

Of Dead Patents, Zombies, and Alice

By James J. DeCarlo and
Nicholas Martin

“Here, rather than follow that usual procedure, the majority breathes life into a dead patent and uses the zombie it created as a means to dramatically expand the scope of inter partes review (IPR) proceedings.” Look no further than this quote from Judge O’Malley’s dissent in *Uniloc 2017 LLC v. Hulu, LLC* (“*Uniloc 2017*”) to know that new, controversial ammunition for invalidating patent claims during an IPR is now available.

Provided for under the America Invents Act (AIA) in 2012, IPRs are administrative trial proceedings before the Patent Trial and Appeals Board (PTAB) that provide a mechanism for challenging the patentability of an issued United States Patent. Patent holders facing invalidity challenges via IPR can attempt to amend by submitting substitute claims during the proceeding to avoid invalidity.

Under a conventional reading of the IPR Statute, challenging a



James J. DeCarlo

patent’s patentability was understood to amount to challenges on novelty or obviousness grounds under 35 U.S.C. §102 or §103. However, in *Uniloc 2017* a panel at the Federal Circuit held that the PTAB may now consider patent eligibility under 35 U.S.C. §101 for substitute claims submitted by the patentee during an IPR.

By way of a brief background, Hulu, along with Netflix (together as “Hulu”), filed an IPR against Uniloc’s patent for adjustable licensing of digital products: US Patent No. 8,566,960 (the ‘960 patent). The IPR was instituted in



Nicholas Martin

August 2017. The PTAB issued a final written decision in August 2018 finding that the claims were unpatentable over prior art.

However, eight months prior to the final written decision, in January 2018, Uniloc filed a Motion to Amend asking the PTAB to enter a set of substitute claims if the PTAB found the originally patented independent claims unpatentable. In February 2018, Hulu opposed the motion, arguing, *inter alia*, that the substitute claims were directed to patent-ineligible subject matter under §101. Rather than respond

with substantive arguments that its substitute claims met eligibility standards under §101, Uniloc instead responded in March 2018 by arguing that asserting a §101 argument against the substitute claims was not permitted.

In the PTAB's final written decision, Uniloc's Motion to Amend was denied on the ground of ineligibility. The PTAB concluded that "[Hulu] ha[d] shown by a preponderance of the evidence that [the Substitute Claims] are directed to non-statutory subject matter" under 35 U.S.C. §101, citing the now-familiar case of *Alice Corp. Pty. Ltd. v. CLS Bank Int'l* and progeny to render the claims ineligible.

Uniloc then requested a rehearing in August 2018. At this time, however, a related federal judgment of invalidity of the original claims had been affirmed. Uniloc argued "that [t]he PTAB misapprehended the law in concluding it is permissible in an IPR proceeding for the [PTAB] to consider a §101 challenge' to its Substitute Claims." The PTAB denied Uniloc's Request for Rehearing and concluded that "§101 eligibility may be considered by the PTAB in determining proposed substitute claim patentability in IPR proceedings." This

"Rehearing Denial" was designated as precedential by the USPTO.

The panel at the Federal Circuit addressed the issues of "mootness" and whether the PTAB has authority to rule on patent eligibility under §101.

With regard to the former issue, the majority held that it has statutory authority to review the patentability of substitute claims after final federal judgement of those claims. The majority noted that Hulu essentially waived a mootness argument by never raising it with the Board. The majority stated that "Hulu has pointed to no statutory language that provides a basis for concluding that, once original claims no longer present a live dispute, the PTAB and the USPTO lose authority to consider proposed claims that were present in a contingent motion timely filed during the IPR when the original claims did present a live dispute."

The majority further rejected Hulu's arguments on the merits and stated that the "USPTO treats such a request to consider proposed substitute claims as having an independent continuing presence in the proceeding, not dependent on the live controversy continuing as to the original claims." It was noted that "the USPTO's treatment is consistent

with §316(d)'s express contemplation that a patent owner may drop original claims and seek to replace them with substitute claims."

In a spirited dissent penned by Judge O'Malley, the focus was on the word "substitute" in §316(d), "reasoning that there cannot be a substitute claim once the original claims have been fully held invalid or cancelled" since the word "substitute" does not mean, nor does it confer a "replacement claim". Judge O'Malley reasoned that since the '960 patent claims were invalidated, Uniloc had nothing to give up for the substitute claims.

The majority, however, disagreed with Judge O'Malley's construction of "substitute," and stated that the ordinary meaning of the word "substitute" does not necessitate a "bargain or exchange" for existing claims, and further remarked that the "proposed replacement claims are 'substitutes' no matter the value or continued existence of the original claims, as a replacement party is a 'substitute' upon death of an original party."

The majority, therefore, saw no mootness impediment to their jurisdiction in considering substitute claims.

With regard to the latter issue, the majority held that a review of patentability may include

analyzing the substitute claims for patent eligibility under §101. The majority noted that the “PTAB correctly concluded that it is not limited by §311(b) in its review of proposed substitute claims in an IPR, and that it may consider §101 eligibility.” The majority stated, giving examples from §311(b), §316(d) and §311(a)-(c), that because an IPRs purpose is to determine whether a claim is “patentable”, “a §101 analysis constitutes a ‘patentability’ determination” since “[b]oth our opinions and the Supreme Court’s opinions over the years have established that §101 challenges [are]... patentability challenges.”

The majority further elaborated by stating that “Congress did not intend §311 to constrain the PTAB’s review of proposed substitute claims to anticipation and obviousness, pursuant to §102 and §103, respectively, excluding other invalidity issues, such as those that might arise under §101.”

In sum, the majority leveraged its interpretation of the text, statutory framework, and legislative history of the AIA in determining that whether claims are eligible under §101 is to determine if they

are “patentable” and thus able to be adjudged during an IPR proceeding.

Judge O’Malley in her dissent attacked the majority’s interpretation of the AIA’s IPR text, statutory framework, and legislative history. Judge O’Malley argued that “IPRs are meant to be an efficient, cost-effective means for adjudicating patent validity. They are not intended to also serve as a means for full-blown examination.” She further argued that the majority’s decision “runs in the face of the efficient resolution anticipated by Congress...” and reiterated that the decision “places an examination process in the hands of an administrative judge.”

The fundamental difference between the majority’s and dissent’s positions is evident from the following remark: “The case was dead on arrival – there were no live claims remaining in the ‘960 patent. I see the dead patent for what it is – a legal nullity incapable of supporting any further proceedings.”

The majority held that during an IPR proceeding, regardless of claims being held invalid in a prior or parallel proceeding, a timely

filed substitute claim attempt can be subject to §101 challenges.

For patentees, after *Uniloc 2017*, amending claims during an IPR has become even more daunting. Moving forward, practitioners should ensure their substitute claims are structurally suited to handle ineligibility attacks under §101 in addition to the conventional anticipation and obviousness attacks. For patent challengers, a new avenue to attack amended claims has opened up. It appears that any and all patentability issues could be on the table when challenging substitute claims during an IPR. Apparently, even zombies can’t keep *Alice* at bay. Practitioners beware!

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James J. DeCarlo is a shareholder in the Intellectual Property and Technology Practice of Greenberg Traurig. **Nicholas Martin** is an of counsel in the Intellectual Property and Technology Practice of Greenberg Traurig.