

2015-1177

IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

IN RE AQUA PRODUCTS, INC.

Appeal from the United States Patent and Trademark Office,
Patent Trial and Appeal Board in No. IPR2013-00159.

Supplemental Brief on Rehearing *En Banc* for Intervenor—Director of the United
States Patent and Trademark Office

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I. QUESTIONS PRESENTED IN THE EN BANC ORDER

This Court has requested supplemental briefing on the following questions:

1. When the patent owner moves to amend its claims under 35 U.S.C. § 316(d), may the PTO require the patent owner to bear the burden of persuasion, or a burden of production, regarding patentability of the amended claims as a condition of allowing them? Which burdens are permitted under 35 U.S.C. § 316(e)?

Answer: Yes, the USPTO may place the burden of persuasion on the patent owner to demonstrate patentability of the proposed claims because the Director is delegated the authority to establish “standards and procedures” for amendments (which include burdens of proof) under 35 U.S.C. § 316(a)(9). As explained in the USPTO’s precedential decision of *MasterImage 3D, Inc. v. RealD Inc.*, the USPTO has placed that burden on patent owners by operation of 37 C.F.R. §§ 42.20(c) and 42.121, which govern substitution of claims in inter partes review proceedings. Placing that burden on the patent owners is fully consistent with normal practice and common sense, and nothing in the text or legislative history of the AIA suggests that Congress would have intended for the burden to be placed solely on petitioners. In particular, § 316(e) is not to the contrary: That provision makes no reference to proposed substitute claims or to § 316(d), and cannot override the USPTO’s delegation to establish appropriate procedures to govern amendment practice. To

the extent section § 316(e) introduces an ambiguity into the statutory scheme, that ambiguity must be resolved in the USPTO's favor under *Chevron*.

2. When the petitioner does not challenge the patentability of a proposed amended claim, or the Board thinks the challenge is inadequate, may the Board sua sponte raise patentability challenges to such a claim? If so, where would the burden of persuasion, or a burden of production, lie?

Answer: Yes, pursuant to the Director's expansive rulemaking authority with respect to the standards used in connection with deciding motions to amend, the USPTO may place the burden of persuasion and/or production on either party, or on the USPTO itself.

II. INTRODUCTION

The USPTO's interpretation and application of 37 C.F.R. §§ 42.121 and 42.20(c), which place the burden on a patent owner seeking to amend claims in an IPR to show patentability over the prior art of record, is a valid exercise of the agency's regulatory authority. The USPTO's interpretation is based on an express grant of rulemaking authority, and relies on the reasonable conclusion that § 316(a)(9)'s specific authorization to set "standards and procedures" for amendments, rather than § 316(e)'s generally-stated requirement regarding propositions of unpatentability, governs the burdens of proof for motions to amend. The USPTO's interpretation also reflects that the patent owner is in the best

position to understand the prior art and how it relates to the proposed substitute claims.

Interpreting § 316(e) to apply to proposed claims would be in tension with Congress’s direction that the USPTO “shall prescribe regulations” “setting forth standards and procedures for allowing the patent owner to move to amend,” as well as with established legal principles that place the burden on the party seeking relief. If a patent owner were not required to prove patentability, the USPTO would have little choice but to issue a certificate incorporating untested claims in a patent, even though those claims were never “determined to be patentable” under 35 U.S.C. § 318(b). Following such a practice would defeat Congress’s purpose of enhancing patent quality through inter partes review proceedings.

III. BACKGROUND

A. Statutory and regulatory framework governing motions to amend patents involved in inter partes review proceedings

In the Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112-29, 125 Stat. 284 (2011), Congress substantially expanded the USPTO’s procedures for reconsidering the patentability of claims in issued patents and created a new practice in patent law—the motion to amend a patent apart from any sort of reexamination or reissue proceeding before the USPTO.

The AIA expressly addresses a patent owner’s ability to move to amend its patent during an inter partes review proceeding in three places. First, § 316(d)

authorizes a patent owner to file a motion to either cancel claims or propose substitute claims, while barring amendments that broaden claims or add new matter.

Subsection (d) provides:

(d) Amendment of the patent.—

(1) In general.—During an inter partes review instituted under this chapter, the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:

(A) Cancel any challenged patent claim.

(B) For each challenged claim, propose a reasonable number of substitute claims.

(2) Additional motions.—Additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding under section 317, or as permitted by regulations prescribed by the Director.

(3) Scope of claims.—An amendment under this subsection may not enlarge the scope of the claims of the patent or introduce new matter.

35 U.S.C. § 316(d).

Next, § 316(a)(9) delegates authority to the Director of the USPTO to implement § 316(d)'s authorization of motions to amend by promulgating regulations that establish “standards and procedures” for such motions.

Paragraph (9) instructs the Director to issue regulations:

(9) setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submitted by the patent owner in

support of any amendment entered under subsection (d) is made available to the public as part of the prosecution history of the patent;

35 U.S.C. § 316(a)(9).

Finally, § 318 requires a Board panel that completes an inter partes review to issue a final written decision that addresses the patentability of both original claims “challenged by the petitioner” and any new or amended substitute claims “added under § 316(d).” Section 318 also requires the Director to incorporate into the patent via a published certificate only those “new or amended” substitute claims that were determined to be patentable. Subsections (a) and (b) of § 318 provide:

(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)*.

(b) Certificate.—If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and *incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable*.

35 U.S.C. § 318(a),(b) (emphasis added).

Pursuant to this statutory authority, the USPTO has promulgated rule 42.20, which is common to all of the new post-grant trial procedures, and rule 42.121, which is specific to inter partes review proceedings and directed to the amendment

process. *See* 37 C.F.R., part 42, subparts A and B. Rule 42.20 provides that any relief sought by a party in an AIA trial, other than in the original petition, must be through a motion. 37 C.F.R. § 42.20(a). This rule further provides that the movant “has the burden of proof to establish that it is entitled to the requested relief,” 37 C.F.R. § 42.20(c). Rule 42.121 specifies that amendments shall be sought by “motion,” 37 C.F.R. § 42.121(a) (“motion to amend”), and sets forth two bases on which a “motion to amend may be denied.” 37 C.F.R. § 42.121(a)(2). The rule expressly states that a patent owner’s motion to amend may be denied where “[t]he amendment does not respond to a ground of unpatentability involved in the trial” or it “seeks to enlarge the scope of the claims of the patent or introduce new subject matter.” *Id.*

To the extent that the effect of these regulations on motions to amend is unclear, the USPTO has interpreted them through agency adjudication to require that the patent owner, as movant, has the burden of proving the patentability of a proposed substitute claim over the prior art of record in its motion to amend. *See Microsoft Corp. v. Proxycomm, Inc.*, 789 F.3d 1292, 1303-08 (Fed. Cir. 2015) (citing with approval the Board’s decision in *Idle Free Sys., Inc. v. Bergstrom, Inc.*, IPR 2012-00027, 2013 WL 5947697, *4 (PTAB June 11, 2013)); *Nike, Inc. v. Adidas AG*, 812 F.3d 1326, 1332 (Fed. Cir. 2016); *MasterImage 3D, Inc. v. RealD Inc.*, IPR2015-00040, 2015 WL 4383224 (PTAB July 15, 2015) (precedential). That

burden is met only if the movant, *i.e.*, the patent owner, establishes by a preponderance of the evidence that the substitute claim is patentable. *See id.*

Appellant Aqua Products contends that a different statutory provision—35 U.S.C. § 316(e)—overrides § 316(a)(9)’s broad grant of authority for the USPTO to set “standards and procedures” for motions to amend, and that § 316(e) instead provides that such motions must be granted unless the petitioner has demonstrated that the substitute claims are unpatentable. Section 316(e) provides:

(e) Evidentiary standards.—In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

35 U.S.C. § 316(e).

IV. ARGUMENT

A. Standard of review

When a statute expressly grants an agency rulemaking authority, and does not “unambiguously direct” the agency to adopt a particular rule, the agency may “enact rules that are reasonable in light of the text, nature, and purpose of the statute.”

Cuozzo Speed Techs., LLC v. Lee, 136 S.Ct. 2131, 2142 (2016). Regulations issued by the USPTO under a statutory grant of rulemaking authority are entitled to deference unless based on an unreasonable construction of the statute. *See Chevron, U.S.A., Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837 (1984). The USPTO’s interpretation of its own regulations is “controlling unless plainly erroneous or

inconsistent with the regulation.” *Auer v. Robbins*, 519 U.S. 452, 461 (1997) (internal quotation marks omitted); *In re Sullivan*, 362 F.3d 1324, 1326 (Fed. Cir. 2004).

This Court’s role in reviewing USPTO regulations is to determine whether they constitute “a reasonable interpretation of the statute—not necessarily the only possible interpretation, nor even the interpretation deemed *most* reasonable by the court[.]” *Entergy Corp. v. Riverkeeper, Inc.*, 556 U.S. 208, 218 (2009); *see also, e.g., Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1341 (Fed. Cir. 2008) (“[The Court’s] duty is not to weigh the wisdom of, or to resolve any struggle between, competing views of the public interest, but rather to respect legitimate policy choices made by the agency in interpreting and applying the statute.”). As explained below, the USPTO’s interpretation of the inter partes review statute and its approach to deciding motions to amend is reasonable and is not overridden by the text of § 316(e), which is at least ambiguous as to whether it governs the patentability of amended claims proposed via a patent owner’s motion.

B. There is no basis to overturn the USPTO’s rules and reasonable interpretation of the inter partes review statute placing the burden of persuasion on patent owners to prove that proposed substitute claims are patentable

The USPTO properly exercised its authority to implement the inter partes review statute and provide a framework for the agency’s administration of the amendment process. Under *Chevron*, an agency’s interpretation of a statute is

entitled to deference where Congress has delegated authority to the agency to interpret the statute and the agency acts through formal administrative procedures. 467 U.S. at 844-46; *United States v. Mead Corp.*, 533 U.S. 218, 229-30 (2001) (holding that *Chevron* applies “when it appears that Congress delegated authority to the agency generally to make rules carrying the force of law”). That is, the application of *Chevron* deference turns on Congress’s intent—manifested in this case by an affirmative grant of authority that is particular to motions to amend.

There is no question that Congress delegated authority to the USPTO to make rules carrying the force of law in administering the inter partes review statute. *See Cuozzo*, 136 S.Ct. at 2142 (noting that the AIA allows the Patent Office to issue rules “governing inter partes review”) (citation omitted). Based on Congress’s delegation, both the Supreme Court and this Court have afforded *Chevron* deference to the USPTO for its reasonable interpretations of the inter partes review statute. *See id.*; *see also Proxycorr*, 789 F.3d at 1307-08. Aqua Products fails to even grapple with this precedent, but instead argues that its own interpretation of the rules should apply. Br., at 25-34. It then compounds this error by focusing its brief on trying to show that its reading of the statute is not impermissible, instead of showing that the agency’s interpretation is unreasonable. As shown below, the USPTO’s interpretation is plainly reasonable, and is accordingly entitled to *Chevron* deference.

1. The AIA’s express grant of rulemaking authority for motions to amend includes the authority to assign burdens of proof for such motions

Congress gave the USPTO general authority to set standards and procedures implementing § 316(d), without further qualification or restriction. *See* 35 U.S.C. § 316(a)(9) (directing the USPTO to “set[] forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d)”). Section § 316(a)(9) thus authorizes the USPTO to establish not only the procedures, but also the relevant standards, for motions to amend. The USPTO’s designation of a burden of proof for motions to amend is plainly within the scope of § 316(a)(9)’s authorization to set standards and procedures for motions to amend. *See City of Arlington v. F.C.C.*, 133 S. Ct. 1863, 1871 (2013) (holding that under *Chevron*, courts should defer to an agency’s interpretation of its own scope of authority and that “the question in every case, is simply, whether the statutory text forecloses the agency’s assertion of authority, or not”).

Assigning the burden of proof in a proceeding falls under the auspices of setting forth a “standard or procedure” for that proceeding. A “standard of proof” is one of a number of common legal “standards”—it is “[t]he degree or level of proof demanded in a specific case.” STANDARD OF PROOF, Black’s Law Dictionary 1535 (9th ed. 2009). Courts and statutes thus consistently identify a law or regulation that defines the burden of proof in a proceeding as a subspecies of the “standards or

procedures” governing that proceeding. *See, e.g., United States v. Real Prop. in Section 9, Town 29 North, Range 1 of Charlton, W. Twp. Otsego Cnty., Michigan*, 241 F.3d 796, 798 (6th Cir. 2001) (describing legislation that “significantly alter[ed] the standards and procedures applicable to civil forfeiture proceedings” by “chang[ing] and rais[ing] the government’s burden of proof”); Pub. L. No. 109-54 (2005), § 1005(e)(2)(A)(i) (limiting judicial review to the question of “whether the status determination of the [agency] was consistent with the standards and procedures specified by the Secretary . . . including the requirement that the conclusion of the Tribunal be supported by a preponderance of the evidence”); *Commonwealth v. Miller*, 585 Pa. 144, 148 (Pa. 2005) (“[c]onsistent with” the “need[] to develop standards and procedures,” the lower court “held that the burden of proof in such cases was on the petitioner”); *State v. Devon D.*, 321 Conn. 656, 683 (Conn. 2016) (addressing a party’s argument that the “standards and procedures” governing a matter included proof “by clear and convincing evidence”); *Coleman v. Anne Arundel Cnty. Police Dep’t*, 369 Md. 108, 124 (Md. App. 2002) (noting that the “standards and procedures” governing disciplinary proceedings include a requirement that “charges against an officer be proven by a preponderance of the evidence”).

The USPTO designated the burden of proof for motions to amend through regulation, the issuance of an informative decision, and subsequently in a

precedential decision.¹ *Idle Free*, 2013 WL 5947697 at *4; *MasterImage 3D, Inc. v. RealD Inc.*, IPR2015-00040, 2015 WL 4383224 (PTAB July 15, 2015)

(precedential), slip op. at 4. These decisions applied a rule governing who bears the burden of proof in all motions (§ 42.20) to a particular motion (a motion to amend under § 42.121), and represent the agency's authoritative construction of § 316(d) reached through a formal regulatory and adjudicative process. This construction is entitled to *Chevron* deference.² Recognizing that it cannot win under *Chevron*, Aqua Products devotes much of its brief to arguing that the Supreme Court cabins the application of *Chevron* deference to regulatory interpretations of a statute, as opposed to adjudicative decisions. *See generally* Br. at 25-34. This argument has no legal basis. The Supreme Court, in fact, wrote: "It is fair to assume generally that Congress contemplates administrative action with the effect of law when it provides

¹ Designating a Board decision as precedential requires a vote of the full Board and concurrence with the precedential designation by the Director. *See* PTAB's Designation for Opinions, available at <https://www.uspto.gov/sites/default/files/documents/PTAB%20Designations%20for%20Opinions%201-12-2016.pdf> (last visited Oct. 25, 2016).

² *Chevron* deference aside, the USPTO's interpretation of its own regulation is "controlling unless plainly erroneous or inconsistent with the regulation," *Auer*, 519 U.S. at 461 (internal quotation marks omitted), and it is well established that an agency can receive *Chevron* deference even if the Court must ultimately look to the agency's interpretative decisions to clarify the regulation. While Aqua Products argues that the USPTO's "regulations can reasonably be interpreted differently," Br. at 25, and even cites *Sullivan* (Br. at 26, 34), it ignores the fact that under *Auer* and *Sullivan*, this Court must defer to the USPTO's reasonable interpretation of its own regulations, not Aqua Products' interpretation.

for a relatively formal administrative procedure tending to foster the fairness and deliberation that should underlie a pronouncement of such force. Thus, the overwhelming number of our cases applying *Chevron* deference have reviewed the fruits of notice-and-comment rulemaking or formal adjudication.” *Mead*, 533 U.S. at 230 (internal citation and footnote omitted); *see also Proxycorn*, 789 F.3d at 1307; *Cf. Suprema, Inc. v. ITC*, 796 F.3d 1338 (Fed. Cir. 2015) (en banc) (applying *Chevron* deference to the ITC's interpretation of the Tariff Act announced in an adjudication). In other words, when Congress enacts formal administrative proceedings like those governing inter partes reviews, *Chevron* deference presumably applies.

2. Statutory text and structure confirm the reasonableness of USPTO's interpretation

Section 316(d) is titled “Amendment of the Patent.” It authorizes a motion to amend and additional motions, and requires that a substitute claim not broaden the original claim's scope or add new matter. *See* 35 U.S.C. § 316(d). Section 316(a)(9) authorizes regulations implementing § 316(d), and further requires that information presented by the patent owner in support of a substitute claim be included in the file history of the patent. *See* 35 U.S.C. § 316(a)(9). As this Court has noted, § 316(a)(9) grants the USPTO “the *specific* authority to establish the standards and procedures” for motions to amend. *Nike*, 812 F.3d at 1333 (emphasis in original).

These two sections are the *only* sections of Chapter 31 that contain rules and limits that are expressly applied to the amendment process. This structure suggests that when Congress intended to apply a particular rule or limit to motions to amend, it said so in §§ 316(a)(9) and (d). It also suggests that other, generally-stated requirements of the AIA that are *not* included in the “motions to amend” section of Chapter 31 or its implementing authority do not apply to motions to amend. *See Henderson v. Shinseki*, 562 U.S. 428, 439-40 (2011) (noting that the placement of a statutory provision outside the section expressly directed to a subject suggests that the provision is not within the scope of that subject); *see also Florida Dep’t of Revenue v. Piccadilly Cafeterias, Inc.*, 554 U.S. 33, 47 (2008).

Section 316(e), by contrast, makes no reference to claim amendments or to § 316(d). It is only § 316(a)(9), rather than § 316(e), that is expressly directed to motions to amend. The amendment-specific and comprehensive nature of §§ 316(a)(9) and (d) further confirms that those sections, rather than § 316(e), govern motions to amend. *See National Cable and Telecomm. Ass’n v. Gulf Power Co.*, 534 U.S. 327, 335 (2002) (“specific statutory language should control more general language when there is a conflict between the two”). Section 316(e)’s general nature, and its placement outside the subsections expressly directed to motions to amend, suggest that § 316(e) is *not* directed to motions to amend—and that the

burden of proof is instead among those matters that the AIA left to the USPTO's broad authority to establish "standards and procedures" for motions to amend.

Even if § 316(e) were deemed to at least *presumptively* apply in all phases of an inter partes review, it still would not apply where it has been affirmatively displaced. Thus, even a presumptively universal § 316(e) would not govern the institution phase of an inter partes review, because § 314(a) assigns a different, lower burden to the petitioner during that part of the proceeding. And so, too, § 316(a)(9). That section does not mandate a particular type of burden of proof, but rather leaves it to the USPTO to determine the appropriate standards and procedures for motions to amend. And again, neither Aqua Products nor the *amici* can fashion a colorable argument that setting a burden of proof for a proceeding constitutes anything other than setting a "standard" for that proceeding.

Conversely, if § 316(e) *were* intended to govern motions to amend, it would make little sense for § 316(a)(9) to authorize the USPTO to establish "standards and procedures" for such motions—because § 316(e) would then largely dictate those standards and procedures. By Aqua Products' own account, if § 316(e) applies to substitute claims, the amendment process must consist of the following steps: (1) the patent owner bears the burden of showing that the proposed amendments are non-broadening and have written support; (2) if this burden is met, the Board must bring the amended claims into the proceeding "as a matter of course"; (3) the petitioner

may then challenge the proposed amended claims per § 316(e); (4) if the petitioner declines to challenge the new claims, is no longer participating in the proceeding, or fails to bear its burden of proving that the proposed claims are unpatentable, the amended claims must be published in a certificate “as a matter of course;”³ and (5) *if* the Board independently assesses the claims’ patentability, the patent owner must be afforded notice and an opportunity to respond. Br. at 4, 30, 42, 49-50. According to Aqua Products, “[t]his is the scheme that Congress created” by applying § 316(e) to proposed claim amendments. Br. at 42.

If this is so, however, then there remains little role for § 316(a)(9)’s broad authorization for the USPTO to set standards and procedures for substitute claims. In other places where § 316(a) grants general regulatory authority, but Congress wanted to prescribe some of the relevant standards or procedures, either the text of § 316(a) or the provision that § 316(a) implements spells out those restrictions. *See, e.g.*, § 316(a)(5) (authorizing standards and procedures for discovery, while limiting discovery to depositions and what is “necessary in the interest of justice”); § 316(a)(2) (authorizing standards for institution “under section 314(a),” which requires a

³The “matter of course” theory for adding claims that the petitioner has not challenged is particularly strange because § 318(b) instructs the USPTO that only claims that are “determined to be patentable” should be incorporated into the patent. The Board could hardly make that determination unless *someone* makes a showing as to the patentability of the amended claims.

“reasonable likelihood” merits showing).⁴ Unlike those provisions, for claim amendments, Congress gave the USPTO general authority to set standards and procedures implementing § 316(d), without further qualification or restriction. This sweeping authorization cannot be reconciled with the notion that Congress understood § 316(e) to already dictate the standards and procedures for claim amendments. Aqua Products’ interpretation of § 316(e) substantially invades the authority that Congress expressly granted to the USPTO in § 316(a)(9).

3. Established practices governing burdens of proof confirm the reasonableness of USPTO’s interpretation

As is typical in court and administrative proceedings, for all motions, “[t]he moving party has the burden of proof to establish that is entitled to the requested relief.” 37 C.F.R. § 42.20(c); *see also* C. Mueller & L. Kirkpatrick, *Evidence* § 3.1, p. 104 (3d ed. 2003) (“Perhaps the broadest and most accepted idea is that the person who seeks court action should justify the request[.]”). Placement of the burden on the patent owner is also consistent with 5 U.S.C. § 556(d), under which in an adjudicatory proceeding under the APA, the proponent of an order (here, an order that a patent be amended) has the burden of proof unless a statute provides

⁴ Section 316(a)(2) thus allows the USPTO to decline to institute a review despite the fact that the § 314(a) merits threshold has been met—for example, if the volume of petitions were to threaten the administrability of the proceeding. *See* 157 Cong. Rec. S1377 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl); *Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309, 1316 (Fed. Cir. 2016) (noting that “nothing in § 314 requires institution of inter partes review under any circumstance”).

otherwise. *See Dir. Office of Workers' Comp. Programs, Dep't of Labor v. Greenwich Collieries*, 512 U.S. 267, 276 (1994).

The USPTO's rule for inter partes review is also consistent with long-standing interference practice, where amendments to claims also are made by motion. *See* MPEP § 2308.02. And this Court has held that placing the burden of proof on the moving party is permissible in the interference context. *See, e.g., Kubota v. Shibuya*, 999 F.2d 517, 521 (Fed. Cir. 1993). Indeed, this Court has held that the Board did not abuse its discretion in denying a motion to amend in an interference because the moving party had "improperly shifted the burden" of establishing unpatentability to the other party under 37 C.F.R. § 41.121(b). *Bamberg v. Dalvey*, 815 F.3d 793, 798-99 (Fed. Cir. 2016). Rule 41.121(b) is substantively identical to Rule 42.20(c), and reflects the USPTO's longstanding policy of making the patent owner bear the burden of proof when the Board does not have the ability to examine a claim.

Congress's choice of the term "motion to amend" in § 316(d), rather than simply an "amendment," was thus made against a backdrop of the general rule that the proponent of a *motion* must show entitlement to the relief sought, and also of interference practice, where the party filing a motion to amend is required to establish the patentability of the claim. For example, the relevant BPAI Standing Orders when the AIA was drafted and enacted provided that "if a claim is added to overcome a patentability problem raised in a motion, the motion to add the claim

must explain why the proposed claim would overcome the problem.” SO 208.5.1 (Mar. 8, 2011), (Jan. 3, 2006).⁵ The agency’s choice of allocating the burden in the same way for similar motions in inter partes reviews is therefore eminently reasonable.

4. The drafting history of the AIA confirms the reasonableness of USPTO’s interpretation

The drafting history of the AIA confirms that § 316(a)(9), rather than § 316(e), was intended to govern motions to amend. Two things are apparent from this history.

First, § 316(a)(9)’s grant of rulemaking authority was added to the bill only late in the legislative process. None of the bills introduced in the two Congresses prior to the enactment of the AIA authorized the USPTO to make rules with respect to amendments; all simply required that the information submitted by the patent owner in support of an amendment would be made a part of the prosecution history.⁶ It

⁵ The Standing Orders are available at: <https://www.uspto.gov/sites/default/files/ip/boards/bpai/interf/forms/standingordermar2011.pdf> (last visited Oct. 20, 2016); https://www.uspto.gov/sites/default/files/ip/boards/bpai/interf/forms/standing_order_jan2006.pdf (last visited Oct. 20, 2016).

⁶ See proposed 35 U.S.C. § 326(b) in H.R. 1908 § 6(f), 110th Cong. (2007) (PCS); S. 515 § 5(f), 111th Cong. (2009) (RS); and H.R. 1260 § 6(h), 111th Cong. (2009) (RS); proposed 35 U.S.C. 329(b)(5) in S. 1145 § 5(c) (2008) (RS); and proposed 35 U.S.C. § 329(b)(6) in S. 3600, 110th Cong. § 5(c) (2008) (IS).

was not until the 112th Congress, in 2011, that a version of § 326(a)(9)'s rulemaking authority for amendments first appeared in proposed legislation.⁷

Second, all of these earlier Congress's bills *did* include a version of § 316(e), assigning evidentiary burdens in an inter partes review or a post-grant review.⁸ And some of these bills' versions of § 316(e) provided that in some of these new proceedings, “[t]he presumption of validity set forth in § 282 shall apply in post-grant review proceedings,”⁹ and the petitioner shall have the burden of proving at least part of its case by “clear and convincing evidence.”¹⁰

It is apparent from this record that the successive Congresses that developed the AIA never contemplated that § 316(e)'s assignment of the burden of proof in the proceeding would govern motions to amend. No Congress could plausibly have intended that § 282's presumption of validity would attach to proposed amended claims that have never been examined, or that the USPTO would be required to issue proposed new claims unless their unpatentability was demonstrated by clear and convincing evidence. These earlier bills' assignment of the burden of proof in

⁷ See proposed 35 U.S.C. § 316(a)(10) in S.23 § 5(a), 112th Cong. (2011) (IS).

⁸ See proposed 35 U.S.C. § 328 in H.R. 1908 § 6(f), 110th Cong. (2007) (PCS); S. 515 § 5(f), 111th Cong. (2009) (RS); and H.R. 1260 § 6(h), 111th Cong. (2009) (RS); proposed 35 U.S.C. 331 in S. 1145 § 5(c) (2008) (RS); and proposed 35 U.S.C. § 331 in S. 3600 § 5(c), 110th Cong (2008) (IS).

⁹ S. 3600 § 5(c), 110th Cong. (2008) (IS) (proposing 35 U.S.C. § 331)(emphasis added); see also S. 1145 § 5(c), 110th Cong. (2008) (RS) (proposing 35 U.S.C. § 331).

¹⁰ See *id.* (emphasis added).

the proceeding was understood to apply to the original instituted claims, not to proposed new or amended claims.

Later, the 112th Congress realized that it needed to provide for how amendments would be considered—it understood that the process for addressing amendments in inter partes reexamination could not simply carry forward to the new proceedings. Rather than dictating procedures for amendments itself, this Congress delegated to the USPTO, via § 316(a)(9), the authority to set the standards and procedures for motions to amend.¹¹ It saw no inconsistency between § 316(e)’s assignment of the burden of proof, and § 316(a)(9)’s broad new authority to set standards and procedures for amendments, because it never understood § 316(e) to govern claim amendments.

C. Aqua Products cannot show that placing the burden on the petitioner reflects Congress’s intended functioning of inter partes review

1. On its face, § 316(e) does not apply to amendments

Section 316(e) does not require the USPTO to use any particular burden of proof for motions to amend. For one thing, § 316(e) never mentions amended claims. Instead, § 316(e) applies only to claims that are “[i]n an inter partes review instituted under this chapter,” making clear that the burden of proof is on the

¹¹ This is in sharp distinction from how inter partes reexamination worked. There, Congress specifically chose to direct the USPTO to follow its conventional examination approach. *See* 35 U.S.C. § 314 (pre-AIA) (providing that the initial examination procedures of §§ 132 and 133 would apply during inter partes reexamination).

petitioner to prove unpatentable those issued claims that were actually challenged in the petition for review and for which the Board instituted review. *See Nike*, 812 F.3d at 1334. Therefore, § 316(e) speaks only to the petitioner’s burden of proving the unpatentability of *existing* claims; it does not specify who has the burden of proving the patentability of new, never-before-examined substitute claims.

In this case, Aqua Products’ motion to amend sought to include in its patent proposed claims that were never before part of its patent, nor were they part of petitioner’s unpatentability challenge considered during the review. This is because Aqua Products’ motion, like most motions to amend, was filed as a “contingent” motion—if the Board upholds the patentability of the original claims, the motion never gets considered.¹² Aqua Products’ original claims were found to be obvious—a conclusion that Aqua Products does not challenge—and therefore the Board considered (and ultimately denied) the motion to amend.

Moreover, a motion to amend a patent does not involve the petitioner’s “proposition of unpatentability;” instead, it involves the patent owner’s proposition of the patentability of the proffered claims. *See Nike*, 812 F.3d at 1334 (distinguishing the contexts of a petitioner proving the unpatentability of a patented

¹² The contingent nature of the motion to amend explains the difference in language between § 316(e) (“[i]n an inter partes review”) and § 316(d) (“during an inter partes review). Rather than being “nearly identical” language (Br. at 16), the two phrases express the differing temporal nature of the original claims and the proposed claims.

claim upon which review has been instituted, and a patent owner proving the patentability of a new claim offered through a motion to amend). Section 316(d)(1) provides that, where a claim is not merely canceled, the patent owner may “propose a reasonable number of substitute claims” in “1 motion to amend the patent.” And section 318(a) distinguishes between “a patent claim challenged by the petitioner” and a “new claim added under section 316(d)” via the Board’s grant of a motion to amend. Placing the burden of proving such a proposition of patentability on the party filing the motion is consistent with the “ordinary default rule.” *Schaffer ex Rel. Schaffer v. Weast*, 546 U.S. 49, 56-58 (2005) (holding that when the statute is silent the person bringing the claim should bear the risk of failing to prove their claims). Placing the burden on the patent owner here is all the more appropriate given that the patent owner is in the best position to understand how the prior art relates to its proposed substitute claims. *See Selma, Rome & Dalton R. Co. v. United States*, 139 U.S. 560, 567-68 (1891) (“[I]t has been established as a general rule of evidence, that the burden of proof lies on the person who wishes to support his case by a particular fact which lies more peculiarly within his knowledge, or of which he is more cognizant.”).

Aqua Products’ assertion that Congress must have meant to include both issued claims and proposed claims in § 316(e) when it used the term “unpatentability” does not bear out. Br. at 12-13. Aqua Products contends that

§ 316(e) must govern amended claims because it refers to propositions of “unpatentability” as opposed to “validity,” which Aqua Products argues is the special word Congress used in the AIA when it wanted to refer only to previously patented claims. *Id.* To the contrary, Congress did *not* use the term “validity” even in instances when it unambiguously addressed *only* original claims. For example, § 318(b) directs the PTO to issue a certificate, “canceling any claim of the patent finally determined to be *unpatentable*” 35 U.S.C. § 318(b) (emphasis added). Similarly, § 311, which authorizes petitions for inter partes review, provides that the petitioner “may request to cancel as *unpatentable* 1 or more claims of a patent.” 35 U.S.C. § 311(b) (emphasis added). The petition phase of a review, of course, does not involve amended claims—a patent owner cannot seek to *amend* in an inter partes review unless the petitioner has first filed a *petition* for inter partes review. But although a petition for review addresses only original claims, § 311 refers to whether those claims are “unpatentable.” On the other hand, § 18 of the AIA, which creates a species of post-grant review for covered-business-method patents, refers in three places to the “validity” of such patents. *See* AIA § 18(a)(1), (a)(1)(C), and (a)(1)(D).

This usage indicates that the AIA does not use the word “invalidity” to signal those instances where it is referring only to patented claims. Section 316(e)’s mere reference to a proposition of “unpatentability” cannot be construed to expand that section to encompass amended claims. To the contrary, if one were to place any

weight on that term as it is used in § 316(e), the most logical conclusion is that it only applies to claims that were previously found to be patentable, *i.e.*, those patented claims that are subject to review in the IPR.

- a) **Aqua Products and the *amici*'s inability to agree on what procedures § 316(e) mandates confirms that the section is, at least, ambiguous**

Aqua Products insists, as it must, that there is “no ambiguity in the statutory language” and that “it is difficult to imagine how Congress could have been any clearer.” Br. at 2, 13. Its supporting *amici*, representing distinguished professional and trade associations, also assert that the relevant statutory provisions are clear and unambiguous. But they disagree on what the statute “unambiguously” means. Aqua Products argues that the burden of persuasion can be placed on the patent owner for some issues that are “akin to a burden of production,” but not patentability. Br. at 32. The *amici* variously argue that (1) neither the burden of production nor the burden of persuasion can be placed on the patent owner, IPO Br. at 6; (2) only the burden of production can be so placed, *see, e.g.*, AIPLA Br. at 18; or (3) that the patent owner properly bears the burden of persuasion on some issues, BIO Br. at 15-16. That spread of meanings among those who argue § 316(e) is unambiguous actually demonstrates the contrary and resolves Aqua Products’ “no ambiguity” argument against it.

Aqua Products contends that the Board *cannot* be made to play an examinational role—even in the inevitable cases where the petitioner lacks an interest in challenging the claims or is no longer present. Br. at 45-46. Some *amici* agree. *See, e.g.*, PhRMA Br. at 18-20. Others, however, contend that “if the petitioner has removed itself from the case by settlement or otherwise, the burden [of showing unpatentability] then belongs to the PTO.” IPO Br. at 3 n.3. Yet others contend that “if the proposed amendment *prima facie* fails to distinguish a substitute claim from at least one ground of invalidity on which the IPR proceeding was instituted, the Board can require the patent owner to show cause why the substitute claim should not be denied”—although “such challenges must be limited to the art and argument that was applied against the original claim.” BIO Br. at 6-7; *see also id.* at 21 (proposing moving inter partes review “towards a traditional examination and reexamination/reissue model while preserving the time restraints imposed by the statute”).

Other *amici* suggest that the USPTO *can* place the burden of proof on the patent owner—but only if this is done via a new regulation. *See* Case Western Br. at 16. Others suggest that the statute allows the USPTO to impose “a limited initial burden of production” on the patent owner, but that it “cannot impose a burden of persuasion” on the patent owner. AIPLA Br. at 17-18. And others suggest that § 316(a)(9) gives the USPTO the authority regulate what the patent owner must do

“to bring the proposed claims into the proceeding,” but that this “authority does not extend to creating standards and procedures governing *whether* the patent may be amended”—thus making “a patent owner’s motion to amend very similar to a no evidence motion for summary judgment.” HIPLA Br. at 10, 12; *see also id.* at 19 (proposing that a patent owner who “obtains amended claims, despite being aware of prior art that renders the claims unpatentable,” would be subject to the sanction of inequitable conduct).

These briefs reflect the measured views of many experts in the field of patent law today. Yet they offer a cacophony of interpretations of Chapter 31’s allocation of burdens of production and persuasion with respect to claim amendments. This alone strongly suggests that the AIA does *not* “unambiguously direct[] the agency to use one standard or the other,” *Cuozzo*, 136 S.Ct. at 2142, and that the USPTO may thus employ its express authority to set standards to assign appropriate burdens of proof for motions to amend.

2. Aqua Products’ argument rests on a misunderstanding of the Patent Act

Aqua Products’ interpretation cannot be reconciled with the remainder of the AIA. Even apart from the delegation of authority to the USPTO in § 316(a)(9), § 318(a) requires the Board to issue a final written decision “with respect to the patentability” of both original claims and “any new claim added under section 316(d).” 35 U.S.C. § 318(a). And § 318(b) requires the USPTO to publish a

certificate incorporating “any new or amended claim determined to be patentable.” 35 U.S.C. § 318(b). Thus the Board must decide whether amended claims are patentable, and amended claims are to be issued in a certificate only if they are found patentable—nowhere does Chapter 31 authorize the issuance of new claims that have never been evaluated for patentability.¹³ And as Aqua Products and the *amici* acknowledge, Congress understood that neither petitioners nor the USPTO can or should be relied on to demonstrate *patentability* of the patent owner’s proposed new claims.

First, the USPTO agrees with Aqua Products that inter partes review was not designed to have the Board play the role of an examiner. Br. at 45-46. Indeed, one of Congress’s principal objectives in replacing inter partes reexamination with inter partes review—and in enacting § 316(e) in particular—was to move away from the examinational model. As one of the Senate sponsors of the AIA noted during the

¹³ Aqua Products argues that the Director could initiate an ex parte reexamination “following the IPR, if she is concerned about the patentability of the substitute claims.” Br. at 36. This would not only be time-consuming and contrary to the clear purpose behind the AIA, it would also ignore these requirements of § 318(a) and (b). Adhering to these statutory requirement is not an “alleged concern” (Br. at 39) that “must be taken with a grain of salt.” Br. at 37. If Aqua Products prefers an examinational process for considering an amendment, then it could have filed a reissue application with its proposed amended claim. It also could have filed its proposed claim in its currently-pending continuation application that claims priority back to the patent that was the subject of the present inter partes review, or it could have filed another continuation application from that currently-pending application and sought examination of its proposed claims there. It has not done so.

floor debates on the bill, an “important structural change” made by the new law is that “inter partes reexamination is converted into an adjudicative proceeding in which the petitioner, rather than the Office, bears the burden of showing unpatentability.” 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl); *see also Abbott Labs v. Cordis Corp.*, 710 F.3d 1318, 1326 (Fed. Cir. 2013) (recognizing that “[t]he purpose of this reform was to ‘convert[] inter partes reexamination from an examinational to an adjudicative proceeding”) (internal citations omitted). This “shift from an examinational to an adjudicative model” was understood to be critical to the USPTO’s ability to comply with § 316(a)(11)’s new requirement that reviews are to be completed within one year. 157 Cong. Rec. at S1376 ; *see also* 154 Cong. Rec. S9987 (daily ed. Sep. 27, 2008) (statement of Sen. Kyl) (noting that the examinational model “has proven unworkable in inter partes reexam” and has resulted in “interminable delays”). Moreover, the shift away from the examinational model was viewed as “effectively compelled” by § 316(e), because that provision ensures that in the main proceeding, the petitioner rather than the USPTO bears the burden of proof. 157 Cong. Rec. S1375. This history, and the purpose of the AIA’s amendments to Chapter 31, cannot be reconciled with an interpretation of § 316(e) that requires the USPTO to play the role of an examiner and bear the burden of showing unpatentability. *See also* HIPLA Br. at 16-17.

On the other hand, the AIA also reflects an understanding that the petitioner in an inter partes review may lack an incentive to challenge proposed new claims. As this Court has noted, “the petitioner may choose not to challenge the patentability of substitute claims if, for example, the amendments narrowed the claims such that the petitioner no longer faces a risk of infringement.” *Proxyconn*, 789 F.3d at 1307-08. Also, the AIA itself applies intervening rights against amended claims (*see* 35 U.S.C. § 318(c))—thus guaranteeing that the petitioner will face no liability for past infringement if any substantive change is made to the original claim. *See* 35 U.S.C. § 252; *Marine Polymer Techs., Inc. v. HemCon, Inc.*, 672 F.3d 1350, 1361-62 (Fed. Cir. 2012). Moreover, § 316(d) contemplates that motions to amend may “materially advance the settlement of a proceeding.” 35 U.S.C. § 316(d)(2). Congress thus understood that challenging an amended claim may directly conflict with the petitioner’s interest in settling its dispute with the patent owner and avoiding liability. As the *amici* affirm, “Congress . . . recognized and endorsed that a particular petitioner might not always be motivated to challenge a substitute claim.” IPO Br. at 11; *see also* Br. at 38. This manifest congressional understanding, reflected in the text of Chapter 31, precludes an interpretation of § 316(d)’s amendment authority that assumes that petitioners will be available and willing to present the information necessary for the Board to evaluate an amended claim’s “patentability.” 35 U.S.C. § 318(a).

Congress knew that petitioners may lack an incentive to challenge amended claims, and its very purpose in enacting new Chapter 31 was to move away from a model in which the USPTO bears the burden of showing unpatentability. Yet it wanted new claims to issue only if they were “determined to be patentable.” 35 U.S.C. § 318(b). Read as a whole, Chapter 31 cannot be read to preclude a requirement that the patent owner demonstrate that it is entitled to its proposed new or amended claims.

3. The AIA requires the USPTO to protect the public’s interest in patent quality by ensuring that new or amended substitute claims are patentable

Aqua Products contends that issuing new claims that “never get reviewed in light of newly asserted prior art” is a “perfectly acceptable result,” and that the USPTO’s concerns about patent quality should be “taken with a grain of salt.” Br. at 35, 37. Likewise, the *amici* point out instances where potentially invalid claims are permitted to stand because of the withdrawal of a challenge to them. However, affirmatively issuing a certificate after completion of an IPR is quite different from terminating the proceedings and essentially leaving the patent in its *ex ante* condition.

In Aqua Products’ settlement example, Br. at 36, it is true that claims that were the subject of an affirmative institution decision may remain intact, but they remain intact for the precise reason that no trial was held, no final decision was

reached by the Board, and no certificate will issue. A decision to institute a trial is simply not a determination on the patentability of the challenged claims. *See Trivascular, Inc. v. Shaun L. W. Samuels*, 812 F.3d 1056, 1069 (Fed. Cir. 2016) (explaining the “significant difference” between the showing necessary by a petitioner to trigger a proceeding and the preponderance of evidence necessary to succeed at trial). And because the option to proceed to a final written decision notwithstanding settlement remains available to the Board, *see* 35 U.S.C. § 317(a), the statute actually recognizes that there may be instances where the Board should issue its patentability decision even when there has been a settlement. As for Aqua Products’ indefiniteness example (Br. at 37), the statute is unambiguous as to the grounds of unpatentability that may be raised in an IPR. Because those grounds do not include § 112, the USPTO simply does not have the authority to declare claims that fail to satisfy that requirement to be unpatentable. But it does not follow from either example that the USPTO should neglect its responsibility to make the best patentability decision that it can at the completion of a trial.

Aqua Products’ reliance on the fact that an amended claim is a narrower version of a previously-examined claim (Br. at 35) badly misses the point. The new or amended claim that may issue in an inter partes review is a substitute claim—it can be obtained only at the expense of an existing claim. *See* 35 U.S.C. § 316(d)(1)(B). And patent owners presumably do not abandon existing claims (and their earlier

effective dates) without good reason. Indeed, the practice that has evolved in inter partes review is that patent owners overwhelmingly file only contingent motions to amend—that is, they ask the Board to consider a substitute claim only if the original claim is determined to be unpatentable. The typical background history of a claim amendment in an inter partes review is thus not simply that the original claim was once examined; it is that the proposed new claim derives from a claim that has been found to be *un*patentable.

To be a patentable, narrower version of an unpatentable, broader claim, such a substitute claim must claim features that patentably distinguish it over the prior art that rendered the original claim unpatentable. Thus, a patent owner must discuss what the proposed claim encompasses, and how it is patentable over the prior art of record. *See Idle Free*, 2013 WL 5947697 at *4; *MasterImage 3D*, 2015 WL 4383224, slip op. at 4. Requiring Aqua Products to make a sufficient showing of patentability is reasonable because it helps to ensure that any amended patent that is re-injected into the marketplace has been reviewed for patentability.

Allowing untested claims to issue in an inter partes review would represent a sharp break from the American patent system’s historical practice of requiring examination of all patent claims. *See* 35 U.S.C. § 318(b).¹⁴ And as one of the *amici*

¹⁴ The Chairman of the U.S. House of Representatives’ Committee on the Judiciary, which has jurisdiction over the Patent Act, recently rejected a proposal that “would

notes, “[o]ne of the most important, if not the most important, goals of the AIA is to improve patent quality.” BIO Br. at 19 (citing 157 Cong. Rec. S131 (daily ed. Jan. 25, 2011) (statement of Sen. Leahy)). Indeed, the Supreme Court has particularly emphasized that the AIA’s system of “inter partes review helps to protect the public’s ‘paramount interest in seeing that patent [rights] are kept within their legitimate scope.’” *Cuozzo*, 136 S.Ct. at 2144 (quoting *Precision Instrument Mfg. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945)) (brackets added). That Court has made clear that “[t]he possession and assertion of patent rights are issues of great moment to the public,” *Precision Instrument*, 324 U.S. at 815 (citation omitted), and that “[a] patent by its very nature is affected with a public interest.” *Blonder-Tongue Labs., Inc. v. Univ. of Illinois Found.*, 402 U.S. 313, 343 (1971) (citation omitted); see also *Mercoïd Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 665 (1944) (“[i]t is the public interest which is dominant in the patent system”). This Court should

require USPTO to automatically enter claim amendments in IPR” for this very reason. He noted that such a proposal would:

effectively require PTO to issue patent claims that have never undergone substantive examination. This amounts to a registration system for issuing patent claims. It would not only undo the America Invents Act, but would also repeal the Patent Act of 1836, which first required substantive examination of all patent claims.

See Markup Transcript of H.R. 9, The Innovation Act, June 11, 2015, House of Representatives Committee on the Judiciary (statement of Mr. Goodlatte), available at: <http://docs.house.gov/Committee/Calendar/ByEvent.aspx?EventID=103603>

decline Aqua Products' invitation to construe the inter partes review statute in a way that would contravene these fundamental principles.

D. The Board may sua sponte raise patentability challenges to a proposed amended claim

Because a patent owner properly bears the burden of persuasion in demonstrating the patentability of a proposed amended claim, the Board currently only makes a determination of whether or not the patent owner has met that burden when deciding the motion to amend. However, given the USPTO's broad authority to set procedures for IPRs, and as a tribunal presiding over a litigation-like proceeding, the USPTO could adopt rules allowing the Board to sua sponte raise a proposition of unpatentability regarding an amended claim in order to further IPR's goal of keeping patents "within their legitimate scope." *Cuozzo*, 136 S. Ct. at 2144; *see also Proxycorn*, 789 F.3d at 1307-08 (describing the need for scrutiny of "substitute claims" that a "petitioner may choose not to challenge").

Thus, the answer to the Court's second presented question in the *En Banc* Order is yes. But if this Court concludes that § 316(e) unambiguously places a burden on the petitioner to prove unpatentability of any proposed claim that a patent owner presents in a motion to amend, the answer the Court's second question would effectively be no. Even were the Board to "raise" such a question, it would necessarily fall on the petitioner to prove unpatentability. Absent such proof, or a petitioner's carrying its burden, the proposed amended claims would be

incorporated into the patent “as a matter of course.” Br. at 4. This is obviously not a satisfactory outcome from the USPTO’s perspective, or the public’s, and it is inconsistent with the determination contemplated by § 318. But if the statute is read as unequivocally placing the burden on the petitioner, that outcome is compelled.

V. CONCLUSION

This Court should hold that the Board may place the burden of proof on the patent owner to demonstrate the patentability of proposed amended claims because the USPTO’s approach to motions to amend is within its authority under § 316(a)(9) and because § 316(e) does not apply to motions to amend, or because that section is at least ambiguous and the USPTO’s approach is entitled to *Chevron* deference.

October 26, 2016

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SUPPLEMENTAL BRIEF ON REHEARING *EN BANC* FOR INTERVENOR

- DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK

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