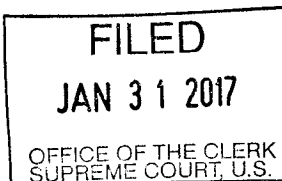


16-969



No. _____

IN THE
Supreme Court of the United States

SAS INSTITUTE INC.,

Petitioner,

v.

MICHELLE K. LEE, Director, U.S. Patent and
Trademark Office, and COMPLEMENTSOFT, LLC,

Respondents.

**On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit**

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

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?

**PARTIES TO THE PROCEEDING AND RULE
29.6 STATEMENT**

Petitioner, who was Appellant below, is SAS Institute Inc. Petitioner has no parent company, and no publicly traded corporation owns 10% or more of any of its stock.

Respondents are ComplementSoft, LLC, Appellee and Cross-Appellant below, and Michelle K. Lee, in her capacity as Director of the U.S. Patent and Trademark Office, who was an Intervenor below.

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OPINIONS BELOW

The Patent Trial and Appeal Board's Decision to Institute *Inter Partes* Review (App. 103a-28a), and that Board's Final Written Decision (App. 41a-86a) and its Decision denying SAS's Request for Rehearing (App. 129a-34a) are all unreported. The Federal Circuit's opinion (App. 1a-40a) is reported at 825 F.3d 1341 (Fed. Cir. 2016). Its precedential order denying rehearing en banc (App. 87a-102a) is reported at 842 F.3d 1223 (Fed. Cir. 2016).

JURISDICTION

The Federal Circuit denied rehearing en banc on November 7, 2016. This Court has jurisdiction under 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Each of the statutory provisions at issue was enacted by the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011), and is now codified in Title 35 of the United States Code. The text of each relevant provision is set forth in the Appendix (App. 135a-48a).

STATEMENT

1. "The Leahy-Smith America Invents Act, 35 U.S.C. § 100 *et seq.*, creates a process called 'inter partes review.' That review process allows a third party to ask the U.S. Patent and Trademark Office to reexamine the claims in an already-issued patent and to cancel any claim that the agency finds to be unpatentable in light of prior art." *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2136 (2016). "The Act converts inter partes reexamination from an

examination to an adjudicative proceeding, and renames the proceeding ‘inter partes review.’” H. R. Rep. No. 112-98, at 46-47 (2011), *reprinted in* 2011 U.S.C.C.A.N. 67, 77 (H.R. Rep.); *Cuozzo*, 136 S. Ct. at 2137.

One critical consequence of this change to an adjudicative proceeding has to do with the effect of an adjudicated inter partes review upon district court infringement litigation: An important congressional objective of the Act was to ensure that “a final decision in a post-grant review process will prevent the petitioner, a real party in interest, or its privy from challenging any patent claim on a ground that was raised in the post-grant review process.” H.R. Rep. at 48, 2011 U.S.C.C.A.N. at 78.

The detailed provisions of the Act bear this out. A petitioner begins the inter partes review process by filing a petition challenging the patentability of one or more claims in a given patent. 35 U.S.C. § 311(a), (b). *Inter alia*, the petition must “identif[y], in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim.” *Id.* § 312(a)(3). The owner of the challenged patent may file a “preliminary response” to the petition, setting forth “reasons why no inter partes review should be instituted.” *Id.* § 313.

Section 314 sets forth the threshold for instituting inter partes review: The Director may institute inter partes review if “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.” *Id.* § 314(a). There is no requirement in the AIA that the Director’s institution decision be reasoned; indeed, judicial review of an institution decision is generally unavailable. *Id.* § 314(d); *Cuozzo*, 136 S. Ct. at 2140-42; *id.* at 2150-53 (Alito, J., concurring in part and dissenting in part). The Patent Trial and Appeal Board conducts “each inter partes review instituted under this chapter.” 35 U.S.C. § 316(c).

Section 318(a), the provision most central to this case, sets forth the requirements of a “final written decision”: “If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d)” (which allows, with certain limitations, a patent owner’s amendment of the patent during inter partes review with “a reasonable number of substitute claims,” *id.* § 316(d)(1)(B)). “A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) may appeal the decision” to the Federal Circuit, pursuant to 35 U.S.C. §§ 141-144. *Id.* § 319.

In section 315, the statute also establishes the relationship between—and consequences for—multiple proceedings, including parallel inter partes review actions and civil actions. If the petitioner has previously “filed a civil action challenging the validity of a claim of the patent,” the Director is forbidden from instituting an inter partes review. *Id.*

§ 315(a)(1). And if the petitioner files a civil action after filing a petition for inter partes review, “that civil action shall be automatically stayed” until certain events occur. *Id.* § 315(a)(2). Likewise, inter partes review is forbidden if the petitioner has been served with a complaint alleging infringement of the patent “more than 1 year” prior to the filing of the petition. *Id.* § 315(b).

Finally, a petitioner is estopped from relitigating, in an infringement action, grounds of patent invalidity that were or could have been raised in the inter partes review. Once a “final written decision under section 318(a)” has been issued, the petitioner “may not assert either in a civil action arising in whole or in part under [the patent laws] or in a proceeding before the International Trade Commission . . . that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.” *Id.* § 315(e)(2).¹

2. On September 14, 2012, ComplementSoft sued SAS for patent infringement in the Northern District of Illinois. See Complaint, *ComplementSoft, LLC v. SAS Institute Inc.*, No. 1:12-cv-07372 (N.D. Ill. Sept.

¹ The America Invents Act also created parallel regimes for “Post-Grant Review” and review of “Covered Business Method Patents.” Those statutory schemes contain the identical operative language as Sections 314(a) and 318(a) of Title 35. See 35 U.S.C. §§ 324(a) (entitled “THRESHOLD” for “Institution of post-grant review”) & 328(a) (entitled “FINAL WRITTEN DECISION”); AIA, 125 Stat. 284, 329 § 18(a)(1) (providing that post-grant review for covered business method patents “shall be regarded as, and shall employ the standards and procedures of, a post-grant review under chapter 32 of title 35, United States Code . . .”).

14, 2012) (Dkt. 1). ComplementSoft's complaint alleged that SAS had infringed "one or more claims of the '936 Patent [ComplementSoft's U.S. Patent No. 7,110,936], including but not limited to at least claims 1, 2, 3, 4, 8 and 10." *Id.* at ¶¶ 14-16; App. 42a, 104a. The '936 Patent contains 16 claims, numbered 1 through 16. Patent App. 1-16.

On March 29, 2013, within the one-year window set forth in 35 U.S.C. § 315(b), SAS petitioned for inter partes review of the '936 Patent, challenging the patentability of all 16 of the patent's claims, either as anticipated (35 U.S.C. § 102), or obvious (*id.* § 103) in view of prior art. App. 104a-05a. On August 12, 2013, the Patent Trial and Appeal Board, acting as the Director's delegate for making institution decisions pursuant to 37 C.F.R. § 42.4(a), and believing that it had the authority to institute inter partes review as to fewer than all 16 of the claims challenged in SAS's petition, instituted inter partes review only as to claims 1 and 3-10. App. 106a, 127a.

After receiving evidence and argument, the Patent Trial and Appeal Board on August 6, 2014 issued its "final written decision" under 35 U.S.C. § 318(a). App. 41a. Despite the statutory mandate that the Board "shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner," the Board's final written decision addressed only claims 1 and 3-10, and not claims 2 and 11-16 of the '936 Patent. App. 84a. The Board largely ruled consistently with the reasoning of its August 2013 institution decision, although it reversed course as to claim 4 of the '936 Patent, adopting a new construction of that claim

never before raised by the parties or suggested by the Board. App. 70a.

SAS requested rehearing before the Board, challenging the substance of its patentability ruling with respect to claim 4 of the '936 Patent, and its procedural failure under § 318(a) to “issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner.” The Board denied rehearing on November 10, 2014, App. 129a.

3. SAS and ComplementSoft each timely appealed to the Court of Appeals for the Federal Circuit.

a. SAS again challenged the Board's determination of patentability with respect to claim 4 as well as the Board's refusal to issue a final written decision with respect to the patentability of all 16 patent claims it had challenged. App. 2a. ComplementSoft appealed the determination of unpatentability with respect to claims 1, 3, and 5-10 of the '936 Patent. App. 7a. The Director of the Patent and Trademark Office intervened to defend the Board's decision to issue a final decision as to only some of the claims challenged by SAS. *See* App. 1a.

b. After briefing had been completed in this case, but before oral argument, the Federal Circuit, on February 10, 2016, issued a 2-1 panel decision in *Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309 (Fed. Cir. 2016). In *Synopsys*, the divided panel held that the text of § 318(a)—requiring a final written decision with respect to “any patent claim challenged by the petitioner”—was

materially different from the language of § 314(a), which allows institution of an inter partes review where there is a reasonable likelihood that the petitioner would prevail with respect to “at least 1 of the claims challenged in the petition.” *Id.* at 1315. Accordingly, the panel majority concluded, “the claims that the Board must address in the final decision are different than the claims raised in the petition.” *Id.* The *Synopsys* majority added that, “[a]lthough we find that the language is clear, if there were any doubt,” the Board was authorized to adopt this partial-final-written-decision regime under its rulemaking authority, *id.* at 1316; see 35 U.S.C. § 316(a)(2); *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984).

c. Judge Newman filed a lengthy dissent in *Synopsys*, setting forth several “principal concerns” with the majority’s approach, most of which were caused by the erroneous construction of Section 318(a):

- By giving the Patent Trial and Appeal Board the authority to “‘pick and choose’ which of the challenged patent claims and issues it will decide in these new proceedings” under the AIA, the majority approved leaving some challenged claims unadjudicated; Judge Newman pointed out that this “absence of finality negates the AIA’s purpose of providing an alternative and efficient forum for resolving patent validity issues.” 814 F.3d at 1325.
- Judge Newman also pointed out that because decisions whether to institute inter

partes review are not appealable, see 35 U.S.C. § 314(d), the majority's ruling improperly immunizes, from appellate review, patentability rulings made on a preliminary basis at the pre-institution stage of an inter partes proceeding. 814 F.3d at 1325-26.

- Judge Newman further emphasized that the majority ruling had—contrary to the statutory text—turned the institution phase of the inter partes process into “a short-cut to final judgment.” *Id.* at 1326.

Synopsys did not seek rehearing *en banc* from the Federal Circuit, nor did it seek certiorari from this Court.

d. On June 10, 2016, the panel in this case issued its decision, affirming the Board's decision except with respect to claim 4 of the '936 Patent, as to which the panel vacated the Board's determination. App. 1a.

With regard to the question of whether the “final written decision” had to address the patentability of all 16 claims challenged by SAS under Section 318(a), the panel divided 2-1. The panel majority viewed “SAS's argument that the Board must address all claims from the IPR petition in the final written decision [as] foreclosed by *Synopsys*.” App. 22a.

Judge Newman again dissented. App. 23a. Reiterating many of the objections first outlined in her *Synopsys* dissent, Judge Newman summarized her objections to the majority's ruling:

. . . . The PTO's position that it need not review some of the claims challenged in a petition for

review via a post-grant proceeding is inconsistent with the Act. The PTO is authorized to refuse to institute review entirely—but a partial review cannot be inferred from the statute or accommodated to its purpose.

The statutory provisions and the legislative purpose of substituting an agency tribunal for district court proceedings on aspects of patent validity are defeated by the PTO's position that it can leave some challenged claims untouched. The America Invents Act presents a new system of reviewing issued patents, providing for stays of district court proceedings, and estoppels in all tribunals, based on the PTO decision. Final determination of the validity of a challenged patent is not achieved when the PTO selects, at its sole and unreviewable choice, which claims it will review and which it will not touch.

App. 25a.

Judge Newman additionally noted that the statutory structure for inter partes review was carefully crafted by Congress, and its provisions are “designed to act in harmony, like a well-oiled engine.” *Id.* at 26a. However, she added, “[i]ncorrect implementation by the agency distorts the framework, providing the now-observed result of protracted litigation grinding against administrative obstinacy. The victim is the Nation's innovation economy.” *Id.*

4. SAS petitioned for rehearing *en banc* on the issue of whether the Board was obligated to issue a final written decision on all 16 of the challenged claims. On November 7, 2016, over Judge Newman's dissent, the Federal Circuit denied SAS's petition.

App. 87a. Her dissent from the denial of *en banc* rehearing addressed, *seriatim*, each of the relevant sections of the Smith-Leahy America Invents Act relevant to inter partes procedures (35 U.S.C. §§ 311-316 & 318), demonstrating that the statute’s individual sections, as well as the statute as a whole, anticipated that final written decisions in inter partes review proceedings must reach all of the claims challenged by petitioners, not merely a subset thereof, else the statutory regime enacted by Congress would not work as intended. App. 93a-102a. Instead, the partial-institution, partial-decision regime adopted by the Patent Trial and Appeal Board, and now endorsed by two divided Federal Circuit panels, “leaves the unselected claims dangling, lacking both finality and estoppel, preventing the expediency and economy and efficiency that motivated the America Invents Act.” App. 92a.

REASONS FOR GRANTING THE WRIT

I. THE FEDERAL CIRCUIT’S DECISION IS CONTRARY TO SECTION 318(a), AND TO THE AMERICA INVENTS ACT AND ITS PURPOSES

Section 318(a) is written in the plainest of English. It provides, as relevant here: “If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner” In this case, the conditions of Section 318(a) were met—“an inter partes review [was] instituted and not dismissed”—and so the Board was obligated to “issue a final written decision with

respect to the patentability of any patent claim challenged by the petitioner.” Here, the petitioner (SAS) challenged all 16 claims of the ComplementSoft patent, but received a final written decision as to only nine of those 16 claims.

The Federal Circuit’s contrary reading of the statute not only violates the canons of statutory construction; it also guts the America Invents Act of its intended effect—it “negates the AIA’s purpose of providing an alternative and efficient forum for resolving patent validity issues,” *Synopsys*, 814 F.3d at 1325 (Newman, J., dissenting), and throws a wrench into the works of a carefully crafted statutory regime. Certiorari should be granted so that the America Invents Act may be restored to its proper, intended scope.

A. Section 318(a) Requires “A Final Written Decision With Respect To The Patentability Of Any Patent Claim Challenged By The Petitioner”

Under the statute, “the patentability of any patent claim challenged by the petitioner” must be addressed in the Board’s final written decision. 35 U.S.C. § 318(a). Here, the petitioner, SAS, challenged the patentability of claims 1-16 of the ComplementSoft patent. App. 42a. Under the plain language of Section 318(a), the Board’s final written decision should have addressed the patentability of all 16 of those claims, and the Federal Circuit should have remanded the case to the Board for decisions on the seven claims it did not address.

B. The Federal Circuit's Interpretation Of Section 318(a) Violates The Section's Plain Language By Allowing Final Written Decisions On Less Than "Any Patent Claim Challenged By The Petitioner"

The Federal Circuit ruled otherwise. Relying on its decision in *Synopsys*, 814 F.3d at 1314-17, the Court of Appeals concluded that "the differing language [in the institution-decision subsection, 35 U.S.C. § 314(a)] implies a distinction between the two subsections such that § 318(a) does not foreclose the claim-by-claim approach the Board adopted there and in this case." App. 21a.

The Federal Circuit's claimed distinction between Sections 314(a) and 318(a) is not borne out by the statutory language. Section 314, entitled "Institution of inter partes review," provides—in the negative—that the Director of the Patent Office "may not authorize an inter partes review to be instituted unless the Director determines that [the information contained in the parties' institution-related filings] 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." That statutory subsection—entitled "THRESHOLD"—sets forth the threshold standard for instituting an inter partes review, which is that the preliminary filings must demonstrate a reasonable likelihood of success on at least one of the "claims challenged in the petition." Section 314(a) does not, however, explicitly authorize the Director to "institut[e] an inter partes review" that is limited to fewer patent claims than are challenged in the petition, nor does it say that

such a partial institution transforms the uninstituted patent claims into claims that are no longer “challenged by the petitioner,” in the words of Section 318(a).

The Federal Circuit in *Synopsys*, however, believed that there was a meaningful distinction between Section 314(a)’s reference to “claims challenged in the petition” and Section 318(a)’s requirement of a final written decision as to any “claim challenged by the petitioner.” 814 F.3d at 1315 (citing *Bailey v. United States*, 516 U.S. 137, 146 (1995)). Pursuant to the Federal Circuit’s distinction, “claims challenged in the petition” and “any patent claim challenged by the petitioner” carry two entirely different meanings—the former referring to the claims challenged in the initial filing, and the latter to the claims that the Board, in its unreviewable discretion, allows the petitioner to continue to litigate post-institution.

That distinction is an untenable one as a matter of statutory language. For one, the provision governing institution, § 314(a), does not suggest that the Director is allowed to institute inter partes reviews on only some claims; she “may not authorize an inter partes review to be instituted unless [she] determines that the” pre-institution filings show “a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” Indeed, all of the relevant AIA provisions—§§ 312(a)(3), 314(a), 315(e), 316(a), and 318(a)—assume that inter partes review will proceed, and take the place of litigation on, all claims challenged by a petitioner in a petition; none

suggests that inter partes review will proceed on only a subset of the challenged claims.

For another, the facts of this case illustrate why the partial-institution, partial-decision practice is contrary to the statute. Here, SAS filed a petition challenging all 16 claims of the ComplementSoft patent. All 16 of those claims, therefore, were within the broad, linguistically unlimited scope of § 318(a)'s "any patent claim challenged by the petitioner." *See, e.g., United States v. Gonzales*, 520 U.S. 1, 5 (1997) ("the word 'any' has an expansive meaning"). Claims 2 and 11-16 of the ComplementSoft patent were "challenged by the petitioner," SAS, in the only vehicle available for mounting such a challenge (the petition), yet SAS has never received a final written decision as to those claims as mandated by the statute.

Instead, the Federal Circuit rewrote the straightforward language of Section 318(a) to say that "the Board must issue a final written decision with respect to only those claims on which inter partes review has been instituted and which the Board has allowed the petitioner to pursue after the institution stage." Had Congress meant that, it could have said so, but it did not. There is no justification for the addition of such judicial embroidery upon the congressional language. *See, e.g., Bates v. United States*, 522 U.S. 23, 29 (1997) ("[W]e ordinarily resist reading words or elements into a statute that do not appear on its face.").

Likewise, the Federal Circuit's suggestion that the conditional phrase in § 318(a)—"if an inter partes review is instituted"—"strongly suggests that the

‘challenged’ claims referenced are the claims for which inter partes review was instituted, not every claim challenged in the petition,” *Synopsys*, 814 F.3d at 1315, is at best a circular argument. Nothing in § 314(a), or, indeed, anywhere in the AIA, allows or anticipates a partial-institution practice, and so the Federal Circuit’s logic assumes its conclusion that partial inter partes reviews, and partial decisions, are appropriate. The statute says otherwise.

**C. The Federal Circuit’s Interpretation
Also Runs Afoul Of The Act’s Overall
Language, Structure, And Manifest
Purpose**

Judge Newman’s trio of dissenting opinions—in *Synopsys*, in the panel decision in this case, and from the denial of rehearing en banc in this case—sets forth, in detail, why the panel’s interpretation of Section 318(a) will do harm to the efficient operation of the post-patent-issuance challenge regime that was established by the America Invents Act.

First, the language of the Act as a whole demonstrates that Congress did not design a piecemeal regime of post-patenting review, but one that, if initiated, would resolve all such challenges in a final written decision. Principal among these is the parallel language of Sections 312(a)(3), 314(a) and 318(a). Section 312(a)(3) requires a petition to “identif[y] in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim.” Section 314(a) empowers the Director to institute inter partes review only if “there is a reasonable

likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” And Section 318(a) requires the Board to “issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner.” These verbal constructs—“each claim challenged,” “the challenge to each claim,” “the claims challenged in the petition,” and “any patent claim challenged by the petitioner”—plainly refer to the same thing: the patent claims that are challenged in the petition, by the petitioner. The fact that these parallel provisions appear in the same Act lends even greater weight to the conclusion that they should be interpreted identically in each section: An Act of Congress “should not be read as a series of unrelated and isolated provisions,” which in turn compels “the ‘normal rule of statutory construction’ that ‘identical words used in different parts of the same act are intended to have the same meaning.’” *Gustafson v. Alloyd Co.*, 513 U.S. 561, 570 (1995) (quoting *Department of Revenue of Ore. v. ACF Industries, Inc.*, 510 U.S. 332, 342 (1994)).

Second, as so forcefully articulated by Judge Newman’s dissents, the Board’s partial-decision process, which the Federal Circuit upheld, eliminates one of the core purposes of the act—the ability to have patentability determinations adjudicated in a single proceeding, either before the Board or in court. *Synopsys*, 814 F.3d at 1327-31 (Newman, J., dissenting); App. 30a-38a; App. 97a-100a; 35 U.S.C. § 315(e) (estoppel provision of America Invents Act).

Third, the partial-decision regime upheld by the Federal Circuit in this case and in *Synopsys* contradicts the legislative history of the Act, which

reflects the Act's intended purpose of allowing post-issuance review to serve as a substitute for, not a supplement to, litigation. In addressing the estoppel provisions of the Act, the House Judiciary Committee's report emphasized that allowing repeated attacks on patents could be used "as tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent," and so the Act precludes "improperly mounting multiple challenges to a patent or initiating challenges after filing a civil action challenging the validity [of] a claim in the patent." H. R. Rep. at 48, 2011 U.S.C.C.A.N. at 78.

The legislative statements of pivotal individuals confirm this understanding of the Act. Senator Grassley, "a central figure" in the enactment of the America Invents Act (*Synopsys*, 814 F.3d at 1327 (Newman, J., dissenting)), said that the purpose of the Act's estoppel provision, 35 U.S.C. § 315, was to "completely substitute for" adjudication of the same issues in litigation. 157 Cong. Rec. S1360-94 (daily ed. March 8, 2011). This understanding was echoed by then-USPTO-Director Kappos: "Those estoppel provisions mean that your patent is largely unchallengeable again by the same party." *America Invents Act: Hearing on H.R. 1249 Before the House Comm. on the Judiciary*, 112th Cong. 52-53 (2011).

Perhaps most notably, however, the legislative record contains no suggestion whatsoever that final written decisions of the Patent Trial and Appeal Board should extend to fewer than all of the claims challenged by the petitioner. *Synopsys*, 814 F.3d at 1333-36 (Newman, J., dissenting) ("canvass[ing] the entire record" of the legislative history).

Indeed, the United States Department of Justice, which was a petitioner in a recent inter partes review before the Patent Trial and Appeal Board, correctly challenged the Board's partial-institution, partial-decision practice: "[B]y picking and choosing some but not all of the challenged claims in its Decision, the Board has undermined the Congressional efficiency goal and increased the workload of both parties who are now forced to litigate validity between two forums—this board and the Court of Federal Claims." Petitioner's Request for Rehearing Pursuant to 37 C.F.R. § 42.71(d), U.S. Patent No. 7,323,980, *Department of Justice v. Discovery Patents, LLC*, Case IPR2016-01041 (Patent Trial & Appeal Bd., Nov. 29, 2016). The Board denied the Department of Justice's rehearing request on January 19, 2017, citing, *inter alia*, the Federal Circuit's *Synopsys* decision. See Decision Denying Petitioner's Request for Rehearing, *Department of Justice v. Discovery Patents, LLC*, Case IPR2016-01041 (Patent Trial & Appeal Bd., Jan. 19, 2017).

D. The Federal Circuit's Interpretation Cannot Be Saved By *Chevron*

The panel majority in *Synopsys* believed that the statute was "quite clear" and "strongly implies" allowing the PTO to "institute inter partes review on a claim-by-claim basis," 814 F.3d at 1315-16, and therefore to issue final written decisions only as to the claims on which review was instituted. However, the *Synopsys* majority added that, "if there were any doubt about the Board's authority and the statute were deemed ambiguous, the PTO has promulgated a regulation allowing the Board to institute as to some or all of the claims." *Id.* at 1316 (citing 37 C.F.R.

§ 42.108). According to the *Synopsys* majority, “this regulation is a reasonable interpretation of the statutory provision governing the institution of inter partes review” under *Chevron*, 467 U.S. 837. *Id.*

Chevron cannot save the Board’s partial-institution, partial-decision regime. For one, as detailed above, the statutory language is clear, but not in the way the *Synopsys* majority thought. Section 314(a)’s threshold determination for commencing an inter partes review is a finding that “there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” This is neither “quite clear” nor does it “strongly impl[y]” that review, and decision, may be had on fewer than all of the challenged claims; rather, it is simply a definition of the “threshold” showing required before the inter partes review—which should thereafter take place, and yield a final written decision, on all challenged claims—may be instituted.

For another, even aside from Section 314(a), the statute’s requirement in Section 318(a) that “the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner” would still remain. And whatever *Chevron* deference might attach to the interpretation of Section 314(a)’s language, it would remain the case that any claims on which inter partes review was not “instituted” under Section 314(a) would still be claims “challenged by the petitioner” under Section 318(a), and thus are still subject to that latter section’s mandate (“shall issue”) that the Board’s final written decision must address all, not just some, of those challenged claims. As noted above, two different

Executive Branch agencies—the Department of Justice and the Patent and Trademark Office—appear to be at loggerheads over this issue, providing yet a further indication of the importance of this issue and the need for this Court’s review.

So, too, it bears noting that when the Patent and Trademark Office first proposed its rule allowing for partial institution of inter partes reviews, the agency was met with numerous objections. In particular, the chief patent counsel of IBM objected that “the statute does not appear to leave discretion to provide a final written decision not addressing any claim that was initially challenged by the petitioner on the basis that the Office determined it to be ‘not part of the trial.’” *Comments on Changes to Implement Inter Partes Review Proceedings*, IBM 5 at 3 (April 6, 2012) (available at http://www.uspto.gov/sites/default/files/aia_implementation/comment-ibm5.pdf, and quoted in *Synopsys*, 814 F.3d at 1329 (Newman, J., dissenting). The Office’s response to this objection invoked “workload” and “statutory time constraints.” 80 Fed. Reg. 50720, 50739 (Aug. 20, 2015) (quoted in *Synopsys*, 814 F.3d at 1330 (Newman, J., dissenting)).

This response was not an adequate reason for the Office to adopt a procedure contrary to the clear command of the statute. Of course, “an agency may not rewrite clear statutory terms to suit its own sense of how the statute should operate.” *Utility Air Regulatory Grp. v. Environmental Protection Agency*, 134 S. Ct. 2427, 2446 (2014). But beyond that, the Patent and Trademark Office has not, by this mechanism, achieved the alleviation of its own “workload” that the statute, by its actual terms, would allow: Because the institution decision is not

ordinarily reviewable, *see* 35 U.S.C. § 314(d); *Cuozzo*, 136 S. Ct. at 2139-42, there is no requirement in the AIA that the institution decision be any more reasoned than a simple up-or-down “notice” that an inter partes review has been instituted and will commence on a certain date. *See* 35 U.S.C. § 314(c) (“NOTICE.—The Director shall notify the petitioner and patent owner, in writing, of the Director’s determination under subsection (a), and shall make such notice available to the public as soon as is practicable. Such notice shall include the date on which the review shall commence.”).

Instead, however, the Board—as the delegate of the Director of the Patent and Trademark Office—has taken it upon itself to issue extended written determinations, *at the time of institution*, explaining the reasons why review was instituted or not. That is the Board’s practice, and it was followed in this case. App. 103a-28a (23-page-long “Institution of *Inter Partes* Review” decision). As a result, the Board is effectively making non-final written decisions on non-instituted patent claims, but depriving those decisions of their intended estoppel effect under Section 315, as well as insulating them from judicial review under Section 319. The Director and the Board could easily honor the statute, with no negative effect on the Director’s (or the Board’s) workload, by foregoing those extensive, unreviewable, and non-estopping preliminary opinions, following the procedures established by Congress, and issuing comprehensive final written decisions on all challenged claims—complete decisions that can then be given complete estoppel effect and reviewed by the Federal Circuit.

Finally, the Office's use of its authority to prescribe regulations under Section 316(a)—which allows the Director to “se[t] forth the standards for the showing of sufficient grounds to institute a review under section 314(a),” but not to define the scope of such “review”—raises serious separation-of-powers concerns. Congress, in enacting the America Invents Act, established a comprehensive, detailed regime for the post-issuance review of patents. The Director's adoption of what amounts to a fundamentally different procedural regime for the review of issued patents, and the Federal Circuit's willingness to read the Act's various references to “claims challenged” not *in pari materia*, but in a fluid fashion, seeks to arrogate the legislature's power to the Executive and Judicial branches.

Whatever the wisdom of *Chevron*, it cannot be allowed such free rein as to allow the agency tasked with implementing the statute—here, the Patent and Trademark Office—to rewrite the law's procedures to serve its interests in convenience. The *Chevron* decision has been criticized recently as “permit[ting] executive bureaucracies to swallow huge amounts of core judicial and legislative power and concentrate federal power in a way that seems more than a little difficult to square with the Constitution of the framers' design.” *Gutierrez-Brizuela v. Lynch*, 834 F.3d 1142, 1149 (10th Cir. 2016) (Gorsuch, J., concurring). Indeed, in *Cuozzo* itself, interpreting another (though related) provision of this same Act, Justice Thomas outlined and repeated his concerns over “*Chevron's* fiction that ambiguity in a statutory term is best construed as an implicit delegation of power to an administrative agency to determine the

bounds of the law.” 136 S. Ct. at 2148 (Thomas, J., concurring).

Here, because of that same kind of agency overreach, the Patent and Trademark Office has adopted—apparently for its own convenience—a set of procedures and decisional requirements which are inconsistent with the AIA. So Justice Thomas’s and Judge Gorsuch’s concerns about unconstitutional agency overreach are present and manifest here. Those constitutional concerns can be avoided here, however, by simply honoring the Congressional design of inter partes review—an institution decision that grants or denies the petition, 35 U.S.C. § 314, followed, if the review is granted, by a final written decision addressing “the patentability of any patent claim challenged by the petitioner.” *Id.* at § 318(a). That way, the final written decision can have the intended estoppel effect as a substitute for court litigation, *id.* at § 315, and can be subject to judicial review, *id.* at § 319, just as the AIA intended.

II. THE QUESTION OF SECTION 318(a)’S PROPER INTERPRETATION IS SQUARELY PRESENTED IN THIS CASE, AND CRITICALLY IMPORTANT TO THE ORDERLY ADMINISTRATION OF THE NATION’S PATENT SYSTEM

This case is not just an appropriate vehicle for this Court to consider the issue presented; it is, as a practical matter, likely to be the best vehicle for doing so. Because of the Federal Circuit’s exclusive nationwide appellate jurisdiction over appeals from the Patent Trial and Appeal Board, *see* 28 U.S.C. § 1295(a)(4)(A), the *Synopsys* decision and this case

will be cemented as the law of the land absent this Court's intervention—there can be no circuit split, and it is unlikely that any future litigant will be in a position to challenge this extra-statutory regime in view of this binding, conclusive precedent.

Though a circuit split cannot exist in this case, this case satisfies all of the other usual criteria for review: It presents an important, pure question of law—the proper construction of Section 318(a)—which is squarely presented on this record, and was squarely decided by the Court of Appeals, with multiple, vigorous dissents by the seniormost member of that Court. And this important issue has now divided two Executive Branch agencies. *See* p. 18, *supra*. Between the *Synopsys* decision and this case, the issue has now received as much ventilation and percolation as it will ever get.

The issue cuts across all aspects of post-patent-issuance review—inter partes reviews (IPRs), post-grant reviews (PGRs), and covered business method reviews (CBMRs). As noted above, *supra* n.1, the same statutory requirement applies to final written decisions in each type of proceeding. *See* 35 U.S.C. §§ 318(a), 328(a). And the PTO's corresponding rule for PGRs and CBMRs also uses the same language, *see* 37 C.F.R. § 42.208(a). Accordingly, resolution of this issue will affect the proper procedures of all future post-issuance proceedings under the AIA.

And finally, the issue is critically important to the proper administration of the Nation's patent laws. Published statistics show that as of 2014—the last year for which the Patent and Trademark Office has made such data available—the Board was partially

instituting (and thus partially deciding) inter partes and covered-business-method review in over 25% of the petitions presented to it. See *AIA Trial Roundtables*, www.uspto.gov/ip/boards/bpai/ptab_roundtable__slides_may_update__20140503.pdf (Slide 25) (last visited Jan. 30, 2017). Without this Court's review, and correction, of the Board's institution and decision procedures, these *ultra vires* practices will affect hundreds upon thousands of cases in the near future, and will have the further undesired effect of clogging court dockets with redundant patent litigation, "thereby adding to the litigants' [and the courts'] burden rather than lightening it." App. 31a-32a (Newman, J., dissenting).

CONCLUSION

The petition should be granted.

Respectfully submitted,

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