U.S. Supreme Court Could Dramatically Reshape IPR Estoppel†

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Since the June grant of certiorari in Oil States Energy Services,¹ the possibility that the U.S. Supreme Court might find inter partes review (IPR), an adversarial proceeding at the U.S. Patent and Trademark Office (USPTO), to be unconstitutional has cast a shadow over IPR and other similar post-grant proceedings before the Patent Trial and Appeal Board (PTAB). Notwithstanding the shadow, another case before the Court this term may ultimately have greater effect on the interplay between PTAB and district court litigation. This article considers that case, SAS Institute Inc. v. Matal, No. 16-969, 137 S.Ct. 2160 (May 22, 2017) (previously styled SAS Institute Inc. v. Lee), in which the Court also granted certiorari, just three weeks prior to Oil States. Notwithstanding the focus at SAS Institute oral argument² on partial institution practice, the Court’s attention may return to the question of statutory interpretation presented, and, in doing so, the Court may decide that the Board cannot exclude a subset of challenged claims from its final written decision. Such a decision could significantly affect the interplay between IPR and district court litigation, particularly with respect to estoppels.

I. Background and Issues before the Court

IPR is an adversarial proceeding at the PTAB in which a party, frequently a defendant in patent litigation, may challenge validity of claims of a U.S. Patent before a panel of patent-trained administrative law judges, typically with subject matter expertise. Conceptually, IPR can be viewed as analogous to European post-grant opposition, though with a less limited window for challenge, more of a litigation focus, and higher claim cancellation rates. Grounds of challenge in an IPR petition are limited to obviousness and lack of novelty based on prior art patents and printed publications. Much of the structure of the IPR statute and many of the legislative statements of its congressional proponents prior to enactment are consistent with a

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¹ Oil States Energy Services, LLC v. Greene’s Energy Group, LLC, No. 16-712, 137 S.Ct. 2239 (June 12, 2017).

² SAS Institute and Oil States Energy Services were each argued at the Supreme Court on November 27, 2017. Decisions are expected by the end of the current term.
goal of efficient adjudication of these limited validity issues in a forum that can completely substi-Substitution for adjudication of the same issues in district court litigation.

Estoppels in parallel litigation are a critical component of the overall scheme and, by statute, foreclose certain invalidity arguments in district court or before the International Trade Commission (ITC). Specifically, the IPR statute provides that “[t]he petitioner in an inter partes review of a claim … that results in a final written decision … may not assert [in court or before the ITC] that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.” 35 U.S.C. §315(e)(2).

In this context, a “ground” is an invalidity (or unpatentability) basis asserted in an IPR petition, including a particular combination of prior art patents and/or printed publications and the associated invalidity arguments for a particular claim (or claims) challenged by the petitioner. The general thrust of the estoppel statute is that a petitioner does not get to litigate invalidity grounds to finality in the PTAB while still maintaining the option to relitigate, in another forum, the very same invalidity grounds raised (or, indeed, grounds that “reasonably could have been raised”). Significantly, estoppel is on a claim-by-claim basis and attaches following issuance of a final written decision under § 318(a).

In *SAS Institute Inc. v. Matal*, the Supreme Court will consider issues of statutory interpretation that affect the set of claims for which the Board must render a final written decision. The Court’s decision may expand the scope of statutory estoppels and redefine the proper scope of appellate review. The specific question before the Supreme Court is whether 35 U.S.C. § 318(a) requires the PTAB to issue a final written decision as to every claim challenged by a petitioner, or, consistent with the Board’s current practice of limiting the trial phase of review, in some cases, to a subset of challenged claims and grounds, may the Board issue a final written decision as to only some of the challenged claims. Depending on the contours of the Court’s decision, changes in the nature of institution determinations and trial practice may result. This article explains some of these potential changes.
II. Current PTAB Practice has been Questioned

The Board views its statutory authority as allowing it to select a subset of claims and grounds for which it will institute review. Specifically, the Board reads § 314(a) as affording it discretion to institute trial as to less than all of the claims and grounds for which review is sought by the petitioner. Consistent with that view, the Board adopted Rule 42.108(a), which provides “[w]hen instituting inter partes review, the Board may authorize the review to proceed on all or some of the challenged claims and on all or some of the grounds of unpatentability asserted.” 37 C.F.R. 42.108(a) (emphasis added). Divided panels of the U.S. Court of Appeals of the Federal Circuit have twice blessed this view and Rule 42.108(a). In each case, Judge Newman penned a strong dissent, and the questions raised in those dissents are now before the Supreme Court.

Current PTAB practice of partial institution has two significant practical implications. First, for claims challenged by the petitioner, but for which the Board declines to institute trial, no final written decision will ever address a non-instituted claim (and/or grounds). As a result, statutory estoppels under § 315(e) never attach. Likewise, because the Board does not address non-instituted claims and grounds in a final written decision under § 318(a), appellate review is precluded or at least frustrated. SAS Institute challenges that status quo with the facially compelling argument that § 318(a) is compulsory and requires the Board to “issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner.”

As of the writing of this article, briefing has commenced in SAS Institute Inc. v. Matal, but oral arguments have not yet been scheduled. The Government’s brief characterizes the Board’s current practice as designed to secure just, speedy and inexpensive resolution in a

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3 Section 314(a) provides, “[t]he Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 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. 35 U.S.C. § 314(a).


5 See, e.g., 35 U.S.C. § 315(e)(2) defining estoppel in civil actions and before the ITC in terms of “inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a)” (emphasis added).

6 See 35 U.S.C. § 319 (only authorizing appeal from the final written decision), 35 U.S.C. § 314(d) (requiring that the “determination by the Director whether to institute an inter partes review … shall be final and nonappealable.”).

proceeding that limits the claims in review to those that meet the “reasonable likelihood” of prevailing threshold set in statute and thereby streamlined to converge issues for consideration at trial. The Government’s brief suggests that it would be inefficient and unfair to the patent owner, if the Board were to institute trial on claims that do not meet this threshold.8

III. Claims, Grounds, and § 315(e)(2) Estoppel

The Court may decide that the Board cannot exclude a subset of challenged claims from its final written decision. In considering the implications for estoppel of such a decision in SAS Institute, it is useful to consider at least the following postures for grounds that may form part of a petitioner’s challenge in a petition on which IPR is instituted:

1. a prior art ground based on which the Board institutes IPR of a claim challenged by the petitioner (an “instituted ground”);
2. a prior art ground advanced by petitioner, but which the Board denies, relative to a challenged claim, as redundant or cumulative to an instituted ground for that claim (a “redundant ground”);
3. a prior art ground advanced by petitioner, but for which (at least under current practice) the Board denies institution on the merits or in an exercise of discretion (a “non-instituted ground”); and
4. a prior art ground not advanced in the petition (a “non-petitioned ground”).

With or without a decision in SAS Institute, estoppel can generally be expected for any instituted ground [posture (1), above] relative to any claim on which IPR is instituted. As long as the IPR progresses to the point that a final written decision is issued, the petitioner may not thereafter assert that such a claim is invalid based on an instituted ground. If the Court does decide that the Board cannot exclude a subset of challenged claims from its final written decision, practitioners should expect that estoppel will attach for any claim for which review is sought and that estoppel will extend to all instituted grounds.

Redundant grounds [posture (2)] present a thornier issue. The Federal Circuit has ruled, in Shaw Industries, that the statutory language “during that inter partes review” in § 315(e)(2) refers to the trial phase after institution and accordingly, under the Board’s current partial institution practice, a redundant ground is not raised, nor can it reasonably be raised, during the

IPR. Because a decision of the Supreme Court in *SAS Institute* could end the Board’s practice of excluding challenged claims from the final written decision, while sidestepping any question of the Board’s authority to streamline trial by culling redundant grounds, it is possible that the reasoning of *Shaw Industries* could survive. Practitioners should be mindful of this possibility.

Treatment of a non-instituted ground [posture (3)], *i.e.*, one that the Board, as a threshold matter, determines (or would be inclined to determine under current practice) fails its reasonable likelihood of success inquiry, may be a different matter. Although some courts have refused to apply estoppel on the theory that, like redundant grounds, non-instituted grounds cannot be raised “during that inter partes review,” a decision of the Supreme Court in *SAS Institute* could change that calculus. If the Court agrees with arguments raised by the Petitioner, SAS Institute, it is likely to end the Board’s practice of partial institution. It is therefore likely that, assuming the Board institutes as to any claim, the Board would also be required to issue a final written decision for all remaining claims challenged by the petitioner, even if the sole ground proposed for any such remaining claim is one that the Board did not (or might not) determine cleared its threshold for institution. Presumably, the result in this case (after trial) would be a final written decision adverse to the petitioner on such a ground. Estoppel would likely attach, and appellate review would be available. Practitioners should likewise be mindful of this possibility.

For grounds that, under current practice, the Board would have not have been inclined to institute or would view as redundant, it seems unlikely that the Board would continue to overtly exclude them from trial should the Supreme Court reverse in *SAS Institute*. Instead, it seems far more likely that the Board would make a simple binary determination—to institute or not to institute. In such case, the *Shaw Industries* rationale for no estoppel—a rationale that has dominated much of the trial bar’s thinking about estoppel—would be mooted.

Finally, the lower courts are split over whether the proper scope of estoppel extends to non-petitioned grounds [posture (4)]. Outcomes can be highly fact-specific, and the Federal

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9 *Shaw Industries Group, Inc. v. Automated Creel Systems, Inc.*, 817 F.3d 1293, 1298-1300 (Fed. Cir. 2016). See also 35 U.S.C. § 315(e)(2), which provides, in pertinent part:

“The petitioner in an inter partes review of a claim in a patent … that results in a final written decision under section 318(a) … may not assert either [in district court or before the ITC] that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.”

Circuit has not yet directly considered the issue in the context of § 315(e)(2). Give the facts of *SAS Institute*, the Court is unlikely to directly address non-petitioned grounds in its decision. Nonetheless, practitioners should pay close attention for any hints from the Court.

**IV. Conclusions**

In *SAS Institute Inc. v. Matal*, the Supreme Court has the opportunity to reshape the scope of estoppel for grounds advanced in IPR and other post-grant proceedings before the PTAB. At the very least, it seems quite possible that the Court will end the Board’s current practice, under which partial institution is common and under which some claims challenged by a petitioner (and indeed, some grounds of challenge) are excluded from the Board’s final written decision. Practitioners will want to review the Court’s decision closely—some issues relating to estoppel may be resolved, while others are likely to remain open regardless of how the Supreme Court decides.