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# For Fate Of IPR Use, We Can Look To Dr. Seuss

By **Travis Jensen** (March 20, 2018, 12:50 PM EDT)

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My first presentation about the creation of inter partes review was to a group of Stanford students in 2011. In that presentation, to the amusement of the class, I analogized IPRs to Dr. Seuss' classic 1961 children's book "The Sneetches" to explain the forces and conditions motivating the creation of the IPR regime. With the U.S. Supreme Court expected to issue its ruling any day in the Oil States case, it is an ideal time to revisit the Sneetches analogy to see if Dr. Seuss' timeless wisdom sheds any light on the future of the IPR regime.

**The Sneetches**

You may recall the story with a smile from grade-school days. The Sneetches were mythical yellow creatures that came in two varieties: those with stars on their bellies and those without.

The so-called "plain-bellied Sneetches" were jealous of the "star-bellied Sneetches" who were viewed as being better by virtue of their stars. An enterprising character named Sylvester McBean came to the rescue with a contraption that could stamp stars on the Sneetches, for a fee of course. In the words of Dr. Seuss:

> "Just pay me your money and hop right aboard!"
> So they clambered inside. Then the big machine roared.
> And it klonked. And it bonked. And it jerked. And it berked.
> And it bopped them about. But the thing really worked!
> When the Plain-Belly Sneetches popped out, they had stars!

This process resembles the patent arms race that began in the 1990s and continued to recent years as the U.S. Patent and Trademark Office awarded more and more patents both to established companies competing to build large portfolios and to high-tech startups alike.[1]

Before too long, however, new complaints arose — many Sneetches thought it was unfair that other Sneetches had stars at all, or were upset at how easy it was to obtain a star. The value of a star was placed into question because anyone could obtain one rather easily for a modest fee.

Similarly, as the number of patents proliferated, complaints began to flare up that the patent office was issuing too many "bad patents" (i.e., patents of low or dubious quality). Moreover, operating companies

complained that these patents were falling into the hands of nonpracticing entities which the operating companies viewed as undeserving and undesirable. These complaints reached a crescendo which culminated in the passage of the America Invents Act in 2011, and in particular the creation of the IPR process for removing bad patents from the system.[2]

The Sneetches dealt with their excessive star problem in a similar manner. Once again, the enterprising Mr. McBean had just the right solution — a “star-off” machine that would remove stars for a premium fee. This couplet from the book, penned more than 50 years ago, aptly describes the concept:

> What you need is a trip through my Star-off Machine.
> This wondrous contraption will take off your stars
> So you won’t look like Sneetches who have them on thars.
> And that handy machine Working very precisely
> Removed all the stars from their tummies quite nicely.

Back in 2011, I explained to the Stanford students that the IPR process was akin to the “star-off” machine. Like Mr. McBean whose contraption could both stamp and remove stars from the Sneetches, the patent office (at the request of the attorneys who practice before it) could both award and rescind patents (and make money doing both).

But the story doesn’t end there — fast-forward seven years to 2018 and the Sneetches analogy still proves interesting. What we didn’t know in 2011, but we do know now, is that the IPR process has worked remarkably well at removing patents (just as one would have predicted based on Dr. Seuss’ book). Notwithstanding some recent data indicating more balanced outcomes, the overwhelming majority of IPR final written decisions have found all, or at least some, of the instituted claims invalid. [3]

What’s more, in the story of the Sneetches, the coexistence of both a star-on machine and star-off machine resulted in at least three consequences that may have application in the IPR context:

- an eventual net increase in the number of Sneetches receiving stars;
- confusion about the value of actually having a star; and
- Mr. McBean was arguably the real winner.

The first point may require a little explanation as it is somewhat counterintuitive. To try and distinguish themselves from the newly minted star-bellied Sneetches, some of the original star-bellied sneetches also went through the star-on machine multiple times. And many of the Sneetches whose stars had been removed got right back in line for the star-on machine. And the more Sneetches there were with stars, the more demand there was for the star-off machine which resulted in a self-reinforcing cycle.

The IPR process has not resulted in a net decrease in the total number of valid patents; to the contrary, that number continues to grow.[4] Although there are a variety of reasons for this growth, one contributing factor may be the IPR process itself. Due in part to the threat of IPRs, some patent owners are motivated to multiply their patent portfolio by seeking additional continuation applications to ensure they can continue to litigate in the event they lose some of their patents. One need look no further than Uniloc for an example of this, where the filing of dozens of IPR petitions has done little, if anything, to stop parties from obtaining additional patents and filing numerous new suits. Indeed, according to data from Lex Machina, Uniloc filed approximately 100 patent lawsuits last year alone.

Of course, the more relevant metric may be whether IPRs have proved effective in reducing the amount and cost of patent litigation, not the number of issued patents. In this regard, many practitioners believe that IPR proceedings have contributed to a modest reduction in the number of district court patent litigations.[5] Assuming this is correct at present, it remains to be seen whether this will hold true in the long-term or whether an overall increase in the number of issued patents will contribute to a net increase in litigation.

But back to the story and our second takeaway. Recall that the existence of a star-off machine caused confusion among the Sneetches about the significance of having a star:

> Off again! On Again! In again! Out again!
> Through the machines they raced round and about again,
> Changing their stars every minute or two.
> They kept paying money. They kept running through
> Until neither the Plain nor the Star-Bellies knew …
> [W]hich one was what one … or what one was who

What does this portend about the impact of the IPR process on the patent system? We don't really need to guess about the answer — indeed, many would consider Dr. Seuss' rhyme an apt description of the state of affairs resulting from the IPR process and few would disagree that the existence of the IPR regime has injected (and will continue to inject) additional uncertainty into patent litigation and the overall patent marketplace. Licensing or settlement agreements nowadays often include discussions surrounding the filing or outcome of an IPR. Some clients even prepare preemptive IPR petitions primarily for use in settlement negotiations. Significant uncertainty continues to swirl around issues such as the scope of statutory estoppel, partial institution, serial petitions, the appealability of institution decisions, and the likelihood of obtaining a litigation stay based on an IPR. Perhaps the biggest question mark at the moment is the pending Oil States case regarding the constitutionality of the IPR procedure as a whole, which we will turn to shortly.

As to the third point, a picture is often worth a thousand words and the book contains an image of Mr. McBean with a broad smile standing next to a mounting pile of money as the Sneetches cycle in and out of his machines.

Superficially, it may appear that Mr. McBean is the real winner in all of this. Whether you consider the patent office or the lawyers who practice before it as a proxy for Mr. McBean, one could reasonably conclude that they are likewise the primary beneficiaries of the IPR process. Many authors have been quick to identify accused infringers as the main beneficiaries of the IPR process on the basis that they filed successful IPR petitions that avoided or mitigated the cost of district court litigation. While there is some truth to this (especially where few patents are in play and they are expired or nearly so), many of those same parties now find themselves facing off against familiar adversaries in their second, third or fourth round of IPRs with incremental costs approaching or exceeding seven figures.[6]

**Oil States**

Given the parallels discussed above, one may wonder what the story of the Sneetches signals for the future of IPRs vis-à-vis the pending Supreme Court case of Oil States Energy Services LLC, v. Greene's Energy Group LLC, where the question presented is "[w]hether inter partes review … violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury."

Although Dr. Seuss likely would not have had anything to say about private vs. public rights, we do know how the story of the Sneetches turned out. Mr. McBean eventually packed up his star-off machine and left. This presages a ruling that would hold IPRs unconstitutional and eliminate them in their entirety. Of course, the prevailing sentiment of most practitioners (including the author) is that IPR practice will survive, possibly in a modified form. Those of us who hold this view, however, do so at the peril of running counter to the timeless wisdom of Dr. Seuss. In any event, we likely won't need to wait much longer as the Oil States case was argued on Nov. 28, 2017, and a decision could come any day.

I feel that a short post-script is appropriate here. The story of the Sneetches does not end with the departure of Mr. McBean and his star-off machine. What happened to the Sneetches? Well, they figured out a way to coexist in relative peace without Mr. McBean around at all. And that is perhaps the most important takeaway and one parallel that we should all hope proves correct.

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[1] See, e.g., www.uspto.gov/web/offices/ac/ido/oeip/taf/h_counts.htm (showing issued U.S. patents by year).

[2] See, e.g., Statement from Congresswoman Lofgren, Markup of H.R. 1249 (The America Invents Act), April 14, 2011, pg. 69:1367-1372 ("Director Kappos is taking admirable steps at the PTO to improve patent quality and filter out more invalid applications, but even if he succeeds, we are still left to deal with all of the bad patents that already exist. That is why inter partes review is so important as an alternative to litigation."); see also Sen. Schumer remarks, Congressional Record, S1053, March 1, 2011.

[3] According to October 2017 statistics from the Patent Office, 65% of the approximately 2,000 IPRs reaching a final written decision find all claims invalid. And another 16% find some claims invalid. See www.uspto.gov/sites/default/files/documents/trial_statistics_october_2017.pdf, slide 11.

[4] See https://patentlyo.com/patent/2014/10/number-patents-force-html (showing increasing number of patents in force).

[5] According to Lex Machina, the number of district court patent cases filed since 2012 has trended downward.

[6] See, e.g., www.rpxcorp.com/2016/06/17/iprs-balancing-effectiveness-vs-cost/ (discussing cost effectiveness of IPRs).