 F.3d 1357, 1362 (Fed. Cir. 2016).

103. See 35 U.S.C. § 315(e)(2) (2012); Layne-Farrar, *supra* note 3, at 55; see also Julianne M. Hartzell & Ryan N. Phelan, *ALA Estoppel - 7 Things We Know So Far*, PTABWATCH (June 1, 2017), <https://www.ptabwatch.com/2017/06/aia-estoppel-7-things-we-know-so-far/#more-2009> [perma.cc/BJ5Z-XHY] (“[T]he scope of IPR estoppel governs the likelihood that an IPR will simplify the issues in a case should patent claims survive the PTAB proceeding.”). Note, however, a petitioner-defendant may still “rely on invalidity grounds based on prior use [or] sale of physical products or systems because IPR petitions can only be based on patents or printed publications.” Barbara McCurdy & Arpita Bhattacharyya, *How SAS Expands Scope of Inter Partes Review Estoppel*, LAW360 (June 19, 2018), <https://www.law360.com/articles/1053281/how-sas-expands-scope-of-inter-partes-review-estoppel> [perma.cc/2JSL-TPB9].

104. See *Personalweb Tech., LLC v. Google Inc.*, No. 5:13-CV-01317-EJD, 2014 WL 4100743, at \*5 (N.D. Cal. Aug. 20, 2014) (“[W]aiting for the outcome of the reexamination could eliminate the need for trial if the claims are cancelled or, if the claims survive, facilitate trial by providing the court with expert opinion of the PTO and clarifying the scope of the claims.”).

105. See Hartzell & Phelan, *supra* note 103 (describing pre-*SAS* IPR estoppel generally and noting that “non-instituted grounds are not estopped”); McCurdy & Bhattacharyya, *supra* note 103 (“Thus, under *SAS*, IPR proceedings can no longer have non[-]instituted grounds—the PTAB will either institute on all claims and all grounds or deny institution altogether. . . . No longer will petitioners be able to pursue non[-]instituted grounds in litigation following an unsuccessful IPR trial.”); Baker Botts Firm Thought Leadership, *Uncertainty of IPR Estoppel in District Courts Continues*, BAKER BOTTS (June 5, 2018), <http://www.bakerbotts.com/ideas/publications/2018/06/uncertainty-of-ipr-estoppel> [perma.cc/98K2-JWUL]. Instead, they commented, focus would turn to whether courts would interpret IPR estoppel—particularly as it pertains to prior art that could have been raised in IPR—narrowly or broadly.

development in IPR estoppel to motion to stay analysis.<sup>106</sup> Without the need to see which claims in a petition would ultimately be instituted, one commentator argued, petitioner-defendants no longer had to wait for institution to “convince a court as to the potential simplification of issues for trial.”<sup>107</sup> This conclusion assumes that a district court does not consider it likely that the PTAB would deny the petition entirely. Because patent owner-plaintiffs are no longer able to leverage partial institution or the risk of partial institution to defeat a stay motion, one might expect pre-institution grants of stay motions to increase after *SAS*.<sup>108</sup> Examining orders on motions to stay post-*SAS* involving pending IPR petitions demonstrates that is only true in some districts.

This analysis examines post-*SAS* orders on motions to stay pending IPR in the busiest patent litigation districts: the Eastern District of Texas, the District of Delaware, the Central District of California, and the Northern District of California.<sup>109</sup> To understand how the elimination of partial institution affects courts’ analyses of motions to stay, this examination focuses on cases involving IPR petitions awaiting institution decisions.

Following *SAS*, the Eastern District of Texas continued to deny pre-institution motions to stay pending IPR with regularity. In four separate orders, the Eastern District upheld the District’s tradition of “uniformly deny[ing] motions for a stay” when “the PTAB has not yet acted on a petition for inter partes review.”<sup>110</sup>

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*See* Hartzell & Phelan, *supra* note 103; McCurdy & Bhattacharyya, *supra* note 103; Baker Botts Firm Thought Leadership, *Uncertainty of IPR Estoppel in District Courts Continues*, BAKER BOTTS (June 5, 2018), <http://www.bakerbotts.com/ideas/publications/2018/06/uncertainty-of-ipr-estoppel> [perma.cc/98K2-JWUL] (“For IPR petitions filed after *SAS*, courts should not have to evaluate whether different estoppel is appropriate for instituted and non-instituted grounds . . .”).

106. *See* Scott McKeown, *New SAS Reality Impacts Motion to Stay Analysis*, ROPES & GRAY: PATENTS POST-GRANT (May 30, 2018) <https://www.patentspostgrant.com/sas-reality-strikes-motion-stay-analysis/> [perma.cc/5BQW-4MM2].

107. *Id.*

108. *See id.* (“Given the ‘all or nothing’ dynamic post-*[SAS]* . . . it seems very likely that [p]atent [o]wners will start seeing motions to stay earlier in cases.”).

109. The Eastern District of Texas, the District of Delaware, the Central District of California, and the Northern District of California are the most popular venues for patent litigation. *See* Geneva Clark, *TC Heartland, Legal Trends, One Year Later*, LEX MACHINA (May 23, 2018), <https://lexmachina.com/tc-heartland-legal-trends-one-year-later/> [perma.cc/DDP9-N7SY].

110. *See* Fall Line v. Am. Airlines Grp. Inc., No. 6:17-cv-00202-RWS, 2018 WL 4169251, at \*1 (E.D. Tex. May 21, 2018); Intellectual Ventures I LLC v. T Mobile USA, Inc., No. 2:17-CV-00577-JRG, at 2 (E.D. Tex. Oct. 2, 2018); Polaris PowerLED Tech., LLC v. Samsung Elec. Am., Inc., No. 2:17-CV-00715-JRG, 2019 WL 121970, at \*2 (E.D. Tex. Sept. 4, 2018); Tessera Advanced Tech., Inc. v. Samsung Elec. Co., LTD., No. 2:17-CV-00671-JRG, 2018 WL 3472700, at \*4 (E.D. Tex. July 19, 2018).

Similarly, the District of Delaware continued to deny motions to stay pending IPR where the IPR has not yet been instituted. The District even cited to *SAS* in some of these orders. In *Universal Secure Registry, LLC v. Apple Inc.*, the court found that the holding in *SAS* actually “support[ed] the court’s conclusion on [the simplification] factor because it guarantee[d] that the PTAB’s decision to institute Apple’s petitions [would] be a binary choice.”<sup>111</sup> In other words, the court concluded that until institution occurred, a binary decision whether to institute IPR could be a “yes” or a “no” and did not automatically signal simplification for the purpose of deciding a motion to stay.<sup>112</sup>

Following *SAS*, the Central District of California has ruled on pre-institution motions to stay without indicating a clear trend. In one instance, the Court found that “the likelihood that a stay [would] simplify issues [was] lessened where . . . the PTAB ha[d] not yet decided whether to institute IPR.”<sup>113</sup> Elsewhere, the court found that *SAS*’s all-or-nothing approach to institution weighed in favor of a stay.<sup>114</sup>

Similarly, the Northern District of California was mixed in its pre-institution stay decisions after *SAS*. In one case, the District concluded that “granting a stay would be premature” when IPR had not yet been instituted IPR.<sup>115</sup> The Court held that “[t]he question of whether a stay [would] simplify and streamline the issues . . . depend[ed] entirely on whether the PTAB decide[d] to grant the IPR petition.”<sup>116</sup> Elsewhere, the District found that “the fact that the PTAB ha[d] not yet decided whether to institute an IPR [did] not require finding [the simplification] factor weigh[ed] against issuing a stay.”<sup>117</sup>

Despite hypotheses that *SAS* would generally increase the likelihood of success on pre-institution motions to stay pending IPR, the results in the months immediately following *SAS* indicate that district courts continue to differ in their consideration of IPR institution when deciding motions to stay. The elimination of partial institution may weigh in favor of pre-institution stay in the Central District of California or the Northern District of California, but

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111. See *Universal Secure Registry, LLC v. Apple Inc.*, No. 17-585-CFC-SRF, 2018 WL 4486379, at \*3 (D. Del. Sept. 19, 2018) (internal quotation marks omitted).

112. See *id.*

113. See *Fulfillium, Inc. v. ReShape Medical, LLC*, 2:17-cv-08419-RGK-PLA, 2018 WL 6118433, at \*3 (C.D. Cal. June 4, 2018).

114. See *Nichia Corp. v. Vizio, Inc.*, No. SACV 18-00362 AG (KESx), 2018 WL 2448098, at \*3 (C.D. Cal. May 21, 2018).

115. See *Everlight Elecs. Co., Ltd., v. Bridgelux, Inc.*, No. C 17-03363 JSW, 2018 WL 5606487, at \*8 (N.D. Cal. Sept. 14, 2018).

116. See *id.* at \*7 (quoting *Universal Elecs., Inc. v. Universal Remote Control, Inc.*, 943 F. Supp. 2d 1028, 1030–31 (C.D. Cal. 2013)).

117. See *Uniloc USA, Inc. v. Apple Inc.*, No. 18-cv-00361/00362/00364-PJH, 2018 WL 2387855, at \*2 (N.D. Cal. May 25, 2018).



SAS's holding fails to similarly tip the scales in the Eastern District of Texas and the District of Delaware.

D. LARGER EFFECTS OF SAS

The data from the IPR decisions and district court orders on motions to stay suggest that SAS did little to enhance the role of IPR as a tool to combat bad patents but may have increased the value of some claims for patent owners. Additionally, because of IPR estoppel, SAS may have promoted consistency between IPR and proceedings in other forums.

1. *IPR as a Method for Combatting Bad Patents*

Bad patents are socially costly. The patent system, when properly functioning, imposes the social cost of restricting competition, but that cost is outweighed by the incentive to innovate that patents provide.<sup>118</sup> Patents that do not meet patentability requirements, on the other hand, “generate the short-term inefficiency costs associated with market power without the attendant long-term dynamic efficiency benefits of true innovation.”<sup>119</sup> In other words, bad patents essentially give their owners the benefit of monopoly without providing the public with the requisite technical innovation in exchange. The unjustified social costs of bad patents manifest in numerous ways, including the following: (1) bad patents that are subject to litigation incur litigation costs that are passed on to society, (2) bad patents that are licensed cost licensees money, (3) bad patents that are neither litigated nor licensed may nonetheless cause competitors not to offer a product and thereby chill innovation, and (4) these costs are transferred to consumers in the form of higher prices and fewer choices.<sup>120</sup>

IPRs allow for private and USPTO efforts to converge and mitigate the harm of patents that should not have been granted in the first place.<sup>121</sup> In some circumstances, private actors may have better knowledge of or access to information that affects the patentability of an invention than patent

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118. Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 NW. U. L. REV. 1495, 1515 (2001).

119. Saurabh Vishnubhakat, *The Non-Doctrine of Redundancy*, 33 BERKELEY TECH. L.J. 777, 781 (2018).

120. See Lemley, *supra* note 118, at 1515; Vishnubhakat, *supra* note 119.

121. See Robert P. Merges, *As Many as Six Impossible Patents Before Breakfast: Property Rights for Business Concepts and Patent System Reform*, 14 BERKELEY TECH. L.J. 577, 577 (1999) (arguing, prior to the enactment of the AIA, for the adoption of a patent opposition system that “efficiently coordinate[s] the efforts of [the patent office and private parties] to achieve the socially desirable end: an appropriate expenditure for determining patent validity”); see also Jonathan Masur, *Patent Inflation*, 121 YALE L.J. 470, 522 (2011) (noting the underuse of IPR’s predecessor, inter partes reexamination, and calling for an amendment of its procedures to increase use).

examiners.<sup>122</sup> The semi-adversarial IPR process functions as a mechanism through which private parties can bring that information to the USPTO, at a steep discount compared to district court litigation. And if the PTAB decides at the end of an IPR that the challenged claims do not meet the requirements for patentability and cancels those claims, the costs of the bad patent are stymied. A competitor's interest in offering an alternative and the public's interest in awarding only worthy inventions align with regard to bad patents. Thus, IPRs provide value to both IPR petitioners and the public at large.

### 2. *SAS Likely Did Little to Combat Bad Patents*

*SAS*, in reinforcing the petitioner as master of its IPR proceedings, provides private parties with additional opportunities to bring their information to the PTAB, but the decisions data suggest that those opportunities do not often translate into unpatentability findings. Post-*SAS*, if a petitioner's weaker challenge is paired with a stronger challenge, the petitioner will more likely have the opportunity to present information and arguments in favor of invalidity throughout IPR. If these weaker challenges attack claims that should not have been issued in the first place, then the public could benefit from the additional opportunities to present information. However, the lowered success rate in mixed decisions post-*SAS* suggest that the *SAS*-added claims did not target bad patent claims ripe for cancellation.

### 3. *SAS May Have Increased the Value of Some Patents for Patent Owners*

Though it may initially appear that the *SAS* decision benefited petitioners like *SAS* by increasing their ability to control the claims decided by an IPR decision, the IPR decisions data suggest that *SAS* may actually increase the value of patents that survive IPR for patent owners. As this Note examined above, *SAS*-added claims likely have a lower likelihood of receiving a finding of unpatentable. Because a claim that survives IPR without being found unpatentable has undergone the scrutiny of the PTAB and withstood the attacks of a challenger, the claim can be considered stronger and more valuable than the average issued patent.<sup>123</sup> Claims added by *SAS* are more likely to survive IPR. As a result, such claims may be more valuable to their owners.

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122. See Stuart J.H. Graham & Dietmar Harhoff, *Separating Patent Wheat from Chaff: Would the US Benefit from Adopting Patent Post-Grant Review?*, 43 POLY RES. 1649, 1650 (2014) (describing how product-market competitors can contribute superior information to the policing of the patent system).

123. Some patent reform scholars have proposed a two-tiered patent system where applicants can pay higher fees to undergo a more intense examination to receive a "gold-plate" patent. See Mark Lemley et al., *What to do About Bad Patents?*, 28 REGULATION 10, 12 (2005); see also Vidya Atal & Talia Bar, *Patent Quality and a Two-Tiered Patent System*, 62 J. INDUS. ECON. 503, 526 (2014) ("The optimal two-tiered system does not necessarily have overall fewer bad patents, but their instances would be lower in the gold-plate tier than in the regular tier.").

Even if *SAS*-added claims receive no more analysis as a result of *SAS*,<sup>124</sup> patent owners now benefit from IPR estoppel with regard to those added claims. Because IPR estoppel applies only to instituted claims, owners of claims that survive IPR as a result of *SAS* will likely also be protected from petitioners reasserting IPR invalidity arguments in district court or ITC proceedings. Thus, even the limited analysis that *SAS*-added claims receive in IPR decisions will be more definitive than analysis that exists only in institution decisions.

However, some features of IPR in the post-*SAS* world may decrease the value of IPR-surviving claims for patent owners, and further study of IPRs prior to and following *SAS* is necessary to understand the value of IPR survival strategies for patent owners. First, the decreased analysis that *SAS*-added claims likely receive in IPR decisions may make IPR survival less valuable post-*SAS* than pre-*SAS*. Further, if IPR success rates continue to be lower overall, IPR survival may be perceived to be less valuable as more claims are found to be not unpatentable in IPR decisions. Given the prevalence of parallel IPR and district court proceedings and IPR estoppel, it is uncertain whether the cost of defending against *SAS*-added claims will increase patent dispute costs for patent owners overall. How *SAS* affects settlement analysis has also yet to be examined but would contribute to understanding the overall social effects of *SAS*.

#### 4. *SAS Promoted Consistency Between the PTAB and Other Forums*

Because IPR estoppel did not apply to claims not instituted, *SAS* may have encouraged harmony between the PTAB, district court, and ITC proceedings. As more claims challenged in IPR petitions are decided in IPR decisions, more validity challenges are no longer available for petitioner-defendants to relitigate in district courts because of IPR estoppel.<sup>125</sup> This development increases the likelihood that IPR will become more viable as an alternative to district court litigation. Even so, post-*SAS* stay decisions from the four busiest patent districts suggest federal courts remain skeptical of IPR as a substitute for civil litigation.

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124. This Note does not examine institution decisions. It is possible that *SAS*-added claims receive the same analysis in both institution decisions and final written decisions. In other words, *SAS*-added claims may receive no further analysis from final written decisions. At the very least, however, IPR now applies with regard to those *SAS*-added claims.

125. See 35 U.S.C. § 315(e)(1) (prohibiting a petitioner from “request[ing] or maintain[ing] a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review”); *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1353 (2018).

#### E. TAKEAWAYS FOR PRACTITIONERS

Given the trends discussed above, petitioner-defendants may be well advised to act strategically with regard to IPR petitions and motions to stay. Following *SAS*, rates of success for IPR challenges have decreased, particularly in categories most likely to contain *SAS*-added claims. Additionally, there is reason to believe that decisions are providing less analysis to those *SAS*-added claims. Conversely, it appears that post-*SAS*, the PTAB is allocating more analysis in IPR decisions to the strong claims that are ultimately determined to be unpatentable. Because IPR decisions effectively trigger IPR estoppel, it appears prudent to follow the advice of the Administrative Patent Judges who counseled petitioners to put forth only their strongest challenges.<sup>126</sup>

Notwithstanding *SAS*, petitioner-defendants should take care to tailor their motion to stay approaches to the conventions of each forum. *SAS* by no means cleared the way for courts to grant motions to stay in cases where IPR had not yet been instituted. A movant may have some success filing a motion to stay pending IPR prior to institution in the Central District of California and the Northern District of California. But, a motion to stay filed before IPR institution in the Eastern District of Texas or the District of Delaware will not likely gain traction.

Respondent-plaintiffs should be mindful of the ways they may factor IPR estoppel into overall litigation strategies once an IPR has been filed. While defending against an increased number of claims may be difficult given the restrictions on page length, claims that survive IPR may well be worth the cost. Additionally, patent owners may want to consider how to calculate the value of IPR surviving patents in the post-*SAS* world.

#### IV. CONCLUSION

In the months since *SAS*, IPR decisions have changed. The PTAB is determining the patentability of more claims in each decision. Analysis per claim has likely decreased significantly. The success rate on the claim level has dropped. These indications support the conclusion that petitioners ought to be strategic in their IPR petitions.

The impact of the *SAS* case extends beyond IPR proceedings to district court patent litigation. Regarding IPR estoppel, *SAS*, in eliminating partial institution, precluded the possibility that some claims would escape estoppel, i.e., when those claims fail to reach determination in a decision. Despite speculation that *SAS* would alter the stay analysis significantly, orders on stay motions in the months since *SAS* suggest that for the time being *SAS*'s impact on stays is limited and venue-specific.

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126. Worth & Ruschke, *supra* note 81, at 276.

IPR and district court data demonstrates that *SAS* may have caused some modest shifts in the patent system's role in society and in the legal system. Given the increase of claims that receive final findings of not unpatentable, *SAS* may have increased the value of some challenged claims that ultimately survive IPR. Because more claims are subject to IPR estoppel following *SAS*, the decision may have promoted harmony between the PTAB and other forums.

Though the opinions in *SAS*, majority and dissenting alike, focused primarily on statutory interpretation and large-scale efficiency arguments, the case raised small-scale concerns for even the individual litigator in a patent case. Post-*SAS* IPR decisions and stay orders make that clear. Ultimately, *SAS*'s holding on PTAB procedure has numerous ripple effects that will need to be further studied.

