If *Inter Partes* Reviews Are Unconstitutional, Will There Be Zombie Patents? Yikes! It Could Happen.

By Charles W. Shifley

August 31, 2017 – *Inter partes* reviews (IPRs) at the Patent Trial and Appeal Board (PTAB) may or may not survive a looming constitutional challenge following the U.S. Supreme Court's future decision in *Oil States v. Greene's Energy Group.* For now, IPRs exist and are invalidating U.S. patents. So if IPRs are unconstitutional, what happens to all the invalidated patents? Could they come back to life, as zombie patents, dead but still alive?

Consider first the patent in *Oil States* itself. According to the petition to the Supreme Court, the Oil States' patent is on an improvement in "fracking," the hydraulic fracturing that frees oil and gas that is pumped from the ground. The petition tells a story of early failure and then success in creating seals at the wellheads that sit on top of fracked wells. Success came with the mechanical lockdown of the patent in suit, not a hydraulic pressure lockdown. In the IPR, a key claim term was interpreted as being broad enough to cover hydraulic pressure lockdown. The patent's claims were found to be invalid in view of prior art that disclosed hydraulic pressure lockdowns.

If Oil States wins at the Supreme Court, and the one IPR that invalidates the Oil States patent is declared unconstitutional, what happens to Oil States' patent? Who can argue? Oil States is the party that is making the claim in the case, and — unless someone or something intervenes, see below about reexamination — if the IPR in the case was unconstitutional, then the IPR decision is a nullity, and the patent returns to its former state, validity. Zombie patent — of one! What has been dead lives again.

Yet who can argue — someone could argue. An argument that a judicial decision should not apply to the parties before the court has apparently been made with some frequency. In an unrelated subject area, debtor-creditor, the U.S. Court of Appeals for the Seventh Circuit reversed a

judgment and remanded for proceedings consistent with its opinion. That is what courts of appeals typically do when a case continues: tell the district court to apply the court of appeals' new decision. The Seventh Circuit cited many Supreme Court cases in support, applying the decision to the parties in the case. The case was *Suesz v. Med-1 Soln's., LLC*, 775 F.3d 636 (7th Cir. 2014). Some of the quotations from the Supreme Court were pithy, for example: "the nature of judicial review, … if it requires us to announce a new rule, [is] to … apply it to the parties who brought the case … To do otherwise is to warp the role that … judges … play …" *Suesz* at 649.

The *Suesz* court noted, however, that the Supreme Court, which will hear *Oil States*, reserves a power to itself to give its rulings in civil cases only prospective effect, "to avoid injustice or hardship to civil litigants who have justifiably relied on prior law." *Id.* Plainly, Oil States did not rely on prior law — it is now fighting prior law. As well, the case at the root of the Supreme Court cases cited by the Seventh Circuit is *Chevron Oil Co. v. Huson.* There, the Supreme Court made its decision prospective for the purpose of avoiding hardship upon the party in the case in front of it. 404 U.S. 97, 108 (1971). Oil States would not be relieved of hardship if its patent was kept invalid.

This appears to prove a principle--that it is possible that at least one patent killed in IPR may yet live again. But does it prove anything of significance, such as that more than one zombie patent may exist in the future?

Notable is that at least one patent owner has just presented a constitutional position in an IPR patent owner preliminary response. See *Comcast Cable Comm'ns., LLC v. Rovi Guides, Inc.* IPR2017-00942, paper 7 at 40 (July 19, 2017). More patent owners may be doing the same, or may follow suit. If the Oil States patent becomes a zombie, maybe some or all of the patents of patent owners who raise constitutional positions in IPR will become zombies, too, if their patents are even canceled by the time *Oil States* is decided, sometime in the next Supreme Court term, 2017-2018.

Putting those active patent owners aside, consider further the nature of judicial decisions, as to whether they are prospective only, or *retroactive,* for the public at large. The Seventh Circuit in the same area as *Suesz* just considered another case, *Oliva v. Blatt, Hasenmiller, Leibsker & Moore LLC*, and stated: "The general rule … is that judicial opinions are given retroactive effect …" No. 15-2516, slip op. at 8 (7th Cir. July 24, 2017)(*en banc*). Again the court noted that the Supreme Court reserves a power against retroactivity to itself, but as in *Huson*, the circumstances for non-retroactivity are limited, and the general rule "is that judicial opinions are given retroactive effect." As well, it has been said that the following is the classic statement of the law: "An unconstitutional act is not a law; it confers no right; it imposes no duties; it affords no protection; it creates no office; it is, in legal contemplation, as inoperative as though it had never been passed." *Norton v. Shelby County*, 118 U.S. 425, 442 (1886).

If the general rule is followed, the act that created IPRs is "not a law," and IPRs become unconstitutional retroactively, will that affect all past IPR decisions? Will all those dead patents live again, as zombies, as the great "undead"?

What about waiver? Can patent owners in past IPR proceedings be held to have waived their constitutional rights? Oil States is asserting a constitutional right to jury trial. The Supreme Court has stated that litigants may waive their personal constitutional rights, such as the right to have an Article III judge preside over their trials. *E.g.*, *Peretz v. United* States, 501 U.S. 923, 936 (1991). The rights that can be waived include the right to be present at a criminal trial, have a public trial, be protected against unreasonable searches and seizures, object to a forfeiture of a claim of unlawful post-arrest delay, avoid double jeopardy, and avoid a taking of property. *Id.* The Federal Rules of Civil Procedure (FRCP) are not applied in IPRs, but they make it plain that litigants can routinely, and whenever they want, waive rights to jury trials. By FRCP 39, they may file a stipulation to nonjury trial.

Have those patent owners who have not asserted constitutional rights in IPR proceedings, to have jury trials, waived their rights, such that *Oil States* will not help them? They have not signed stipulations, one would think. *Peretz* quotes *Yakus v. United States,* as stating "No procedural principle is more familiar to this Court than that a constitutional right may be forfeited in criminal as well as civil cases by the failure to make timely assertion of the right." *Peretz* at 936, citing *Yakus*, 321 U.S. 414, 444 (1944). FRCP 38 makes plain that if litigants fail to make jury demands, their right to trial by jury is waived. Still, the FRCP do not apply in IPRs. The PTAB has no FRCP 38 or any equivalent.

What would a zombie patent be worth? It has already been held to be anticipated or obvious from prior art. Its worth could be zero. The petitioner in IPR could start an *ex* parte reexamination (assuming reexaminations are not swept up in *Oil States* as also being unconstitutional). The U.S. Patent and Trademark Office (USPTO) Director could do the same. The patent owner could disclaim the zombie, or be unwilling to risk potential patent misuse and antitrust liability for asserting a known invalid patent, letting the zombie wander, not dead again from being disclaimed, but not vital enough to enforce.

All true, but remember that broadest reasonable interpretation (BRI) is applied in IPRs. The patents that could become zombies have not been tested under the interpretation they would get in federal courts, a *Phillips* interpretation. At least one group of patent clams has been specifically identified by the Federal Circuit Court of Appeals as likely valid under *Phillips,* and only invalid because of BRI. In *IPC Broadband, Inc. v. Corning Optical Comm'ns. RF, LLC*, the court considered three groups of claims of three patents. 815 F.3d 734, at 734 (Fed. Cir. 2016). The PTAB considered all claims obvious. The Federal Circuit affirmed on most claims, because "th[e] case hinge[d] on the claim construction standard applied." *Id*. at 741. While the court would not have held for a PTAB claim construction if it were applying *Phillips*, the difference between *Phillips* interpretation and BRI determined obviousness, for all but a few claims that had express limitations consistent with

what would have been *Phillips* interpretation for all claims, if interpretation could have been according to *Phillips*.

The *IPC* patent owner could assert validity, and perhaps many more patent owners than the one in *IPC* could assert the validity of their patents under *Phillips.*

Will there be zombie patents? Yes, at least one, from *Oil States*, maybe three more from *IPC*, and possibly many more. If many more, yikes! The dead are alive!

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