

No. 16-969

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In the  
**Supreme Court of the United States**

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SAS INSTITUTE INC.,

*Petitioner,*

v.

JOSEPH MATAL, Interim Director, U.S. Patent and  
Trademark Office, et al.

*Respondents.*

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

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**BRIEF OF *AMICUS CURIAE* HOUSTON  
INTELLECTUAL PROPERTY LAW  
ASSOCIATION IN SUPPORT OF  
RESPONDENTS**

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**INTEREST OF *AMICUS CURIAE***

The Houston Intellectual Property Law Association (“HIPLA”) is an association of hundreds of lawyers and other professionals who predominately work in the Houston, Texas, area (*see, generally*, [www.hipla.org](http://www.hipla.org)).<sup>1</sup> The practice of most of the HIPLA membership relates in substantial part to the field of intellectual property law. Founded in 1961, HIPLA is one of the largest associations of intellectual property practitioners in the United States. HIPLA represents the interests of its members and has filed *amicus curiae* briefs in this Court and other courts on significant issues of intellectual property law. As an organization, HIPLA has no stake in any of the parties to this litigation.<sup>2</sup>

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<sup>1</sup> No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the *amicus curiae* or its counsel made a monetary contribution to its preparation or submission. The parties have consented to the filing of this brief.

<sup>2</sup> HIPLA’s Amicus Committee and Board of Directors voted on the preparation and submission of this brief. HIPLA procedures require approval of positions in briefs by a majority of directors present and voting.

## SUMMARY OF THE ARGUMENT

Congress created *inter partes* review proceedings seeking to “improve patent quality and restore confidence in the presumption of validity that comes with issued patents.” *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016). In order to accomplish this goal efficiently, Congress allowed the agency broad discretion in deciding whether to review patents challenged by petitioners seeking review. 35 U.S.C. 314(d). That discretion has to permit the agency to pick and choose claims within each patent that it agrees to review. After all, our patent system is built around claims, not entire patents. *See, e.g.*, 35 U.S.C. § 288.

Construing the America Invents Act (AIA) to permit partial institution in *inter partes* review proceedings allows the Patent Trial and Appeal Board (PTAB) to accept review on a significantly larger number of petitions than under Petitioner’s all-or-nothing approach. An all-or-nothing approach, on the other hand, makes the agency’s challenging task even more difficult, requiring the PTAB to forego review of many weak claims. That approach also dissuades patent owners from filing preliminary responses and discourages settlement between parties, resulting in increased expense and thwarting judicial economy. Such an approach will



likely result in an increase in appeals to the Federal Circuit on an under-developed record at the PTAB. Petitioner's approach thus furthers neither of the goals that the AIA set out for *inter partes* review proceedings. It hinders efficient use of the Board's limited resources and allows unpatentable claims to escape review.

Some have expressed concerns that the AIA's estoppel provisions are ineffective under the agency's approach, but *inter partes* review was never intended to wholly prevent validity challenges in parallel district court litigation. On the other hand, partial institution generally permits patent owners enforcing their rights under a patent to reach resolution sooner rather than later.

The Federal Circuit's decision is consistent with Congress's legislative intent in enacting the *inter partes* review provisions of the AIA and should be affirmed. The PTAB should be permitted to address only those claims for which *inter partes* review is instituted in a final written decision.

## ARGUMENT

### **I. The Agency’s Interpretation of Section 318(a) as Not Requiring the Patent Trial and Appeal Board in an *Inter Partes* Review to Issue a Final Written Decision as to Every Claim in the Petition is Correct.**

The AIA does not require the PTAB to address in the final written decision on an *inter partes* review every single claim raised in the review petition by a petitioner.

Section 318(a) provides that, “[i]f an *inter partes* review ***is instituted*** and not dismissed,” the PTAB “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).” 35 U.S.C. § 318(a) (emphasis added). Section 318(a) is directed to the portion of the proceeding following the Board’s institution decision. The only claims that remain “challenged” at this stage of the proceeding are those for which the Board has instituted review. Section 314(a) plainly requires the Board to undertake a claim-by-claim analysis to determine whether the petitioner has demonstrated “a reasonable likelihood” of prevailing on at least one of the claims challenged in the petition. 35 U.S.C. § 314(a). As a result, at least

some of the claims for which the Board declines to institute review are those on which the petitioner has failed to show even a reasonable likelihood that it would prevail in establishing that the claims are unpatentable. That determination is “final and nonappealable.” 35 U.S.C. § 314(d). Requiring the Board’s final written decision to address petitioner’s unsuccessful challenges to those claims would essentially make the Board’s institution decision reviewable. Section 318(a) is therefore best read to exclude such claims as having been “challenged by the petitioner.” The agency’s interpretation of the AIA to permit partial institution is reasonable.

## **II. Permitting Partial Institution Promotes Efficiency and Avoids Unnecessary Use of Agency Resources.**

“*Inter partes* review is an ‘efficient system for challenging patents that should not have issued.’” *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016) (quoting H.R. Rep. No. 98, 112th Cong., 1st Sess. 39–40 (2011)). The PTAB is bound by statutory timelines in instituting and completing the review. The PTAB must issue a final determination in an *inter partes* review not later than one year after the date on which it institutes the review. 35 U.S.C. § 316(a)(11). For every instituted claim, the PTAB receives submissions of

evidence from the parties as well as hears argument, in some cases including live testimony, before issuing a final written decision. *See* 37 C.F.R. § 42.70; Amendments to the Rules of Practice for Trials Before the PTAB, 81 Fed. Reg. 18,750, 18,760 (April 1, 2016) (2016 Rule Amendments). Yet, the PTAB regularly meets the one-year statutory time deadline for a final written decision, only rarely extending the allowed time period for good cause.<sup>3</sup> In contrast, resolution of validity challenges in district court takes at least twice that amount of time.<sup>4</sup>

The agency receives an overwhelming volume of review petitions under the AIA—far more than the agency anticipated when it first implemented procedures for the review. For example, the agency had estimated that 500 *inter partes* review petitions

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<sup>3</sup> *See* Daniel Parrish, PTAB Adjusts Deadline for Final Decisions in Rare Cases (June 28, 2017), *available at* <https://www.law360.com/articles/939491/ptab-adjusts-deadline-for-final-decisions-in-rare-cases> (concluding that the PTAB has met the deadline in 99.8% of post-grant proceedings under the AIA).

<sup>4</sup> The average time to trial in patent cases in a district court is about two and a half years. *See* 2017 Patent Litigation Study, Are we at an inflection point? (Patent Litigation Study), at 22, *available at* <https://www.pwc.com/us/en/forensic-services/publications/assets/2017-patent-litigation-study.pdf>. Post-trial disputes may further delay final resolution at the district court by months.

would be filed in Fiscal Year 2015. In reality, it received 1,737 petitions.<sup>5</sup> Recent statistics from the agency show that it has received over 6,700 *inter partes* review petitions.<sup>6</sup> For perspective, a total of 5,100 patent cases were filed in district courts across the nation in 2016.<sup>7</sup> And although the PTAB's institution rate in post grant proceedings has dropped from a high of 87% in Fiscal Year 2013, it continues to be close to 70% for the vast majority of petitions.<sup>8</sup> While the PTAB has instituted review in well over half of these *inter partes* review petitions, the number of claims on which review has been instituted is far less than half of the total number of claims challenged in these petitions.<sup>9</sup>

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<sup>5</sup> See Patent Trial and Appeal Board Statistics, 9/30/2015, available at [https://www.uspto.gov/sites/default/files/documents/2015-09-30 PTAB.pdf](https://www.uspto.gov/sites/default/files/documents/2015-09-30%20PTAB.pdf).

<sup>6</sup> See Trial Statistics IPR, PGR, CBM Patent Trial and Appeal Board, July 2017 (July 2017 PTAB Statistics), available at [https://www.uspto.gov/sites/default/files/documents/trial\\_statistics\\_july2017.pdf](https://www.uspto.gov/sites/default/files/documents/trial_statistics_july2017.pdf).

<sup>7</sup> See Patent Litigation Study, at 1. A different study put that number at 4,520. See 2016 Fourth Quarter Litigation Update, Lex Machina (Jan. 12, 2017), <https://lexmachina.com/q4-litigation-update/>.

<sup>8</sup> See July 2017 PTAB Statistics, at 8. Although these numbers are for all AIA proceedings, *inter partes* reviews account for 92% of those proceedings. *Id.* at 3.

<sup>9</sup> PTAB statistics show that out of 4,563 *inter partes* review petitions that had been resolved by March 2017, it had instituted trials on 2,406 petitions. See Patent Trial and Appeal Board Statistics, 3/31/2017 (March 2017 PTAB

Even given its limited resources, the PTAB is able to conduct review on well over half of the petitions filed, in part because it is permitted under the statute to institute review on a subset of the claims challenged in each petition.<sup>10</sup> An all-or-nothing approach would force the PTAB to accept review on far fewer petitions than it does today. See *Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309, 1316 (Fed. Cir. 2016) (“nothing in § 314 requires institution of *inter partes* review under any circumstance”). Partial institution therefore allows the Board to limit its review to the weakest of claims challenged. In fact, in 65% of the cases where it has granted review, the PTAB has found all of the claims that it agreed to review to be unpatentable, and at least some of the reviewed claims unpatentable in another 16% of the cases.<sup>11</sup> Requiring the PTAB to

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Statistics) at 10, available at [https://www.uspto.gov/sites/default/files/documents/AIA\\_Statistics\\_March2017.pdf](https://www.uspto.gov/sites/default/files/documents/AIA_Statistics_March2017.pdf). In terms of claims, those institution decisions related to only 32,777 of the 70,060 claims challenged in the petitions. *Id.* at 12. AIA proceeding statistics posted by the agency since March 2017 do not break down institution statistics by the type of proceeding.

<sup>10</sup> One study shows that as of 2015, the Board employed partial institution in over 60% of *inter partes* review petitions. See Saurabh Vishnubhakat, et al., Strategic Decision Making in Dual PTAB and District Court Proceedings, 31 Berkeley Tech. L.J. 45, 78 (2016).

<sup>11</sup> PTAB statistics tracking *inter partes* reviews that had reached a final disposition by March 2017 show that the PTAB

institute review of all challenged claims in cases where it finds merely a single claim meeting the “reasonable likelihood” standard forces the Board to forego review in such cases. In its effort to promote efficiency, the PTAB would necessarily have to limit institution to cases with the most number of claims susceptible to invalidity. This does little to further the AIA’s goal of improving patent quality. *See Cuozzo*, 136 S. Ct. at 2139–2140 quoting H.R. Rep. No. 98, 112th Cong., 1st Sess. 48 (2011)).

An all-or-nothing approach also makes institution decisions more challenging for the PTAB, requiring consideration of not just the challenged claims but a comparison to other reviews pending institution. The Board is allowed *three months* under Section 314(b) to make a decision regarding institution of an *inter partes* review. In addition to evaluating likelihood of success on the challenged claims, the Board is required to consider whether the petition meets jurisdictional requirements as well as requirements set forth in Section 312. 35 U.S.C. §§ 311, 312. In evaluating claims, the Board also conducts claim interpretation to which it is generally bound throughout the proceeding. *See SAS Inst. Inc. v. ComplementSoft, LLC*, 825 F.3d

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had instituted trials on 2,406 *inter partes* review petitions. *See* March 2017 PTAB Statistics, at 10.

1341, 1351 (Fed. Cir. 2016) (holding that the Board is free to adopt a construction in its final written decision but cannot change theories midstream). Preventing partial institution would further complicate the Board's institution decisions.

Further, an all-or-nothing approach discourages patent owners from filing a response prior to the PTAB's institution decision. The AIA allows the owner of the challenged patent to file a "preliminary response" to the petition, setting forth "reasons why no *inter partes* review should be instituted." 35 U.S.C. § 313. Presently, most patent owners file a preliminary response, greatly assisting the Board in its institution decision.<sup>12</sup> That number is expected to grow as recent amendments to agency's rules on *inter partes* review allow patent owners to offer expert testimony in the preliminary response. *See* 2016 Rule Amendments at 18,755. Because an all-or-nothing approach would reduce institution rates and because an institution would result in review of all challenged claims, a patent owner would undoubtedly be incentivized to save its arguments for the post-institution proceeding when it has had an opportunity to further develop its own

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<sup>12</sup> PTAB statistics show less than 20% of patent owners forego a preliminary response. *See* March 2017 PTAB Statistics. In Fiscal Year 2016, patent owners waived or did not file a preliminary response in only 239 of 1,477 petitions.



evidence and to cross-examine petitioner's expert. Encouraging full disclosure of rebuttal evidence by the patent owner provides the Board with the best available information to decide whether to institute a trial, and may also lead to settlement or other early disposition of the proceeding, resulting in reduced expense and judicial economy. *See* 2016 Rule Amendments at 18,755.

In cases where the Board institutes review, the patent owner would be forced to develop evidence and respond to petitioner's arguments that failed to meet the threshold standard.

An all-or-nothing approach also dissuades settlement between the parties. To date, parties have resolved invalidity challenges, and likely any parallel district court proceedings, through settlement in almost a quarter of the cases in which the Board has instituted review of at least one of the challenged claims.<sup>13</sup> Especially in cases where a parallel district court proceeding is ongoing and only a few of the challenged claims are selected for *inter partes* review, the petitioner has less leverage available through a district court stay or delay

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<sup>13</sup> PTAB statistics show that by March 2017, of the 2,406 cases in which *inter partes* review was instituted, 593 proceedings were terminated through settlement. *See* March 2017 PTAB Statistics. In contrast, only 16% of cases settled before the institution decision.

caused by the Board proceeding. Obtaining a Board resolution on only a fraction of the challenged claims gives the petitioner incentive to settle. But under an all-or-nothing regime, a petitioner has little incentive to settle given that the *inter partes* review and any subsequent appeal could possibly delay district court litigation by well over two years. Likewise, a Board decision not to institute review on any of the challenged claims, whether with or without merit, would likely result in dissuading the patent owner from settlement.

An all-or-nothing approach also results in unnecessary appellate litigation. First, because it would be required issue a final written decision as to all claims challenged in the petition, the Board would need to devote significant time and resources to addressing the patentability of claims for which it may have determined that the petitioner had no reasonable likelihood of success. Although the AIA mandates that that determination is not reviewable, the final written decision laying out that same determination would now be subject to review. As a practical matter, however, the Board's focus during the proceeding would remain on evaluating claims that it believes are likely to be unpatentable, resulting in an under-developed record as to claims on which review should not have been instituted.

The court of appeals would similarly be burdened with reviewing Board decisions based on an under-developed record. Petitioners would be motivated to appeal these institution decisions in hopes of supplementing an otherwise deficient petition, effectively seeking a second bite at the apple and burdening an already busy appellate court.<sup>14</sup>

Notably, the court reviews factual findings of the Board in appeals from *inter partes* review for substantial evidence rather than under a more probing clear error standard. *Merck & Cie v. Gnosis S.P.A.*, 820 F.3d 432, 436 (Fed. Cir. 2016) (O'Malley, J. concurring) (agreeing that “a substantial evidence standard of review is seemingly inconsistent with the purpose and content of the AIA,” but it is an inconsistency for Congress to correct). Thus, an all-or-nothing approach not only forces institution on claims where review may be unnecessary, it allows

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<sup>14</sup> Federal Circuit statistics show that more than 40% of its currently pending appeals come from the PTAB. *See* United States Court of Appeals for the Federal Circuit, Year-to-Date Activity as of June 30, 2017 (listing 616 currently pending appeals from PTAB proceedings); *see also* Innovator Insights, Sharon Prost, Chief Judge, U.S. Court of Appeals for the Federal Circuit (Sept. 23, 2015), *available at* <https://www.ipofef.org/?p=1513> (stating that the number of PTAB appeals has grown a great deal, and is expected to continue to grow).

for possible affirmance of that decision under a deferential review standard.<sup>15</sup>

An all-or-nothing approach thus hinders efficient use of judicial resources in general and the Board's limited resources in particular. It is also fundamentally unfair to require the patent owner to defend all challenged claims when the petitioner failed to meet its burden in the first instance.

### **III. Permitting Partial Institution Does Not Significantly Alter the Limited Estoppel Available to Patent Owners Under the AIA.**

Some, including the petitioner in this case, have argued that partial institution allows petitioners a second chance to litigate the invalidity of certain claims because the PTAB failed to institute *inter partes* review on them, thereby avoiding estoppel under Section 315(e). *See* 35 U.S.C. § 315(e). While it is true that *inter partes* review estoppel can help limit a petitioner's invalidity challenges in district court litigation, it is not intended to, and in reality

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<sup>15</sup> To date, the court has affirmed the PTAB on every issue in almost 75% of the appeals, and without any written opinion on many occasions. *See* AIA Blog, Federal Circuit PTAB Appeal Statistics (Aug. 1, 2017), *available at*, <http://www.aiablog.com/cafc-appeals/federal-circuit-ptab-appeal-statistics-august-1-2017>.

simply does not, replace the invalidity portion of the district court litigation. *Inter partes* review is limited to invalidity challenges that could be raised under Section 102 or 103 and only on the basis of prior art consisting of patents or printed publications. 35 U.S.C. § 311(b). In contrast, a variety of other invalidity grounds are available to the petitioner in the district court litigation. See *Synopsys*, 814 F.3d at 1316 (“*Inter partes* review cannot replace the district court in all instances, for example, when claims are challenged in district court as invalid based on the on-sale bar, for claiming patent-ineligible subject matter, or on grounds of indefiniteness.”).

Moreover, Section 315(e) is limited to “any *ground* that the petitioner raised or reasonably could have raised during that *inter partes* review.” 35 U.S.C. § 315(e)(2) (emphasis added). It does not even wholly exclude a petitioner from relying on *other grounds* based on the same prior art patents or printed publications. For example, petitioner may freely use the same prior art publications in support of invalidity challenges under the on-sale bar or Section 102(g). See, e.g., *Depomed, Inc. v. Purdue Pharma L.P.*, No. CV-13-571, 2016 WL 8677317, at \*8 (D.N.J. Nov. 4, 2016) (citing *Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc.*, 817 F.3d 1293, 1300 (Fed. Cir. 2016), *cert. denied*, 137 S. Ct. 374

(2016)) (finding that “the estoppel provisions of 35 U.S.C. § 315(e)(2) do not apply to [petitioner’s] on-sale bar or [pre-AIA] § 102(g) defenses”). Thus, even if estoppel under Section 315 were to extend to all claims challenged and all grounds raised in the petition, it would be unimaginable that there would be no invalidity challenges in the district court litigation following the *inter partes* review. On the other hand, partial institution puts fewer claims at risk through the entire proceeding and potential appellate review. It allows the patent owner to focus its infringement case in the district court on claims that are no longer part of the PTAB proceeding.

As to concerns that partial institution may allow avoidance of estoppel under Section 315(e)(1), an expanded panel of the PTAB has set out procedures that seek to avoid such abuse of the *inter partes* review proceedings. See *Gen. Plastic Indus. Co., Ltd., Petr. v. Canon Kabushiki Kaisha*, No. IPR2016-01357, Paper 19, 2017 WL 3917706, at \*7 (P.T.A.B. Sept. 6, 2016) (listing out factors that it considers in denying “follow-on” petitions that seek to avoid estoppel following a denial of institution).

On balance, the harm threatened to a patent owner under the Petitioner’s approach is likely greater than any harm that the patent owner faces through the loss of a few estoppel arguments under

the Board's present interpretation of the statute. And while there may be perceived shortcomings in the implementation of the *inter partes* review proceeding, the relief requested by Petitioner is not the appropriate solution.

#### **IV. The Board Should Not be Required to Address Every Claim in its Final Decision.**

The alternate approach offered by the Petitioner is just as unappealing. Petitioner suggests that the Board forego “extensive, unreviewable, and non-estopping preliminary opinions” at the institution stage and instead provide a “simple thumbs-up ‘notice’ to the parties.” *See Br.* at 37–38. Petitioner appears to propose that the portions of preliminary opinion relating to any claims on which *inter partes* review was not instituted be included in the final written decision along with portions relating to claims that the Board did conduct a review on. *Id.* at 38. This makes little sense. *See Synopsys*, 814 F.3d at 1315 (“[T]he statute would make very little sense if it required the Board to issue final decisions addressing patent claims for which *inter partes* review had not been initiated.”).

Even if the Board were to merely include its prior non-institution decision in its final written decision, such a decision would be subject to review in its entirety by the Federal Circuit. 35 U.S.C. § 319. As

such, the parties would be forced to develop a record as to all claims, including those on which there is no reasonable likelihood of an invalidity finding by the Board. The Board's institution decision helps focus the parties on claims that the Board will in fact analyze and rule on. In spite of the short statutory period in which the Board is required to make a decision regarding institution, the Board has endeavored to provide parties with preliminary opinions that are helpful in focusing the parties on issues that matter. *See, e.g.*, Intellectual Property Owner's Ass'n Br. at 10 (listing PTAB decisions). For example, the Board regularly issues preliminary claim construction in its institution decisions, a determination that is key to resolving any invalidity challenge.<sup>16</sup> A proposal to dispense with the Board's preliminary opinion in favor of a single written decision at the end of the proceeding is bound to increase expense and thwart judicial economy. Petitioner's proposed alternative approach therefore presents more problems than it solves.

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<sup>16</sup> *Every Penny Counts, Inc. v. Am. Express Co.*, 563 F.3d 1378, 1381 (Fed. Cir. 2009) ("The purpose of claim construction is to determine the meaning and scope of the patent claims"); *Homeland Housewares, LLC v. Whirlpool Corp.*, 865 F.3d 1372, 1375 (Fed. Cir. 2017) (holding that when the parties raise an actual dispute regarding the proper scope of claims the Board "must resolve such disputes in the context of IPRs").



**CONCLUSION**

HIPLA respectfully asks this Court to rule that 35 U.S.C. § 318(a) does not require the PTAB to conduct review of or issue a final written decision as to every claim that a petitioner challenges in the *inter partes* review petition.

Respectfully submitted.

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