

No. 2015-1177

**United States Court of Appeals
for the Federal Circuit**

IN RE AQUA PRODUCTS, INC.,
Appellant.

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

**EN BANC BRIEF OF INTELLECTUAL PROPERTY OWNERS
ASSOCIATION AS *AMICUS CURIAE* IN SUPPORT OF NEITHER PARTY**

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UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

IN RE AQUA PRODUCTS, INC.

No. 2015-1177

CERTIFICATE OF INTEREST

Counsel for the Amicus Curiae, Intellectual Property Owners Association certifies the following:

1. The full name of every party or amicus represented by me is:

Intellectual Property Owners Association

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

None

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

None

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court (and who have not or will not enter an appearance in this case) are:

None

October 4, 2016

Date

/s/ Gregory A. Castanias

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The Intellectual Property Owners Association (IPO) submits this brief as an *amicus curiae* pursuant to Fed. R. App. 29, Fed. Cir. R. 29, and the Court's Order dated August 12, 2016, authorizing *amicus* briefs in this case. IPO submits this brief in support of the clear and mandatory meaning of 35 U.S.C. § 316(e) that the petitioner, or the United States Patent and Trademark Office (USPTO) as an intervenor, in an *inter partes* review "shall have the burden of proving a proposition of unpatentability" for all claims, original and amended. It takes no position on the underlying merits of the parties' appeal.

INTEREST OF AMICUS CURIAE

Amicus curiae IPO is a trade association representing companies and individuals in all industries and fields of technology that own or are interested in intellectual property rights.¹ IPO's membership includes roughly 200 companies and more than 12,000 individuals who are involved in the association either through their companies or as an inventor, author, executive, law firm, or attorney member. Founded in 1972, IPO represents the interests of all owners of intellectual property. IPO regularly represents the interests of its members before

¹ No counsel for a party authored this brief in whole or in part, and no such counsel of 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. IPO files this brief in accordance with the Order issued on August 12, 2016, which states that briefs may be filed without consent or leave of the court.

Congress and the USPTO and has filed *amicus curiae* briefs in this Court and other courts on significant issues of intellectual property law. The members of IPO's Board of Directors, which approved the filing of this brief, are listed in the Appendix.²

² IPO procedures require approval of positions in briefs by a two-thirds majority of directors present and voting.

SUMMARY OF THE ARGUMENT

IPO's *amicus* brief addresses the first of the two questions posed by the Court's August 12, 2016, Order, as follows:

When a patent owner moves to amend claims pursuant to 35 U.S.C. § 316(d), the USPTO may not require the patent owner to bear the burden of persuasion, or the burden of production, regarding patentability of the amended claims during *inter partes* review (IPR). Section 316(e) mandates that during IPR “the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.” This statutory language is unambiguous, all-inclusive, and leaves no gaps. Therefore, any contrary interpretation by the USPTO is *ultra vires* under *Chevron U.S.A., Inc. v. Nat. Res. Def. Council*, 467 U.S. 837 (1984).³

³ With respect to the second question presented (“When the petitioner in an IPR does not challenge the patentability of proposed amended claims or the Board finds the challenge inadequate, may the Board raise a patentability challenge on its own, and if so, where would the burdens lie?”), this issue does not appear to be presented by this case. Nonetheless, should the Board raise positions of unpatentability *sua sponte*, the outcome must be consistent with the plain language of the statute, which locates the burden of proving any “proposition of unpatentability” upon the petitioner, and places no burdens of proof (or production) upon the respondent. Indeed, even if the petitioner has removed itself from the case by settlement or otherwise, the burden then belongs to the USPTO. *See Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016) (“[T]he burden of proof in inter partes review is different than in the district courts: In inter partes review, the challenger (or the Patent Office) must establish unpatentability ‘by a preponderance of the evidence.’”).

ARGUMENT

I. THE USPTO MAY NOT REQUIRE A PATENT OWNER TO BEAR THE BURDEN OF PERSUASION, OR A BURDEN OF PRODUCTION, REGARDING PATENTABILITY OF AN AMENDED CLAIM IN VIEW OF 35 U.S.C. § 316(e)'S CLEAR AND MANDATORY COMMAND TO THE CONTRARY.

Section 316(e) clearly mandates that the burden of proving unpatentability in IPR proceedings rests with the petitioner, not the patent owner. Given this clear mandate, the USPTO is not entitled to *Chevron* deference and may not alter the statutory language by rule or regulation. Section 316(e)'s allocation of the burden to the petitioner is, moreover, consistent with all discernible policies underlying the patent system generally and the Leahy-Smith America Invents Act in particular.

A. Section 316(e) Unmistakably Places “The Burden of Proving a Proposition of Unpatentability” upon “the Petitioner,” Not the Respondent Patent Owner.

The language of 35 U.S.C. § 316(e) is clear and unambiguous. It states:

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.*

Id. (emphasis added). *See also Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016) (“In inter partes review, the challenger (or the Patent Office) must establish unpatentability”). This statutory language is mandatory, it is consistent with the ordinary rule that a party seeking relief bears the burden of proof, and it is not limited in any fashion—it applies to all claims, original and amended.

Therefore, the petitioner, *not* the patent owner, bears the burden of proving the unpatentability of amended claims in IPR proceedings.

1. Section 316(e) is clear and mandatory.

As its language demonstrates, § 316(e) is simple, straightforward, and mandatory. In a single sentence, Congress mandated that the petitioner bears the burden of proof regarding patentability during IPR proceedings: The “petitioner *shall* have the burden of proving a proposition of unpatentability” in an IPR. 35 U.S.C. § 316(e) (emphasis added). *See Merck & Cie v. Gnosis S.P.A.*, 808 F.3d 829, 840 (Fed. Cir. 2015) (Newman, J., dissenting) (petition for *certiorari* pending) (“The America Invents Act requires that the burden of proving invalidity of an issued patent is on the petitioner for post-grant review.”). This language is mandatory—“shall” means “shall”—and the statute contains no exception to this mandatory charge. *See Kingdomware Techs., Inc. v. United States*, 136 S. Ct. 1969, 1979 (2016) (agency has no discretion and receives no *Chevron* deference where unambiguous statute is phrased in mandatory terms). *See also Anderson v. Yungkau*, 329 U.S. 482, 485 (1947), *superseded on other grounds* (“[W]hen the same Rule uses both ‘may’ and ‘shall’, the normal inference is that each is used in its usual sense—the one act being permissive, the other mandatory.”) (citation omitted); *Merck & Co. v. Hi-Tech Pharmacal Co.*, 482 F.3d 1317, 1322 (Fed. Cir. 2007) (“Use of the word ‘shall’ in a statute generally denotes the imperative.”).

“[T]here are two distinct burdens of proof: a burden of persuasion and a burden of production.” *Dynamic Drinkware, LLC v. Nat’l Graphics, Inc.*, 800 F.3d 1375, 1378 (Fed. Cir. 2015). Accordingly, the statute’s command that “petitioner shall have the burden of proving a proposition of unpatentability” applies equally to both. Indeed, as to the first, this Court has already made clear that “[i]n *inter partes* review, the burden of persuasion is on the petitioner to prove unpatentability by a preponderance of the evidence, and that burden never shifts to the patentee.” *In re Magnum Oil Tools Int’l, Ltd.*, No. 2015-1300, 2016 WL 3974202, at *6 (Fed. Cir. July 25, 2016) (internal quotation marks and citations omitted). As for the second, the burden of production, this Court recognized that the burden may shift, for example, in cases where the patentee is effectively asserting an affirmative defense, such as entitlement to an earlier priority date. *Id.* Even so, the Court in *Magnum Oil Tools* declined to shift the burden of production in that case, explaining: “Applying a burden-shifting framework here would introduce unnecessary confusion because the ultimate burden of persuasion of obviousness must remain on the patent challenger.” *Id.* This same reasoning applies to amended claims. Applying a burden-shifting framework as to amended claims would contradict the statutory mandate, and would likewise cause unnecessary confusion.

2. **Placing the burden on the petitioner is consistent with the ordinary rule that the party seeking relief bears the burden.**

This reading of the statute is consistent with the ordinary rule that the party seeking relief (here, the petitioner who seeks a ruling that an existing patent is unpatentable) bears the burden of proving that proposition. *See, e.g., Schaffer v. Weast*, 546 U.S. 49, 51 (2006) (“[T]he burden lies, as it typically does, on the party seeking relief.”). *See also Dynamic Drinkware*, 800 F.3d at 1378 (“In an inter partes review, the burden of persuasion is on the petitioner to prove ‘unpatentability by a preponderance of the evidence,’ 35 U.S.C. § 316(e), and that burden never shifts to the patentee.”); *Prolitec, Inc. v. ScentAir Techs., Inc.*, 807 F.3d 1353, 1366–67 (Fed. Cir. 2015) (Newman, J., dissenting) (explaining that the America Invents Act does not authorize a shift in burden to the patent owner for issues of patentability during IPR); 157 Cong. Rec. S1360, S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (“[S]ection 316(e) . . . assigns to the petitioner the burden of proving a proposition of unpatentability by a preponderance of the evidence.”).

3. **Section 316(e) is complete and all-inclusive, as Congress intended.**

Section 316 governs “[c]onduct of inter partes review,” and there are no subsections other than subsection (e) that address the burden of proof regarding unpatentability. In fact, there are no other statutes allocating burdens of proof

regarding questions of unpatentability during an IPR under any other circumstance. This is because § 316(e) is complete and all-inclusive; it allocates the burden of proof to the petitioner in all circumstances.

Congress might have chosen to mandate a different burden for amended claims during IPR proceedings, but it did not. *See Prolitec*, 807 F.3d at 1367 (The statutory burden in § 316(e) “applies whether the ‘proposition of unpatentability’ is for amended or unamended claims.”) (Newman, J., dissenting). Section 316(d) discusses “[a]mendment of the patent” and § 316(e) discusses “[e]videntiary standards.” By including subsection (d), Congress provided different rules for amendments of the patent; but it specifically did not include a separate burden of proof for amendments. If Congress intended that a different burden of proof would apply to amendments, it would have so specified in either § 316(d) or § 316(e). *See Bates v. United States*, 522 U.S. 23, 29 (1997) (“[W]e ordinarily resist reading words or elements into a statute that do not appear on its face.”). The proximity of the subsections makes this all the more clear. Subsection (e) appears immediately after subsection (d), so it would strain credulity to think that Congress failed to appreciate the applicability of subsection (e)’s allocation of the burden to cases involving amendments under subsection (d).⁴

⁴ Section 6(a) of the Leahy–Smith America Invents Act, P.L. No. 112-29, 125 Stat. 284, § 6(a) (2012), amended Chapter 31 of Title 35 of the United States Code by adding current sections 311 through 319. Accordingly, subsections (d)

Reading the statute in its entirety confirms that § 316(e) dictates the evidentiary burden of proving a “proposition of unpatentability” in an IPR regardless of the type of claim, whether a challenged claim or an amended claim. In placing the burden on the petitioner in § 316(e), Congress made no distinction between a challenged claim and a substitute or amended claim. Elsewhere in the statute, however, Congress did just that. Section 316(a)(9), for example, refers separately to “a challenged claim” and “substitute claims.” Likewise, in § 316(d)(1)(B), Congress separately called out a “challenged claim” and “substitute claims.” In a third example, in § 318(a), Congress referred separately to “any patent claim challenged” and “any new claim added under section 316(d).” In the USPTO’s own words, “the statutory provisions governing IPRs make a consistent distinction between claims ‘challenged by petitioners’ and those added by amendment.” *See* USPTO Response to Petition for Rehearing En Banc at 5. The statute makes no such distinction in § 316(e), meaning that Congress intended for the petitioner to bear the burden of proving “any proposition of unpatentability” regardless of the type of claim.

The USPTO makes the textual argument that the introductory phrase in § 316(e) referring to “an inter partes review instituted under this chapter” means

and (e) of section 316 appear in the Statutes at Large and in the codified version *in haec verba*, in the same proximity to one another as in the United States Code.

that § 316(e) necessarily “relates to claims for which inter partes review was initiated, *i.e.*, the original claims of the patent that a party has challenged in a petition for review and not the proposed claims.” USPTO Response to Petition for Rehearing En Banc at 9–10 (citing *Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309, 1323–24 (Fed. Cir. 2016)). But Congress used essentially the same introductory language in other provisions in the statute where it refers to both challenged claims and substitute claims, *see, e.g.*, § 316(d)(1) (“During an inter partes review instituted under this chapter, the patent owner may . . . [f]or each challenged claim, propose a reasonable number of substitute claims.”); § 318(a) (“If an inter partes review is instituted and not dismissed under this chapter . . . [the] 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.”). The introductory language in § 316(e) therefore cannot be read as necessarily excluding amended claims from this subsection, as the USPTO urges.

4. Placing the burden on the petitioner does not lead to “untested claims.”

This allocation of the burden does not lead to “untested claims.” Section 316(d) severely constrains the permissible scope of amended claims during IPR. The statute allows for amendments during IPR only where the amended claim neither “[1] enlarge[s] the scope of the claims of the patent [n]or [2] introduce[s] new matter.” 35 U.S.C. § 316(d)(3). These limitations thus require that amended

claims hew very closely to the original claims. Accordingly, there is no meaningful risk that keeping the burden of proof regarding unpatentability on the petitioner with respect to amended claims—as subsection (e) plainly requires—will lead to patent owners obtaining entirely new claims without examination.

The USPTO further argues that the burden of proof for amended claims should be placed on the patent owner because the petitioner may “not necessarily be motivated to oppose the amendment vigorously,” if, for example, “the patent owner’s proposed amendment might provide a clear non-infringement position for the petitioner.” USPTO Response to Petition for Rehearing En Banc at 8. But the USPTO’s concern about the petitioner’s motivation to challenge amended claims is misplaced, and is inconsistent with the statute as a whole. Indeed, Congress specifically anticipated and provided for situations where the patent owner is willing to make claim amendments during an IPR that lead to a settlement with the petitioner, with § 316(d)(2) providing: “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.” Congress therefore recognized and endorsed that a particular petitioner might not always be motivated to challenge a substitute claim, and, to the contrary, the patent owner’s submission of substitute claims might sometimes lead to a settlement of the IPR. In that scenario, if an amended claim is incorporated in an IPR certificate issued under

§ 318(b), then another party would still be free to challenge that amended claim in an IPR, ex parte reexamination, or district court litigation. The USPTO therefore cannot justify shifting the burden of proof for amended claims contrary to § 316(e) based on a particular petitioner's potential motivation (or lack thereof) to challenge those amended claims.

In sum: Section 316(e) clearly and unambiguously allocates the burden of proving unpatentability to the petitioner in IPR proceedings. The language is mandatory, all-inclusive, and comports with the ordinary rule that the party seeking relief bears the burden of proof. Section 316(d)'s limitations on amended claims serve to prevent completely new, untested claims from prevailing without the need to reallocate the burden of proof.

B. Because § 316(e) Is Clear and Leaves No Gap to Fill, the USPTO Is Not Empowered to Alter the Statute's Command by Rule or Regulation.

The consequence of § 316(e)'s clarity and completeness is that it leaves no room for the agency to supplement it via interpretation or gap-filling. Under *Chevron*, an agency is empowered to make rules *only* where the statute is unclear or leaves a gap for the agency to fill. *Chevron U.S.A., Inc. v. Nat. Res. Def. Council*, 467 U.S. 837, 842–43 (1984). Where “the intent of Congress is clear, that is the end of the matter; for the court, as well as the agency, must give effect to the unambiguously expressed intent of Congress.” *Id.*; *see also Cuozzo*, 136 S. Ct. at

2142 (“Where a statute is clear, the agency must follow the statute.”); *Utility Air Regulatory Grp. v. E.P.A.*, 134 S. Ct. 2427, 2446 (2014) (agency rulemaking authority “does not include a power to revise clear statutory terms”). Section 316(e) is clear and leaves no gap to fill regarding the burden of proving unpatentability during IPR proceedings. *See* Section I.A *supra*. Therefore, any reliance on a regulation that purports to reallocate the burden is *ultra vires* under *Chevron* and cannot stand.

The courts must vigorously police the line between Congress and the agency—the Article I legislature and the Article II executive—to protect the constitutional order of separate powers. *Chevron* is not a blank check to executive agencies—even expert ones such as the USPTO—to rewrite or add to a congressionally designed statutory scheme. *Utility Air Regulatory Grp.*, 134 S. Ct. at 2446 (“[A]n agency may not rewrite clear statutory terms to suit its own sense of how the statute should operate.”). Accordingly, the courts should be rigorous in determining, under *Chevron*, whether a statute is ambiguous such that any deference to agency interpretation, or agency gap-filling, is warranted. The failure to do so would “permit executive bureaucracies to swallow huge amounts of core judicial and legislative power and concentrate federal power in a way that seems more than a little difficult to square with the Constitution of the framers’ design.”

Gutierrez-Brizuela v. Lynch, No. 14-9585, 2016 WL 4436309, at *5 (10th Cir. Aug. 23, 2016) (Gorsuch, J., concurring).

Here, that line was crossed because the USPTO has promulgated and interpreted its own rules (37 C.F.R. §§ 42.121(a)(2)(i) and 42.20(c)) in a manner that is directly contrary to the congressional design, as reflected in the explicit language of 35 U.S.C. § 316(e). And the panel incorrectly allowed the executive agency to supplant the legislative scheme. In the words of the panel, “the Board has interpreted § 42.121 as placing the burden on the patentee to show that the proposed amendments would make the claims patentable over the known prior art.” *In re Aqua Prods., Inc.*, No. 15-1177, slip op. at 6 (Fed. Cir. May 25, 2016). This is in direct conflict with § 316(e), which states clearly—in mandatory terms, and without exception—that “the petitioner,” not the patent owner (i.e. the patentee), “shall have the burden of proving a proposition of unpatentability.” As the Supreme Court has held, “*Chevron* allows agencies to choose among competing reasonable interpretations of a statute; it does not license interpretive gerrymanders under which an agency keeps parts of statutory context it likes while throwing away parts it does not.” *Michigan v. E.P.A.*, 135 S. Ct. 2699, 2708 (2015).

Similarly, there is no plausible argument that Congress left a “gap” for the agency to fill. Section 316(e) is complete and all-inclusive; moreover, it does not

differentiate between original and amended claims. Indeed, as noted above, Congress inserted an entire subsection on amended claims immediately prior. *See* 35 U.S.C. § 316(d). If Congress had intended to differentiate the burden of proof for amended versus non-amended claims, it would have done so. It did not. *See* Section I.A.3 *supra*.

“[T]he intent of Congress is clear” in § 316(e); therefore, “*that is the end of the matter.*” *See Chevron*, 467 U.S. at 842–43 (emphasis added). *Chevron* does not permit the USPTO to circumvent the explicit language of the statute and the intent of Congress. Had Congress wished to implement a different burden for amended claims, it would have written a different statute, and if it wishes to do so in the future it can amend the statute. But the agency cannot do so by itself, by regulation. Therefore, the USPTO’s 37 C.F.R. § 42.121 cannot be used to reallocate the burden of patentability to the patent owner. To do so is *ultra vires* under *Chevron*.

C. Placing the Burden upon Petitioners Serves Important Interests of the Patent System.

Placing the burden of proving unpatentability on the petitioner is consistent with every relevant legal principle. To start, it coheres with the presumption that a patent is valid. *See* 35 U.S.C. § 282(a). Although this presumption may be challenged, and in appropriate cases overcome, it is important not to tilt the playing field against patent owners in the first instance. The USPTO here, however, has

done just that by reallocating the burden of proving unpatentability. This reallocation not only inverts the statutory presumption of patentability; as a procedural matter it departs from the natural order of things by requiring patent owners to prove a host of negatives. *Cf. Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S. Ct. 843, 850 (2014) (“A patent holder is in a better position than an alleged infringer to know, and to be able to point out, just where, how, and why a product (or process) infringes a claim of that patent. Until he does so, however, the alleged infringer may have to work in the dark, seeking, in his declaratory judgment complaint, to negate every conceivable infringement theory.”). Just as a patent holder is in a better position to prove infringement, a petitioner challenging a patent in an IPR is in a better position to point out the grounds for unpatentability.

Congress enacted the America Invents Act (AIA) and created the PTAB, giving the agency—the USPTO—a well-defined role. A “foundational principle” in enacting the AIA was that “a tribunal within the [US]PTO [the PTAB] would be empowered to conduct post-grant review of major patent validity issues, with the intent to provide an expert adjudicatory alternative to litigation.” *Synopsys*, 814 F.3d at 1333 (Newman, J., dissenting). “The purpose [of the AIA] is to reinforce reliability of the patent-based incentive to technological innovation, whereby valid patents are recognized and invalid patents are eliminated.” *Merck & Cie v. Gnosis*

S.P.A., 820 F.3d 432, 438–39 (Fed. Cir. 2016) (Newman, J., dissenting from denial of rehearing *en banc*).

In the AIA, Congress created new and more robust post-grant review procedures for challenging patents, with the preponderance of the evidence standard to be applied by the USPTO, rather than the clear and convincing evidence standard applicable in district court. But Congress struck a crucial balance by squarely placing the burden of proving “any proposition of unpatentability” on the petitioner via § 316(e), with no distinction between original or amended claims. “[T]he purpose of post-grant review is not to stack the deck against the patentee, but to achieve a correct and reliable result—for innovative enterprise is founded on the support of a system of patents.” *Prolitec*, 807 F.3d at 1371 (Newman, J., dissenting). The Court should not usurp Congressional intent by permitting the USPTO to legislate a shift in the burden of proof in direct conflict with the statutory scheme created by Congress. *Fed. Election Comm’n v. Democratic Senatorial Campaign Comm.*, 454 U.S. 27, 32 (1981) (“[T]he courts are the final authorities on issues of statutory construction. They must reject administrative constructions of the statute, whether reached by adjudication or by rulemaking, that are inconsistent with the statutory mandate or that frustrate the policy that Congress sought to implement.”); *Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 213–14 (1976) (“The rulemaking power granted to an administrative

agency charged with the administration of a federal statute is not the power to make law. Rather, it is the power to adopt regulations to carry into effect the will of Congress as expressed by the statute.”).

In sum: Section 316(e) clearly and unambiguously places the burden of proving unpatentability on the petitioner in IPR proceedings such that no agency interpretation is warranted or permitted under *Chevron*.

CONCLUSION

For these reasons, the *en banc* court should hold that § 316(e) clearly allocates the burden of proving unpatentability to the petitioner for all claims—original and amended—in IPR proceedings. Accordingly, no contrary rule or regulation by the USPTO is permissible.

Dated: October 4, 2016

Respectfully submitted,

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**United States Court of Appeals
for the Federal Circuit**
In re: Aqua Products, Inc., 2015-1177

CERTIFICATE OF SERVICE

I, Robyn Cocho, being duly sworn according to law and being over the age of 18, upon my oath depose and say that:

Counsel Press was retained by INTELLECTUAL PROPERTY OWNERS ASSOCIATION, counsel for Amicus Curiae to print this document. I am an employee of Counsel Press.

On **October 4, 2016** counsel has authorized me to electronically file the foregoing **EN BANC BRIEF OF INTELLECTUAL PROPERTY OWNERS ASSOCIATION AS AMICUS CURIAE IN SUPPORT OF NEITHER PARTY** with the Clerk of Court using the CM/ECF System, which will serve via e-mail notice of such filing to all counsel registered as CM/ECF users.

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1. This brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B), because it contains 3,795 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii) and Federal Circuit Rule 32(b).
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Dated: October 4, 2016

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No. 2015-1177

**IN THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

In re Aqua Products, Inc.,

Appellant

Appeal from the United States Patent and Trademark Office,
Patent Trial and Appeal Board in IPR2013-00159

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1. The full name of every party represented by me is:

American Intellectual Property Law Association.

2. The name of the real party in interest represented by me is:

N/A.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the parties represented by me are:

None.

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I. STATEMENT OF INTEREST OF AMICUS CURIAE

The American Intellectual Property Law Association (“AIPLA”) is a national bar association of approximately 14,000 members engaged in private and corporate practice, in government service, and in the academic community. AIPLA’s members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. AIPLA’s mission includes providing courts with objective analysis to promote an intellectual property system that stimulates and rewards invention while balancing the public’s interest in healthy competition, reasonable costs, and basic fairness.

AIPLA has no stake in any of the parties to this litigation or in the result of this case.¹ AIPLA’s only interest is in seeking correct and consistent interpretation of the law as it relates to intellectual property issues.²

¹ After reasonable investigation, AIPLA believes that (a) no member of its Board or Amicus Committee who voted to prepare this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (b) no representative of any party to this litigation participated in the authorship of this brief, and (c) no one other than AIPLA, its members who authored this brief, and their law firms or employees, made a monetary contribution to the preparation or submission of this brief.

² Permission to file amicus briefs in this case without the consent of the parties was given in the *en banc* Court’s order dated August 12, 2016.

II. SUMMARY OF ARGUMENT

In the few short years since the the enactment of the America Invents Act (“AIA”) and the creation of AIA trial proceedings, including *inter partes* review (“IPR”), the Patent Trial and Appeal Board (“PTAB” or “Board”) has become the most active patent litigation forum in the country. In AIA trial proceedings, including IPRs, a petitioner has several procedural and substantive advantages over the patent owner, as compared to federal district court, including a lower standard of proof and use of the broadest reasonable interpretation standard for interpreting claims. In a high percentage of these proceedings, the challenged claims have been held unpatentable.

The AIA expressly provides patent owners with the right to file a motion to amend patent claims in an IPR. 35 U.S.C. § 316(d)(1). Thus, Congress intended that patent owners in these proceedings would have a fair and meaningful opportunity to amend patent claims, ensuring that they are able to maintain rights to their patentable inventions while, at the same time, protecting the public from patent claims that go beyond what the patent owner is entitled to claim. Indeed, this amendment process is one of the PTO’s principal justifications for applying the broadest reasonable interpretation standard to patent claims. However, the PTO has upset the delicate balance struck by Congress by imposing on the patent owner a burden for amending claims that is contrary to the statute and that may

prevent patent owners from adjusting the scope of patent claims as Congress envisioned.

The AIA unequivocally imposes the burden of proving unpatentability on the challenger in an IPR: “the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.” 35 U.S.C. § 316(e). This burden of proof is as applicable to the adjudication of the patentability of proposed amended claims as it is to the adjudication of the patentability of issued claims.

When applied to issued claims in an IPR, the petitioner’s burden includes both a burden of persuasion that the claim is unpatentable and a corresponding burden of producing evidence. The petitioner’s burdens of persuasion and production should be the same for proposed amended claims, with one limited exception.

The PTO has permissibly modified the burden of production for the amendment process in a narrowly circumscribed manner by promulgating 37 C.F.R. § 42.121(a)(2), which imposes a limited initial burden of production on the patent owner. That regulation states that a motion to amend “may be denied” (1) if the amendment does not respond to the grounds of unpatentability “involved in the trial,” (2) if the amendment “seeks to enlarge the scope of the claims of the patent,” or (3) if the amendment “introduce[s] new subject matter.” Once the patent owner

has met the limited burden of production imposed by 37 C.F.R. § 42.121(a)(2), the petitioner continues to have the burden of persuasion and an accompanying burden of producing evidence to show that the amended claims are unpatentable. At this point, if the petitioner does not challenge the patentability of a proposed amended claim or if the Board considers the petitioner's challenge to be inadequate, the petitioner loses on the merits, just as the petitioner loses if the petitioner makes an inadequate challenge to an issued claim.

The PTO's reliance on 37 C.F.R. § 42.20(c) to impose the burden of proving patentability on patent owners in motions to amend is overreaching, inappropriate, and not entitled to *Chevron* deference. That regulation is directed to the burden of proof for motions generally and cannot displace the statutory command of section 316(e) which clearly imposes *on petitioners* "the burden of proving a proposition of unpatentability." There is no question that a motion to amend involves "a proposition of unpatentability" just as much as an IPR trial itself because the AIA instructs the Board to issue the same kind of decision (a decision "with respect to...patentability") in both scenarios. 35 U.S.C. § 318(a).

Given the statutory and regulatory framework in AIA trial proceedings, the Board may not raise new patentability challenges for proposed amended claims beyond the challenges raised by the petitioner. Because the Board must base its decisions on evidence in the record and because the statute expressly places the

burden of proof squarely on the petitioner, the Board's role in these proceedings is to decide the dispute before it based on the arguments and evidence of record, not to raise new patentability challenges. The Board's role in AIA trial proceedings is different from the Board's role in other contexts such as *ex parte* examination, in which it *may* permissibly raise patentability challenges *sua sponte*. Those contexts involve a different burden of proof and additional procedural safeguards that are not in place here.

Not only is this result consistent with the statutory scheme established by Congress, it is also sound public policy. Given that an amended claim must have a narrower scope than its corresponding issued claim, that it must respond to the grounds of unpatentability for which trial was instituted, and that it gives rise to intervening rights, an amended claim is less of a concern to the public than the issued claim for which it will be substituted. This remains true even if the petitioner fails to challenge the proposed amended claim, and the Board should not take it upon itself to create a controversy where none exists. Indeed, the AIA indicates that amendments are a means for resolving disputes, not for creating them. And if either the public or the PTO truly has a concern over the patentability of an unchallenged amended claim, additional avenues exist to challenge it later, including additional AIA proceedings and *sua sponte ex parte* reexamination by the Director.

III. ARGUMENT

A. The Amendment Process As Currently Implemented in AIA Trial Proceedings Does Not Provide Patent Owners with the Fair and Meaningful Opportunity to Amend Claims That Congress Envisioned

Although legitimate patents “promote the progress of science and useful arts,” U.S. Const. Art. I, § 8, cl. 8, the public has a “paramount interest in seeing that patent monopolies...are kept within their legitimate scope.” *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016) (quoting *Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806, 816 (1945)). Congress therefore created IPR proceedings as an “efficient system for challenging patents that should not have issued.” H.R. Rep. No. 112-98, pt. 1, pp. 39–40 (2011).

IPRs have created a popular system for challenging patents, but there is debate about how accurately the system is distinguishing between patent claims that should and should not have issued. As of July 31, 2016, over 5,300 petitions have been filed with the PTAB seeking to challenge the validity of one or more issued patent claims, including petitions for inter partes review, covered business method review, and post-grant review, most of which have been petitions to institute an IPR. *See* USPTO July 2016 AIA Trial Statistics at 2.³ In over 70% of the cases that have gone to final written decision, the PTAB has cancelled all of the

³ Available at <http://www.uspto.gov/patents-application-process/appealing-patent-decisions/statistics/aia-trial-statistics>.

claims upon which it instituted trial. *Id.* at 10. In another 15%, the PTAB has cancelled at least some of the instituted claims. *Id.* In less than 1 out of 10 cases has the PTAB has upheld the patentability of all of challenged claims once a trial has been instituted. *Id.* These are daunting statistics for patent owners.

In these proceedings, the petitioner has several procedural and substantive advantages over the patent owner. For example, although the petitioner has the burden of proving unpatentability, the standard of proof is a preponderance of the evidence before the PTAB, rather than the “clear and convincing” standard required in district court. *Compare* 35 U.S.C. § 316(e) *with Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 95 (2011). And with the exception of expired patents, the PTAB gives claims the “broadest reasonable interpretation” or “BRI,” while a district court applies the more nuanced *Markman/Phillips*-based methodology. *See PPC Broadband, Inc. v. Corning Optical Communications RF, LLC*, 815 F.3d 734, 740-43 (Fed. Cir. 2016) (holding that “broadest reasonable construction” was different than correct construction under *Markman/Phillips*).

But the system that Congress devised for keeping patents within their “legitimate scope,” *Cuozzo*, 136 S. Ct. at 2144 (quoting *Precision Instrument*, 324 U.S. at 816), was not intended as a binary process to simply approve patentable claims and cancel unpatentable claims. As an important safeguard against the blunt instrument of cancellation, the system also includes the right for a patent

owner to file a motion to amend its claims so that their scope is more correctly aligned with the inventor's actual inventive contribution. 35 U.S.C. § 316(d). And although the statistics show that the PTO may have created a streamlined system for challenging patents, they also reveal that the PTO has created a system in which the ability of patent owners to amend their claims has been elusive, if not illusory. As of April 30, 2016, only two (2) of the 118 motions to amend were granted in whole and only four (4) others granted in part. USPTO Motion to Amend Study at 6.⁴ In at least one of those cases, moreover, the motion was unopposed by the petitioner. *See International Flavors & Fragrances Inc. v. United States*, IPR2013-00124, 2014 WL 2120542 (PTAB May 20, 2014). And even in that one case, the Board found one of the amended claims unpatentable. *Id.* at *9.

The procedures and substantive rules surrounding motions to amend explain patent owners' low rate of success. Most significant is the fact that the Board has imposed the burden of proof on patent owners to show that the proposed amended claims are patentable, rather than requiring petitioners to prove that they are unpatentable. The Board imposes this burden by relying on 37 C.F.R. § 42.20(c), which states for motions generally that "[t]he moving party has the burden of proof to establish that it is entitled to the requested relief." *See Idle Free Sys. Inc. v.*

⁴ Available at <http://www.uspto.gov/patents-application-process/appealing-patent-decisions/statistics/aia-trial-statistics>.

Bergstrom Inc., IPR2012-00027, 2013 WL 5947697, *4 (PTAB June 11, 2013) (“For a patent owner’s motion to amend, 37 C.F.R. § 42.20(c) places the burden on the patent owner to show a patentable distinction of each proposed substitute claim over the prior art.”). Moreover, the Board has required patent owners to prove that amended claims are patentable over “any material art in the prosecution history of the patent,” not just the prior art involved in the IPR trial. *MasterImage 3D, Inc. v. RealD Inc.*, IPR2015-00040, 2015 WL 4383224 (PTAB July 15, 2015).

A patent owner’s ability to amend a claim challenged in an AIA trial is not only a statutory right under 35 U.S.C. § 316(d), but it is also the cornerstone of the PTO’s justification for using the BRI claim construction standard. *Cuozzo*, 136 S. Ct. at 2145 (ability to amend “means that use of the broadest reasonable construction standard is, as a general matter, not unfair to the patent holder in any obvious way”). Therefore, a process in which patent owners have a fair and meaningful opportunity to amend their claims is critical to ensuring the protection of actual inventive contributions through carefully tailored claim amendments in AIA trial proceedings. The amendment process as currently implemented does not provide such an opportunity; it has strayed from the system that Congress envisioned and mandated in enacting the AIA.

B. The Board May Not Require the Patent Owner to Prove the Patentability of a Proposed Amended Claim, But May Require the Patent Owner to Bear a Limited Initial Burden of Production for Motions to Amend

1. The AIA Imposes the Burden on Petitioner to Prove Unpatentability of Amended Claims

As explained above, 35 U.S.C. § 316(e) states: “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.” Thus, the AIA expressly imposes the burden of proving unpatentability on the petitioner during an IPR. The Board’s assertion that patent owners must prove the patentability of a proposed amended claim conflicts with the clear language of the statute, which places the burden of proving unpatentability on the petitioner.

The PTO concedes that section 316(e) requires the petitioner to prove the “unpatentability” of the original claims for which an IPR trial is instituted, but argues that the patent owner must prove the “patentability” of any proposed amended claims. But section 316(e) does not make any distinction based on the type of claim at issue. Moreover, “unpatentability” and “patentability” are merely opposite sides of the same coin. This is demonstrated by section 318(a), which requires the Board to enter 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). If “unpatentability” were a

separate question from “patentability,” then the AIA would not have placed the burden of proving “unpatentability” on the petitioner in section 316(e) and then required the Board to issue a decision on “patentability” in section 318(a). Instead, section 318(a) would have required a final written decision “with respect to the *unpatentability* of any patent claim challenged by the petitioner.” When read together, sections 316(e) and 318(a) demonstrate that if the petitioner does not prove a claim to be “unpatentable,” then the Board should find it to be “patentable” on the record before it. Therefore, in any context in which patentability (or unpatentability) is at issue, section 316(e) requires that the petitioner bear the burden of proving unpatentability. *Cf. Medtronic, Inc. v. Mirowski Family Ventures*, 134 S. Ct. 843 (2014) (holding that burden of proving infringement does not shift even when declaratory judgment plaintiff asserts non-infringement).

2. The PTO’s Rulemaking Authority Does Not Permit It to Shift the Burden of Proving Patentability to the Patent Owner

The AIA gives the Director broad authority to promulgate rules “establishing and governing inter partes review.” *See* 35 U.S.C. § 316(a)(4). In particular, Congress conferred upon the Director the power to establish rules “setting forth standards and procedures for allowing the patent owner to move to amend the patent.” 35 U.S.C. § 316(a)(9). Even though the Director was given broad rulemaking authority, however, that authority is not without limits.

Under the Supreme Court’s decision in *Chevron*, “[w]here a statute is clear, the agency must follow the statute.” *Cuozzo*, 136 S. Ct. at 2142 (citing *Chevron, U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 842-43 (1984)). In this case, the statute directly addresses the burden of proof to be employed. That should be the end of the *Chevron* analysis. *Chevron*, 467 U.S. at 842 (“If the intent of Congress is clear, that is the end of the matter; for the court, as well as the agency, must give effect to the unambiguously expressed intent of Congress.”).

For the reasons already discussed above, use of the term “unpatentability” in section 316(e) does not create any ambiguity requiring *Chevron* deference to the Director. The statute does not distinguish between the “unpatentability” of issued claims and the “patentability” of proposed amended claims, and section 318(a) makes clear that “patentability” is present when “unpatentability” has not been proven. The Director cannot use the term “unpatentability” in section 316(e) as a springboard for asserting *Chevron* deference.

3. The Burden of Proof in Section 316(e) Imposes a Burden of Persuasion and an Accompanying Burden of Production

The petitioner’s burden of proof set forth in section 316(e) is at the very least a burden of persuasion, and a burden of persuasion is generally accompanied by a corresponding burden of production. This conclusion is consistent with section 282(a), the longstanding provision that governs burdens of proof in patent

infringement actions in federal court and for which there is a wealth of precedent. *Compare* 35 U.S.C. § 316(e) *with* 35 U.S.C. § 282(a). Section 316(e) provides that “the petitioner shall have the burden of proving a proposition of unpatentability,” and section 282(a) similarly provides that “[t]he burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.”

Although a “clear and convincing evidence” standard of proof is used in federal court actions and a “preponderance of the evidence” standard of proof is used in IPR trial proceedings, these are references to a different degree of proof rather than a different allocation of the burden of proof to one party or the other. This difference provides no basis for otherwise assigning the burden of persuasion or the burden of production differently in an IPR proceeding. Under section 282(a), the challenger to the validity of an issued claim always bears the burden of persuasion and bears a corresponding burden of producing evidence demonstrating that the claim is invalid. *Technology Licensing Corp. v. Videotek, Inc.*, 545 F.3d 1316, 1326-29 (Fed. Cir. 2008). Given the similarity between section 282(a) and section 316(e), the burden of persuasion and the burden of producing evidence when adjudicating the patentability of claims in an IPR trial proceeding should be the same as when adjudicating the validity of claims in federal court, absent a statute or valid regulation to the contrary. Indeed, the Supreme Court’s decision in *Cuozzo* confirmed that the burden of proof in an IPR is among the “adjudicatory

characteristics” of an IPR that “make these agency proceedings similar to court proceedings” even if “in other significant respects, inter partes review is less like a judicial proceeding and more like a specialized agency proceeding.” 136 S. Ct. at 2143. Consistent with the foregoing analysis, a panel of this Court has concluded that the “shifting burdens...in district court litigation parallel the shifting burdens...in inter partes reviews.” *Dynamic Drinkware LLC v. National Graphics, Inc.*, 800 F.3d 1375, 1378-81 (Fed. Cir. 2015).

Likewise, absent a statute or valid regulation to the contrary, this burden-assignment regime should be equally applicable to an adjudication of the patentability of *amended* claims. As discussed below, the PTO *has* promulgated a regulation specifically directed to motions to amend that partially modifies this regime by implicitly imposing a limited initial burden of production on the patent owner. The PTO’s attempt to further modify this regime in reliance on its regulation for motions generally is impermissible.

4. The PTO’s Rules Do Not Permit the Board to Shift the Burden of Persuasion on Patentability to Patent Owners, But They Do Permissibly Impose a Limited Burden of Initial Production on Patent Owners for Motions to Amend

Pursuant to its rulemaking authority, the PTO promulgated two rules that are facially applicable to motions to amend: (1) Rule 42.20 relating to motions in AIA trial proceedings generally and (2) Rule 42.121 relating specifically to motions to amend in an IPR. Neither rule allows the Board to shift the burden of persuasion

of patentability of a proposed amended claim to the patentee, but the second regulation does permissibly impose a limited burden of initial production on patentees for motions to amend.

a) Rule 42.20 for Motions Generally Cannot Impose a Burden of Persuasion on the Patentee

The PTO has promulgated a regulation governing motions in AIA trial proceedings generally, which states that “[a] moving party has the burden of proof to establish that it is entitled to the requested relief.” 37 C.F.R. § 42.20(c). The Board later interpreted this regulation to impose a burden of persuasion on any party that files a motion, including the burden of proving the patentability of amended claims on a patentee that files a motion to amend. *See Idle Free*, 2013 WL 5947697 at *4. However, that interpretation cannot stand in the context of a motion to amend because 35 U.S.C. § 316(e) imposes the burden of proving unpatentability on the petitioner with no exception for a motion to amend. *Chevron*, 467 U.S. at 842 (“If the intent of Congress is clear, that is the end of the

matter; for the court, as well as the agency, must give effect to the unambiguously expressed intent of Congress.”⁵

b) Rule 42.121 for Motions to Amend Does Not and Cannot Impose a Burden of Persuasion on the Patentee, Only a Limited Initial Burden of Production

Pursuant to its rulemaking authority, the PTO also has promulgated a specific rule for motions to amend in IPRs. That rule reads, in relevant part, as follows:

- (2) Scope. A motion to amend may be denied where:
- (i) The amendment does not respond to a ground of unpatentability involved in the trial; or
 - (ii) The amendment seeks to enlarge the scope of the claims of the patent or introduce new subject matter.

37 C.F.R. § 42.121(a)(2). These provisions correspond to 35 U.S.C. § 316(d)(3), which states that “[a]n amendment ... may not enlarge the scope of the claims of

⁵ It also bears noting that when the PTO promulgated Rule 42.20, it represented that the rule was “procedural and/or interpretative,” not substantive. 77 Fed. Reg. 48612, 48650-51 (Aug. 14, 2012). But when applied to impose the burden of proof on a patent owner in a motion to amend, as the Board later did in *Idle Free*, the rule acts as a substantive rule. See *Medtronic, Inc. v. Mirowski Family Ventures*, 134 S. Ct. 843, 849 (2014) (“the burden of proof is a substantive aspect of a claim”). Moreover, there is a substantial question whether the PTO has the authority to impose substantive rules through case-by-case adjudication when the statute authorizing the PTO to “set[] forth standards and procedures” for amendments requires that the Director do so by “prescrib[ing] regulations.” 35 U.S.C. §§ 316(a)(9), 316(a). See *Michigan v. EPA*, 268 F.3d 1075, 1087-88 (D.C. Cir. 2001) (“Congress has explicitly required use of notice and comment..., and therefore EPA’s decision to use separate adjudicatory proceedings...is contrary to law....”).

the patent or introduce new matter.” Yet, the regulation goes further than the statute, because it also provides that a motion to amend may be denied where “[t]he amendment does not respond to a ground of unpatentability involved in the trial.” 37 C.F.R. § 42.121(a)(2)(i).

This regulation implicitly imposes a limited initial burden of production on a patent owner to show that a proposed amendment responds to an asserted ground of unpatentability involved in the IPR trial. This additional requirement is consistent with section 316(e), which only requires that the petitioner “shall have the burden of proving a proposition of unpatentability.” The statute does not speak directly to the issue of a limited initial burden of production such as that imposed by 37 C.F.R. § 42.121(a)(2), and Congress granted the Director permission to craft “standards and procedures” for motions to amend. 35 U.S.C. § 316(a)(9). Imposing this limited initial burden of production on the patentee to address the prior art that called its original issued claims into question is a reasonable exercise of that discretion.

Requiring the patentee to “respond to a ground involved in the trial” is also good policy. In order for a trial to be instituted, the Board must necessarily conclude that there is a “reasonable likelihood” that one or more of the claims are unpatentable. 35 U.S.C. § 314(a). This means that the petitioner has already satisfied a burden to come forward with evidence of unpatentability of the claims

for which IPR was instituted. Requiring the patentee to offer an explanation or evidence that a proposed amended claim is not unpatentable on the grounds for institution “improve[s] patent quality and restore[s] confidence in the presumption of validity that comes with issued patents.” H.R.Rep. No. 112–98, pt. 1, p. 48 (2011). The same is true for the requirement that the patentee come forward with an explanation or evidence that the amendment does not “seek[] to enlarge the scope of the claims of the patent or introduce new subject matter,” which are statutory requirements for amended claims under 35 U.S.C. § 316(d)(3) and could otherwise create invalidity concerns under 35 U.S.C. § 112(a).

Nevertheless, the rule does not and cannot impose a burden of persuasion on the patentee for the proposed amended claim, nor does it impose a burden of producing evidence that the proposed amended claim is patentable over prior art not involved in the IPR trial. Indeed, the plain and ordinary meaning of “respond” is merely “to say something in return : make an answer.” WEBSTER’S THIRD NEW INTERNATIONAL DICTIONARY OF THE ENGLISH LANGUAGE 1935 (unabridged 1993). The word does not connote or impose a level of persuasiveness on the response. In other words, “to respond” does not mean “to refute.” Therefore, the term cannot support an inference that the regulation imposes on the patentee a burden of proving patentability. *Cf.* Fed. R. Civ. P. 15(a)(3), 34(b)(2)(A) (“Time to Respond”). As a result, the PTO may not use this rule as a justification for

imposing a burden of persuasion or a burden of producing evidence to show the patentability of the amended claim over all prior art or over all of the prior art considered during initial examination. *See Align Technology, Inc. v. International Trade Commission*, 771 F.3d 1317, 1322 (Fed. Cir. 2014) (“The Commission has broad authority to issue rules and regulations governing administration of its cases, but ‘it is a familiar rule of administrative law that an agency must abide by its own regulations.’” (quoting *Ford Stewart Schools v. Federal Labor Relations Authority*, 495 U.S. 641, 654 (1990))). So long as the proposed amendment is narrowing, responds to the grounds of unpatentability raised in the petition, and is supported by the written description, then the patent owner has met the burden of limited initial burden of production imposed by 37 C.F.R. § 42.121(a)(2).

The remainder of the burden-assignment regime used in district courts for section 282(a) and adopted for AIA trial proceedings by a panel of this Court in *Dynamic Drinkware* is unaltered by this regulation. Therefore, once the patent owner has met the limited initial burden of production imposed by 37 C.F.R. § 42.121(a)(2), then the petitioner has a burden of production to show that the proposed amended claim is unpatentable. And the ultimate burden of persuasion to prove unpatentability of the proposed amended claim remains with the petitioner at all times.

C. The Board May Not Sua Sponte Raise New Patentability Challenges

1. The Statutory and Regulatory Framework for IPR Trials, Including the Burden of Proof, Precludes the Board from Raising New Theories of Unpatentability

After a patent owner meets the limited initial burden of production imposed by 37 C.F.R. § 42.121 for a motion to amend a claim, then the Board may not *sua sponte* raise new patentability challenges to that claim. This conclusion flows from the statutory and regulatory framework upon which IPR trials are based, including the requirement in 5 U.S.C. § 706(2)(E) of the Administrative Procedure Act that the Board’s decisions be supported by “substantial evidence” as well as the requirement in 35 U.S.C. § 316(e) imposing the burden of proving unpatentability on the petitioner.

The requirement in the Administrative Procedure Act that the Board’s decisions be based on “substantial evidence” means that “[w]ith respect to core factual findings in a determination of patentability, ...the Board cannot simply reach conclusions based on its own understanding or experience—or on its assessment of what would be basic knowledge or common sense.” *In re Zurko*, 258 F.3d 1379, 1386 (Fed. Cir. 2001). “Rather, the Board must point to some concrete evidence in the record in support of these findings.” *Id.* And the essence of a burden of persuasion for a particular proposition is that in the absence of

sufficient evidence demonstrating that proposition, the proposition must be found not to be true.

Because the burden of proving unpatentability lies with the petitioner, this means that, in the absence of sufficient evidence from the petitioner that an amended claim is unpatentable, the Board must find the claim to be patentable on the record before it. *E.g., Technology Licensing Corp. v. Videotek, Inc.*, 545 F.3d 1316, 1327 (Fed. Cir. 2008) (“Failure to prove the matter as required by the applicable standard means that the party with the burden of persuasion loses on that point.”). If the Board were to supply its own evidence that a claim is unpatentable, then it would effectively relieve the petitioner from its burden of proving unpatentability.

That the petitioner’s burden of proof precludes the Board from adopting arguments not raised by the petitioner in an IPR was recently recognized by a panel of this Court in *In re Magnum Oil Tools International Ltd.*, 2016 WL 3974202 (Fed. Cir. 2016), albeit in the context of addressing a non-amended claim. In *Magnum Oil Tools*, the petitioner provided only a conclusory analysis for combining features of the prior art references on which the IPR trial was instituted. In its final written decision, the Board supplied an obviousness argument that had not been made by the petitioner. A panel of this Court observed:

[Inter partes review] is ... a system that is predicated on a petition followed by a trial in which the petitioner bears the burden of proof. Given that framework, we find no support for the PTO's position that the Board is free to adopt arguments on behalf of petitioners that could have been, but were not, raised by the petitioner during an IPR. Instead, the Board must base its decision on arguments that were advanced by a party, and to which the opposing party was given a chance to respond.... Thus, while the PTO has broad authority to establish procedures for revisiting earlier-granted patents in IPRs, that authority is not so broad that it allows the PTO to raise, address, and decide unpatentability theories never presented by the petitioner and not supported by record evidence.

Id. at *10. Because the burden of proof applies equally to proposed amended claims as it does to originally challenged claims, the reasoning in *Magnum Oil Tools* applies equally to proposed amended claims. Although 35 U.S.C. § 318(a) requires the Board to issue a decision “with respect to the patentability ... of any new claim added under section 316(d),” that statute does not allow the Board to base its decision on its own theories of unpatentability any more than the requirement in that same statute that the Board issue a decision “with respect to the patentability of any patent claim challenged by the petitioner.”

Because the statute places the burden of proof on the petitioner, the Board's role in these types of proceedings must be to decide the dispute before it based on the arguments and evidence of record, not to raise new patentability challenges. In that sense, the Board is acting like a district court. Although the Supreme Court clarified in *Cuozzo* that the "basic purpose[]" of an IPR is "to reexamine an earlier agency decision" and is therefore "not quite the same as the purpose of district court litigation," the Court confirmed that the burden of proof is one aspect of an IPR that *is* "adjudicatory," and that it is one aspect that *does* "make these agency proceedings similar to court proceedings." 136 S. Ct. at 2143-44. And "[i]t is beyond cavil that a district court does not have authority to invalidate a patent at its own initiative if validity is not challenged by a party." *Lannom Mfg. Co. v. U.S. Int'l Trade Comm'n*, 799 F.2d 1572, 1579 (Fed. Cir. 1986). Just as district courts must make a determination of validity based on the evidence of record, the Board must assess patentability of both issued and proposed amended claims based on the evidence of record.

The Board's role in AIA trial proceedings is different from the Board's role in other contexts in which it *may* permissibly raise patentability challenges *sua sponte*. Those contexts involve a different burden of proof and additional procedural safeguards that are not in place here. For example, in an *ex parte* appeal from an examiner's decision that a claim is unpatentable, the Board may

sua sponte raise “new grounds of rejection.” However, in that context there is no statute that imposes a burden of proof on the examiner (as opposed to the PTO generally), and there are regulations in place that allow the patent applicant to respond to the new ground of rejection or to reopen prosecution (where additional rebuttal evidence may be marshalled or additional amendments may freely be made). 37 C.F.R. § 41.50(b). In contrast, in an AIA trial proceeding such as an IPR, the burden of proof is imposed on the petitioner *by statute*, and there are no regulations providing procedural safeguards and ensuring fairness for the patent owner if the Board raises a new theory of unpatentability in response to a motion to amend.

Indeed, the Board itself has distinguished IPR proceedings from other proceedings before the PTO in this manner. In addressing motions to amend, the Board has prohibited patent owners in an IPR from submitting “a new set of claims having a hierarchy of different scope” because an IPR is “neither a patent examination nor a reexamination” but is “more adjudicatory than examinational, in nature.” *Idle Free*, 2013 WL 5947697 at *2, *4. Such amendments, the Board has insisted, should be pursued “in another type of proceeding before the Office.” *Id.* at *4. The Board should not be allowed to limit the types of amended claims submitted by patent owners on grounds that an IPR is “more adjudicatory than

examinational,” but then insist on acting as an “examiner” for those amended claims rather than an “adjudicator.”

2. Limiting Patentability Challenges to Those Raised By the Petitioner Is Sound Public Policy

By assigning the burden of proving unpatentability to the petitioner, Congress has endorsed and implemented a policy in which claims that might be proven unpatentable by someone else remain in place. Congress has implemented the same policy with respect to claims challenged in federal court. Limiting patentability challenges to those raised by the petitioner is sound public policy.

It must be kept in mind that the claims involved in an IPR are claims from issued patents. All of the claims were previously examined by the PTO and carry with them a statutory presumption of validity. 35 U.S.C. § 282. Moreover, any amended claim must necessarily be narrower than the claim that originally issued and will give rise to “intervening rights” under the statute. 35 U.S.C. §§ 316(d)(3), 318(c). In addition, the patent owner has a limited initial burden of demonstrating that the proposed amendment “respond[s] to a ground of unpatentability involved in the trial.” 37 C.F.R. § 42.121(a)(2)(i). And in presenting proposed amended claims and complying with these provisions, the patent owner has “a duty of candor and good faith” to the Board to guard against overreaching. 37 C.F.R. § 42.11. Therefore, an amended claim is less of a concern to the public than the original claim was when it issued.

If the petitioner, who is in the best position to evaluate the impact of the amendment, is not motivated to oppose it, there is no good reason to think that the amendment will create a risk for the public at large. Although the statute does permit the Board to proceed to a final written decision even when a petitioner has withdrawn, 35 U.S.C. § 317(a), such a decision would still need to be based on the evidence and arguments presented by a petitioner. *Magnum Oil Tools*, 2016 WL 397420 at *10. Thus, this statute does not provide a rationale for the Board to *sua sponte* oppose an amendment if the petitioner does not. To the contrary, the AIA encourages the use of amendments as a means to resolve disputes, not as a reason for the Board to create new ones. 35 U.S.C. § 316(d)(2) (“Additional motions to amend may be permitted...to materially advance the settlement of a proceeding...”). For the same reason that the Board does not use its resources to reach out and address the patentability of issued claims unless a petitioner files a petition for IPR, the Board should not use its resources to reach out and address the patentability of amended claims when the petitioner has not bothered to challenge them during the IPR itself.

In any event, additional avenues exist to challenge an amended claim resulting from an IPR. The amended claim is not insulated from challenge by another member of the public, either in court or at the PTO by way of an *ex parte* reexamination or in a further AIA proceeding. *See* 35 U.S.C. § 315(e)(1), (e)(2)

(estoppel only applies to “[t]he petitioner”). There is nothing that would prevent a court or the Board from taking up a challenge to the patentability of an amended claim in a subsequent IPR, even based on art previously considered by the Board. Although the Board “may take into account” the grounds previously considered during the amendment process in deciding whether to institute a new trial, 35 U.S.C. § 325(d), that is a matter of discretion. In practice, the Board routinely institutes trials on prior art that was previously of record before the PTO. *See, e.g., Microsoft Corp. v. Parallel Networks Licensing LLC*, IPR2015-00486, 2015 WL 4760578, *8 (PTAB July 15, 2015).

In addition, if an amended claim is so fundamentally problematic that it should not stand, the law provides another mechanism for *sua sponte* reevaluation by the PTO through *ex parte* reexamination. The statutes governing *ex parte* reexamination (in contrast to the statutes governing *inter partes* review) expressly state that “On his own initiative, and any time, the Director may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 or 302.” 35 U.S.C. § 303(a). Thus, the Board is free to bring any ground for unpatentability of an amended claim to the Director, who may then institute an *ex parte* reexamination of that claim. Significantly, *ex parte* reexamination has significant procedural safeguards allowing a patent owner to respond to an examiner’s rejections and to

freely propose multiple amendments to its claims, safeguards which are not present in connection with a motion to amend in an IPR.

Given the ability of petitioner to challenge the amended claim in the IPR proceeding itself and the availability of alternative proceedings for third parties and the PTO to address the patentability of any amended claim resulting from an IPR proceeding, there is no compelling reason for the Board to reach out and create a controversy in an IPR proceeding if the petitioner fails to create one, particularly in light of the fact that the statute places the burden of proof squarely on the petitioner.

IV. CONCLUSION

For the foregoing reasons, this Court should conclude that 35 U.S.C. § 316(e) imposes a burden of proving unpatentability on the petitioner in an IPR trial proceeding, including the burden of proving unpatentability of a proposed amended claim. That burden of proof includes the burden of persuasion and a burden of producing evidence of unpatentability of the proposed amended claim after the patent owner has satisfied the limited burden of production implicit in 37 C.F.R. § 42.121(a)(2). Once the patent owner has met this limited burden of production, if the petitioner does not challenge the patentability of a proposed amended claim or the Board considers the petitioner's challenge to be inadequate,

the Board may not raise new patentability challenges but should instead determine that the claim is patentable on the record before it.

Date: October 4, 2016

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I certify that on this 4th day of October, 2016, the foregoing BRIEF OF AMICUS CURIAE AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF NEITHER PARTY was filed electronically with the Clerk of the Court using the CM/ECF System, which will send notice of such filing to the following registered CM/ECF users set forth below:

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CERTIFICATE OF COMPLIANCE

Pursuant to Fed. R. App.P. 32(a)(7)(C), I certify that according to the word-processing system used in preparing it, the foregoing BRIEF OF AMICUS CURIAE AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF NEITHER PARTY is 6828 words in length, excluding those portions exempted by Fed. R. App. P. 32(a)(7)(B)(iii) and Fed. Cir. R. 32(b), and therefore complies with the type-volume limitation set forth in Fed. R. App. P. 29(d).

Date: October 4, 2016

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2015-1177

**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*

**BRIEF OF CASE WESTERN RESERVE UNIVERSITY SCHOOL OF LAW
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OHIO VENTURE ASSOCIATION
as *AMICI CURIAE* IN SUPPORT OF AQUA PRODUCTS, INC.'S APPEAL**

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UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

In re: Aqua Products, Inc.

v.

Case No. 2015-1177

CERTIFICATE OF INTEREST

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certifies the following (use "None" if applicable; use extra sheets if necessary):

1. Full Name of Party Represented by me	2. Name of Real Party in interest (Please only include any real party in interest NOT identified in Question 3) represented by me is:	3. Parent corporations and publicly held companies that own 10 % or more of stock in the party
Case Western Reserve University Scho	None	None

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court (**and who have not or will not enter an appearance in this case**) are:

October 5, 2016

Date

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Signature of counsel

Please Note: All questions must be answered

Bryan A. Schwartz

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UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

In re: Aqua Products, Inc.

v.

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The Ohio Venture Association

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1. Full Name of Party Represented by me	2. Name of Real Party in interest (Please only include any real party in interest NOT identified in Question 3) represented by me is:	3. Parent corporations and publicly held companies that own 10 % or more of stock in the party
The Ohio Venture Association	None	None

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court (**and who have not or will not enter an appearance in this case**) are:

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Signature of counsel

Please Note: All questions must be answered

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Case Western Reserve University School of Law's Intellectual Property Venture Clinic (IPVC) and The Ohio Venture Association (OVA) submit this brief as *amici curiae* pursuant to Fed. R. App. P. 29, Rule 29 of this Court, and the August 12, 2016 Order on Petition for Rehearing. IPVC and OVA support the petition filed by Aqua Products, Inc. (Aqua Products) to address the burdens of production and persuasion when amending patent claims in inter partes review (IPR) proceedings.

INTEREST OF AMICI CURIAE

Amicus curiae IPVC is a legal clinic of Case Western Reserve University School of Law, located in Cleveland, Ohio whose faculty is actively involved in teaching, publishing, and assisting local industry in the field of intellectual property protection and business formation. *Amicus curiae* OVA is a private, non-profit association representing companies and individuals involved in all industries and technology fields, many of whom own or are interested in intellectual property.¹ OVA's members include companies and individuals involved in the association through their companies or as inventor, executive, investor, law firm or attorney member involved in commercialization and new business ventures.

¹ No counsel for a party who is a member of OVA authored any portion of this brief. Only amici or its counsel contributed monetarily to its preparation or submission.

Both IPVC and OVA are continuing Ohio's long and rich tradition of active participation in the development and administration of the nation's patent system, a participation that traces its roots back to a time when some of the nation's foundational industries—iron and steel, oil refining, chemical, electric power, and automobiles—were formed and transformed by Ohioans and their patented inventions. See Hal D. Cooper, *A History of Inventions, Patents, and Patent Lawyers in the Western Reserve*, LCCN 95115374 (Cleveland Intellectual Property Law Association, 1993).

SUMMARY OF ARGUMENT

In placing the burden of proof on the patent owner to establish the patentability of an amendment, the Patent Trial and Appeal Board (PTAB) has acted against the clear weight of the statutory scheme of Title 35 (which “entitle[s]” persons to receive patents unless certain unpatentability conditions are shown to exist (35 U.S.C. § 102)) and against the legislative history of the America Invents Act (AIA), which shows Congress's intent to place the burden on the petitioner like analogous proceedings in Europe. Further, the U.S. Patent and Trademark Office (USPTO) exceeded its authority by ceding such critical rule-making to the PTAB. PTAB panels are not rulemaking bodies, are not responsive to public comments, and cannot properly be tasked with determining the policy implications of overarching rules that are to be administered by the agency as a

whole. The PTAB's rule placing the burden of proof for amendments on the patentee should therefore be overturned.

ARGUMENT

I. PLACING THE BURDEN ON THE PATENT OWNER TO ESTABLISH THE PATENTABILITY OF AMENDMENTS IN AN IPR IS CONTRARY TO THE STATUTORY SCHEME OF TITLE 35

A. Read as a whole, Title 35 precludes requiring the patent owner to prove the patentability of amendments in an IPR.

Rather than being a wholesale replacement of U.S. patent laws, the AIA was integrated into the pre-existing patent laws contained in Title 35 of the U.S. Code. Therefore, its provisions should be interpreted in light of that overall statutory scheme. *Sorenson v. Secretary of Treasury*, 475 U.S. 851, 860 (quoting *Helvering v. Stockholms Enskilda Bank*, 293 U.S. 84, 87 (1934) (in turn quoting *Atlantic Cleaners & Dyers, Inc. v. United States*, 286 U.S. 427, 433 (1932))).

35 U.S.C. § 102, which predates the AIA, provides that “a person *shall be entitled* to a patent *unless...*” A vast body of law has developed under Sections 102 and 103 establishing what must be presented by an opponent in order to negate that statutory entitlement to a patent and prove the “unless...” condition. The burden is usually on the Office through an examination proceeding that starts with an initial production of evidence by a written description, supported by the inventor's oath and duty of candor, which the Office must challenge. Similarly, 35 U.S.C. § 316(e), which was added by the AIA, clearly places “the burden of

proving a proposition of unpatentability” on the party petitioning for inter partes review, i.e., the challenging party.

In March 2011 Senate debates involving the replacement of inter partes reexamination with the AIA’s inter partes reviews, Senator Kyl articulated Congress’s intent to create an adjudicative proceeding wherein the petitioner bore the burden of showing unpatentability:

One important structural change made by the present bill 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*.... In the present bill, section 316(a)(4) gives the Office discretion in prescribing regulations governing the new proceeding. *The Office has made clear that it will use this discretion to convert inter partes into an adjudicative proceeding.* This change also is effectively compelled by *new section 316(e)*, which assigns to the petitioner the burden of proving a proposition of unpatentability by a preponderance of the evidence.”

157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (emphasis added). These statutory provisions and history, together with the compelling analysis in Appellant’s Supplemental Brief (Dkt. 66), militate against requiring the patent owner to prove the patentability of amendments in an IPR. At a minimum, these provisions weigh strongly against reading into the statute an implied burden on the patent owner, because they show that Congress affirmatively mandated patentability burdens where it so desired. *See Russello v. United States*, 464 U.S. 16, 23 (1983) (saying that where Congress has included a phrase in one section of a statute that it omitted in another we should presume that it acted intentionally in

the disparate inclusion or exclusion). In these circumstances, it must be presumed that Congress would have provided for such an important exception expressly, not *sub silentio*.

B. Interpreting the amendment burden to lie with patent owners contradicts Congress's intent to harmonize U.S. patent laws with those of its trading partners.

Many patent law changes in recent decades trace their roots to the international patent law harmonization agenda that began to develop over one hundred years ago with the signing of the Paris Convention.² This movement led to fundamental changes, such as the 1994 change to a twenty-year term driven by the GATT amendments.³

The AIA continued this trend with, among other things, the changes in the AIA to a first-to-file standard. In so doing, it made the policy of patent harmonization explicit in the statute:

It is the sense of the Congress that converting the United States patent system from 'first to invent' to a system of 'first inventor to file' will improve the United States patent system and promote harmonization of the United States patent system with the patent systems commonly used in nearly all other countries throughout the world with whom the

² The Paris Convention of 1883 was the first international treaty to deal with intellectual property rights. *See, e.g.,* R. Carl Moy, *The History of the Patent Harmonization Treaty: Economic Self-Interest as an Influence*, 26 J. MARSHALL L. REV. 457, 478-79 (1993); Donald S. Chisum, *The Harmonization of International Patent Law*, 26 J. MARSHALL L. REV. 437 (1993).

³ Charles E. Van Horn, *Effects of GATT and NAFTA on PTO Practice*, 77 J. Pat. & Trademark Off. Soc'y 231 (1995).

United States conducts trade and thereby promote greater international uniformity and certainty in the procedures used for securing the exclusive rights of inventors to their discoveries.

Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 146(p), 125 Stat. 284, 293 (2011). Amici agree with the intent of Congress in this regard.

It was not just the first-to-file rule that was influenced by the push toward harmonization. The new IPR challenge proceedings were also influenced by European practice that is familiar to many U.S. patent professionals, including the influential American Intellectual Property Law Association (AIPLA). As a 2016 AIPLA book explains: “Congress scrapped the decade-old experiment with Inter Partes Reexamination and moved U.S. patent law closer to the European opposition model.”⁴ Alan J. Kasper et al., *Patents After the AIA: Evolving Law and Practice* vii (AIPLA and BNA 2016). According to a leading article on AIA legislative history, this transition received considerable assistance by a “blue ribbon panel” of AIPLA: “At the 2004 House Intellectual Property Subcommittee hearing, AIPLA submitted a draft bill that is substantially identical in almost all

⁴ The legislative history confirms this statement. During a House Subcommittee Hearing in 2004 on “Post-Grant Opposition”, Representative Lamar Smith noted in opening comments: “A more elaborate and adversarial procedure [than current re-examination] for challenging the validity of patents in the immediate aftermath of their issuance is the European opposition proceeding. This system permits challengers to contest a wide range of issues related to patentability in a more robust, almost trial-like manner.” *Patent Quality Improvement: Post-Grant Opposition: Hearing before the Subcomm. on Courts, the Internet, and Intellectual Prop. of the H. Comm. on the Judiciary*, pg. 2, 108th Cong. (2004).

respects to the post-grant review that was enacted seven years later by the AIA.” Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 Fed. Cir. B.J. (2012). The amendment and burden of proof sections of that draft bill track many features of an EPO opposition and were carried forward to today’s IPR statutes.⁵ Their implementation by the USPTO regarding burden of proof, however, changed on June 11, 2013 with Paper 26 announcing the Board’s new *Idle Free* rules.⁶

European oppositions are an established means of challenging a patent post-issuance with a long pedigree in European patent practice. In fact, except for the PTAB-made rule in *Idle Free* imposing the burden of proof for amendments onto

⁵ In the 2004 House Hearing, *supra*, AIPLA Executive Director, Michael K. Kirk, presented a draft bill which had been developed by an AIPLA “blue ribbon panel” over the preceding seven months. *Patent Quality Improvement: Post-Grant Opposition: Hearing before the Subcomm. on Courts, the Internet, and Intellectual Prop. of the H. Comm. on the Judiciary*, 108th Cong. (2004), pg. 27, 28. The extent to which that panel examined EPO laws is unknown, but the numerous similarities are striking. For example, the draft bill permitted nonbroadening amendments to be filed with the patent owner’s response without prior leave, just like the EPO opposition process permits. *Id.* at 35. (“The patent owner is entitled to request amendment of any claims that are the subject of the opposition, including by the addition of new claims. Any such request for amendment shall be filed with the patent owner’s response to an opposition request.”) Section 316(d) uses similarly permissive language. The later 37 C.F.R. § 42.121 adds the requirement of prior Board authorization, but does not alter the burden of proof on patentability.

⁶ *Idle Free Systems, Inc. v. Bergstrom, Inc.*, IPR2012-00027 (JL), Paper 26 (PTAB June 11, 2013).

the patent owner, the new U.S. IPRs bear many similarities to their European counterparts.

In the European Patent Office (EPO), an application goes through an examination process like that of the USPTO. After an application has been allowed, the patent is published with the allowed claims. The patent owner at that point is considered to have accrued a property right that may enjoy constitutional protection under the applicable national law.⁷ This is much like the statutory mandate in 35 U.S.C §§ 102 and 103 (“A person shall be *entitled* to a patent unless....) (emphasis added).⁸

Opposition proceedings may be initiated against a European patent within nine months after the publication of its grant. Like the AIA, an opposition may be filed by any natural or legal person.⁹ Oppositions are dealt with by Opposition Divisions in which only one of the three members may have been a member of the Examining Division that granted the patent.

The procedure begins at a first *ex parte* stage with the filing of the opponent’s brief setting forth the grounds for opposition. The first step is an

⁷ German Federal Patent Court, *Mitteilungen der deutschen Patentanwälte*, 1991, 243, Reasons, IV.1.

⁸ Novelty is a patentability requirement under the EPC as under 35 U.S.C. § 102, whereas the analog to 35 U.S.C. § 103 “non-obviousness” is the requirement of “inventive step.” *See* Art. 100(a) EPC; Art. 54 and 56 EPC.

⁹ Art. 99(1) EPC.

examination of whether the brief fulfills the formal requirements of an opposition, *inter alia* whether it contains the grounds on which the opposition is based as well as an indication of the facts and evidence presented in support of these grounds.¹⁰ If so, the opposition is considered as “admissible” for the time being and substantive examination begins. This resembles the showing required of a Petitioner and an institution decision under an IPR. Much like the AIA, a notice of the opposition is communicated to the patent owner for an opportunity to present its “observations” to the EPO, which may include amended claims. (No separate leave is required to present potential amendments like in an IPR.) The proprietor’s comments are communicated to the opponent.¹¹ On this basis, the Opposition Division examines the opposition.

Amendments may be submitted in the form of a new main request, replacing the previously granted claims, or as one or several auxiliary requests with the consequence that a lower ranking request is only considered if the higher ranking request(s) turn out to be not allowable.¹² In other words, multiple sets of contingent claims are permitted.

Opposition proceedings are *inter partes* proceedings, nevertheless the principle of *ex officio* examination applies. This means that the patent with the

¹⁰ Rule 76 EPC.

¹¹ Rule 79 EPC.

¹² Guidelines, H-III, 3.4

claims in the form they were already allowed in grant proceedings will be “maintained” if the Opposition Division concludes that no ground of opposition presented by the opponent or introduced by the Opposition Division of its own motion *disproves* the patentability of the patent claims as granted. In other words, the burden is on the opponent to disprove the patentability of the original granted claims (e.g. prove that the claimed subject-matter lacks “novelty” or lacks “inventive step”). This is the same burden explicitly required of an IPR petitioner under section 316(e).

In the case of proposed amended claims, the patent will be maintained if the Opposition Division concludes that the claimed subject-matter meets the requirements of the European Patent Convention (EPC).¹³ This is the case if there are no formal deficiencies, like added-subject matter or lack of clarity introduced by the amendments and if the record shows no proof that the claimed subject-matter lacks any of the substantive requirements of patentability, in particular novelty or inventive step.¹⁴

While there is no explicit assignment of a burden of proof in these proceedings (for amendments or otherwise), the natural order of things is such that

¹³ Art. 101 (3) EPC.

¹⁴ Much like amendments under USPTO Rule 37 C.F.R. § 42.121(a)(2), amendments in an EPO Opposition proceeding may not: (i) add subject-matter which was not disclosed in the application as originally filed (Art. 123(2) EPC); or (ii) “extend the protection” conferred by the granted patent (Art. 123(3) EPC).

the sponsor of evidence showing the lack of novelty or lack of inventive step logically would be the opponent -- not the proprietor showing the opposite -- so the burden is implicitly on the opponent,¹⁵ unless the grounds of objection raised before the amendment apparently also applies to the amended claims. According to statistics kept by the European Patent Office, oppositions result in “revocation” (cancellation) of the patent in about 30% of cases and the patent is upheld in amended form in about 40% of cases.¹⁶ When contrasted with the USPTO’s statistics showing that as of April 30, 2016 only six out of 118 motions to amend filed in IPR proceedings have been granted,¹⁷ the disparity is remarkable. In view of the many similarities in the European opposition proceedings and U.S. IPR proceedings, it seems likely that the different amendment standards are a significant cause. Patent owners can expect a significantly different outcome to a patent challenge based on which side of the Atlantic Ocean they happen to be. It

¹⁵ The landmark decision on the burden of proof in opposition proceedings T 219/83, OJ EPO 1986, 211 – Zeolites/BASF was concerned with an amended main claim.

¹⁶ <http://www.epo.org/about-us/annual-reports-statistics/annual-report/2015/statistics/searches.html#tab4>. *See also* [http://documents.epo.org/projects/babylon/eponet.nsf/0/4C30F69F33211B6EC1257F6A0049308F/\\$File/searches_examinations_oppositions_en.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/4C30F69F33211B6EC1257F6A0049308F/$File/searches_examinations_oppositions_en.pdf).

¹⁷ Patent Trial and Appeal Board Motion to Amend Study 4/30/2016, last accessed Oct. 2, 2016 (<https://www.uspto.gov/sites/default/files/documents/2016-04-30%20PTAB%20MTA%20study.pdf>).

seems unlikely that this was intended by Congress considering its intent to further harmonize U.S. patent law with its trading partners via the AIA.

II. THE USPTO EXCEEDED ITS AUTHORITY BY CEDING RULE-MAKING ON IPR AMENDMENT STANDARDS TO THE PTAB ADMINISTRATIVE LAW JUDGES

The AIA commands that the USPTO Director “shall prescribe regulations... setting forth standards and procedures for allowing the patentee to move to amend the patent.” 35 U.S.C. § 316(a)(9). The Director then promulgated rules on motions to amend that provide the following restrictions on amendments:

(2) Scope. A motion to amend may be denied where:

(i) The amendment does not respond to a ground of unpatentability involved in the trial; or

(ii) The amendment seeks to enlarge the scope of the claims of the patent or introduce new subject matter.

37 C.F.R. § 42.121(a)(2). Importantly, the regulation nowhere suggests denying a motion to amend because the patent owner failed to prove patentability. That burden on the patent owner was established, not by notice and rulemaking, but by an expanded PTAB panel in *Idle Free* under the role of ostensibly interpreting the Director’s rules 42.20 and 42.121.¹⁸

¹⁸ Like Rule 42.121(a)(2)(i), the EPO limits claim amendments to those “necessitated by a grounds of opposition.” See *Case Law of the Boards of Appeal of the European Patent Office* (8th ed. July 2016) IV.D.4.1.1, pp. 1037 and 1038 of the English ed. available on EPO web site. This limit and the limit against broadening the claims are enforced in an EPO opposition as a threshold matter by the Opposition Division when proposed amended claims are presented. In an IPR,

Although the judge-made burden shift was affirmed by this Court in *Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 1307–08 (Fed. Cir. 2015), amici respectfully submit that the establishment of this rule by PTAB administrative law judges was an improper delegation of authority and improper notice and rulemaking within the USPTO.

It is unclear from the opinion whether the Director requested the *Idle Free* panel to act as delegees of the Director to undertake this rulemaking, or whether these judges did so of their own accord. It also is not clear how the *Idle Free* panel came to be “expanded” to include more than three judges. In all cases, it was improper and the resulting rulemaking should not be given deference.¹⁹ The

this gate-keeping function would be served by and be the primary purpose of a motion to amend, had not the *Idle Free* panel conflated rules 42.20 and 42.121 as it did and impose additional burdens. Thus, the correct interpretation proposed by the Appellant Aqua Products, which would make rules 42.20 and 42.121 congruent with the statutory language of the AIA (see Aqua Products Supp. Br. § IV. A. 4. b.), would undo that conflation and also make them harmonious with the procedures of the EPO.

¹⁹ Rules regarding deference to the *Idle Free* panel such as that articulated in *In re Lovin*, 652 F.3d 1349 (Fed. Cir. 2011) are arguably irrelevant when the nature of the issue being decided is such that it was not a delegable matter in the first instance. The question of burden of proof goes to fundamental due process of rules promulgated by the USPTO Director, so it is not delegable in the first place to the PTAB, a tribunal called upon to make decisions under that very burden of proof standard it decided in *Idle Free*. The lure of expedience is too powerful. Congress made clear that the Director may delegate her duties only to officers and employees whom she appoints or hires. See 35 U.S.C. § 3(b)(3) (providing that “[t]he Director shall *** appoint such officers, employees *** , and agents of the Office as the Director considers necessary” and “delegate to them such of the powers vested in the Office as the Director may determine”). There is no similar

Board, as an adjudicative body, is not equipped to make those sorts of discretionary determinations on such a fundamental issue as the burden of proof.

In *Idle Free*, the expanded panel arguably usurped the Director's statutory mandate to "prescribe regulations...for allowing the patentee to move to amend the patent," and thereby added their own regulations above and beyond those contained in 37 C.F.R. §§ 42.20 and 42.121. Equally important, the *Idle Free* panel decision acknowledges that expedience was a factor in its new rule. See *Idle Free*, Paper 26 at 4-5. This is understandable given the pressures on PTAB at the time. It also is one of the reasons, however, that rule-making must be separated from adjudication.²⁰ With respect to inter partes review, the only jurisdiction that Congress conferred on the Board is the power to "conduct" inter partes review. 35 U.S.C. § 6(b)(4).

The hazard of combining executive and adjudicatory functions became manifest in this Court's recent decision in *Veritas Technologies, LLC v. Veeam*

provision authorizing unconstrained delegation to officials whom she does not appoint, such as the Board's administrative law judges who are "appointed by the Secretary [of Commerce]." *Id.* at § 6(a).

²⁰ The APA generally precludes the combination of executive and adjudicative functions below the level of agency head. See 5 U.S.C. § 554(d) (prohibiting an "employee or agent engaged in the performance of investigative or prosecuting functions for an agency in a case" from "participat[ing] or advis[ing] in the decision"); *Martin v. Occupational Safety & Health Review Comm'n*, 499 U.S. 144, 151 (1991) ("[U]nder the Administrative Procedure Act (APA) [an agency] generally must divide enforcement and adjudication between separate personnel.").

Software Corp., No. 2015-1894, 2016 U.S. App. LEXIS 15978 (Fed. Cir. Aug. 30, 2016), which only underscores the runaway nature of the PTAB’s decisions on the amendment rules. Using *Idle Free* as the launching point, subsequent panels continued to provide “guidance” on proper amendments, ultimately leading to the *Veritas* denial of amendment that was found “arbitrary and capricious” by this Court.²¹

The separation of roles in the USPTO is not merely an academic exercise. It is easy to see why the PTAB panels have been dubbed “patent death squads” when the burden of proof is stacked against the patent owner and a Board panel has the requirements lists from *Idle Free*, *Toyota*, and perhaps others to choose from to deny a motion to amend. The current practice requires a patent owner to foresee

²¹ Citing *Idle Free* and three other cases as its sources of authority, a panel in *Toyota Motor Corp. v. American Vehicular Sciences, LLC*, IPR2013-00419 (PTAB March 7, 2014) issued Paper 32 after a telephone conference in which the patent owner requested permission to file a motion to amend. Paper 32 was a self-described “opportunity to give guidance” on the upcoming motion and listed eight lengthy discussion points on the standards for a successful motion to amend. Later, in the underlying IPR in *Veritas (Veeam Software Corporation v. Symantec Corporation)*, No. IPR2014-00090, Paper 37 (PTAB April 23, 2015)), a final decision was issued denying a motion to amend. The denial quoted one of the eight “guidance” points from the *Toyota* “guidance” (Paper 32) and applied it as follows: “For example, the motion should discuss, to the extent Patent Owner is aware, ‘whether the feature was previously known anywhere, in whatever setting, and whether or not the feature was known in combination with any of the other elements in the claim.’” *Veeam*, Paper 37 at 28 (internal citations omitted). The *Veeam* panel then decided that this *Toyota* standard had not been met and denied the motion to amend *even though* the *Toyota*, *Idle Free* and other decisions cited by *Veeam* for “the requirements of a motion to amend” are not even listed on the PTAB site as “informative” opinions, let alone “precedential” opinions.

and negate every conceivable unpatentability theory that might have entered the mind of a judge unbeknownst to the owner, no matter how improbable. *See Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S. Ct. 843, 850 (2014) (criticizing such “work in the dark” burdens.) How many patent owners have given up the effort to even file for an amendment given the daunting and practically insurmountable burden placed on a patent owner? How many of the numerous denials of a motion were arbitrary and capricious as in *Veritas*, but never found their way to the Federal Circuit?

Although amici believe the current burden of proof rule is inappropriate on its merits as contrary to the statutory scheme and Congress’s express intent regarding adjudicatory trial-like proceedings and harmonization, the Court may, alternatively, vacate the panel decision and require the USPTO to engage in proper rule-making if the USPTO wishes to propose a regulation that places the proof of patentability burden on patentees. Indeed, the seeds were planted for this reversal of course in *Proxycorr*, which expressed concern about “the wisdom of the PTO’s [case-based] approach” as a substitute for “traditional notice and comment rule-making.” *Proxycorr*, 789 F.3d at 1306.

In amici’s view, requiring the USPTO to undertake rulemaking on such a critical matter comports with practical realities. PTAB panels are not equipped to make the sort of overarching policy decisions exemplified by the allocation of

patentability burdens handed down in *Idle Free*. It goes without saying that PTAB panels are adjudicative bodies that are not open to public comment or debate during their proceedings. Indeed, as mentioned, there is no transparency regarding the makeup of the enlarged *Idle Free* panel. Moreover, as adjudicative bodies, PTAB panels are supposed to decide the issues in the case before them and should not issue, any more than an Article III court should issue, what in effect are advisory opinions or, worse, policy pronouncements for the agency. In amici's admittedly outside-the-Beltway view, federal agency power is already a dangerous enough element of our political system that must be held in check by the judiciary. *See Suprema, Inc. v. ITC*, 796 F.3d 1338, 1367 (Fed. Cir. 2015) (O'Malley, dissenting) (noting that in the face of assertions of agency power, it is left to the courts "to ardently guard Congress's power to establish the law and our own power to 'say what the law is.'" (quoting *Marbury v. Madison*, 5 U.S. (1 Cranch) 137, 177 (1803)). It should not be compounded by permitting the USPTO (or any agency) to delegate what is effectively agency rule-making to its administrative law judges.²²

²² Amici are aware that the USPTO did engage in traditional notice and comment rule-making subsequent to *Idle Free* in which it requested comments on the amendment process. *See* Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 81 Fed. Reg. 18754, 18765 (April 1, 2016). But this rule-making occurred only after this Court had issued *Proxycorr*. Moreover, the main justification for the USPTO's ultimate rejection of commenters' suggestions to reverse *Idle Free*'s allocation of the patentability

CONCLUSION

The entitlement to a patent has been enshrined in statute by Congress since the time Sections 102 and 103 were enacted in the Patent Act of 1952 stating that a person is “entitled” to a patent “unless...”, and the 1952 Act itself was a codification of then-existing case law. This implicitly places the burden on the opponent to a patent grant and section 316(e) makes that explicit in IPR proceedings. Unfortunately, the *ultra vires* rules for claim amendments adopted by the Board have now upended that entitlement and shifted that burden when an inventor is brought into an IPR proceeding. This greatly disfavors inventors and departs from harmonization policy. There is no indication that Congress intended such a result. Assigning the burden to patentees to establish patentability of amendments is an error and should be overturned.

For all of the foregoing reasons, IPVC and the OVA respectfully request that this Court find that the burden to prove the unpatentability of amendments in IPRs remain with the petitioner in an inter partes review.

burden was that the *Proxyconn* decision had already affirmed that aspect of *Idle Free*. *See id.* Therefore, any argument that the recent round of notice and rulemaking somehow retroactively cured the initial *ultra vires* rule-making by the *Idle Free* panel is plainly circular.

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CERTIFICATE OF SERVICE

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CERTIFICATE COMPLIANCE

In accordance with Federal Rule of Appellate Procedure 32(a)(7)(C), the undersigned certifies that this brief complies with the applicable type-volume limitations. Exclusive of the portions exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii) and Federal Circuit Rule 32(b), this brief contains 5,759 words. This certificate was prepared in reliance on the word count of the word-processing system (Microsoft Office Word 2007) used to prepare this brief.

The undersigned further certifies that this brief complies with the typeface and type style requirements of Federal Rule of Appellate Procedure 32(a)(5) and (a)(6) because it has been prepared in a proportionally spaced typeface using Microsoft Office Word 2007 in 14-point Times New Roman font.

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2015-1177

**United States Court of Appeals
for the Federal Circuit**

IN RE: AQUA PRODUCTS, INC.,

Appellant.

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

**EN BANC BRIEF FOR AMICUS CURIAE
HOUSTON INTELLECTUAL PROPERTY LAW ASSOCIATION
IN SUPPORT OF NO PARTY**

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UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

In re: Aqua Products, Inc.

No. 2015-1177

CERTIFICATE OF INTEREST

Counsel for the Houston Intellectual Property Law Association certifies the following:

1. The full name of every party or amicus represented by me is:

Houston Intellectual Property Law Association

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

Houston Intellectual Property Law Association

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

None

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

James H. Hall
Blank Rome LLP

Dated: October 5, 2016

/s/ James H. Hall

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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 Greater Houston area. 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. HIPLA’s mission is to promote the development and understanding of intellectual property law through regular meetings, sponsored CLE opportunities, and *amicus* briefs. As an organization, HIPLA has no stake in any of the parties to this litigation. No party to the appeal or its counsel authored this brief in whole or in part. Further, no party to the appeal, its counsel, or other person besides HIPLA has contributed money that was intended to fund preparation or submission of this brief. HIPLA’s *amicus* committee and Board of Directors voted on the preparation and submission of this brief, and no HIPLA member voting to prepare and submit this brief has served as record counsel to any party in the subject of this appeal. HIPLA procedures require approval of positions in briefs by a majority of directors present and voting. HIPLA files this brief in accordance with the Order issued on August 12, 2016, which states that briefs may be filed without consent or leave of the court.

SUMMARY OF THE ARGUMENT

The Court invited amici curiae to provide their views on two issues: (1) may the PTO require patent owners to bear the burdens of persuasion or production in filing a motion to amend, and (2) may the Board raise patentability challenges to proposed amended claims in the absence of a challenge, or an inadequate challenge, from the petitioner? The PTO's current regulations, which answer both of these questions in the affirmative, have resulted in a startlingly low number of successful, contested motions to amend. The low success rate is a telltale indicating the PTO's answer to these two questions is not what Congress intended.

35 U.S.C. § 316(e) provides the sole evidentiary standard to be used in inter partes reviews for all propositions of unpatentability, assigning the burden of proof to the petitioner alone. The statutory provisions related to the patent owner's motion to amend indicate that Congress intended to require patent owners bear a burden of production to show the proposed amended claims do not introduce new matter or enlarge the scope of the claims. They say nothing allowing the PTO to shift the burden of proof to the patent owner. Similar to a no evidence summary judgment motion, once the patent owner

meets its burden of production, the petitioner must prove proposed amendments are unpatentable by a preponderance of the evidence.

Section 316(e) is clear and unambiguous. The PTO's justifications for disregarding its clear language and shifting the burden to patent owners to prove patentability of amended claims are based on interpretations of other sections which apply to different issues. The PTO's interpretations, to the extent they directly conflict with the statute, are therefore entitled to no deference.

Inter partes review was also clearly intended to be an adversarial process, replacing the examinational model used in the discarded inter partes reexamination. Congress' intent in shifting away from an examinational model was to speed up the process and reduce the burden on the PTO. Moreover, the statute clearly places the burden of proof on the petitioner alone, making it improper for the PTO to assert new issues of unpatentability on its own accord. Nothing in the statute supports such powers.

Even when a petitioner fails to raise a challenge to an amended claim, there is no danger that broad, previously unexamined claims will issue. Any amended claims are required to be narrower in scope than the previously examined and issued claims, and no new matter can be introduced. Furthermore, if a patent owner were, in violation of the duty of candor, to

transgress these strictures (and in the unlikely event the PTO did not reject the claim for doing so), all claims of the patent could become unenforceable due to inequitable conduct. These safeguards, along with the ability of any party concerned by the new claims to challenge them via reexamination, inter partes review, or litigation, render this concern illusory.

ARGUMENT

A. The Very Small Number of Successful Motions to Amend Reveals a Problem in the PTO's Statutory Interpretation.

As of April 30, 2016, the Board had instituted and completed 1539 AIA trials. USPTO, PTAB MOTION TO AMEND STUDY, 2 (April 30, 2016), at <https://www.uspto.gov/sites/default/files/documents/2016-04-30%20PTAB%20MTA%20study.pdf>. Patent owners filed motions to amend in 192 of these trials. *Id.* at 3. Seventy-four of these motions either solely requested cancellation of claims, were rendered moot, or were not decided due to prior termination of the proceeding. *Id.* Of the remaining 118 motions, the PTAB completely denied motions to amend in 112 trials, and partially denied patent owners' motions in four of the remaining six trials. *Id.* at 4. Thus, out of 118 motions, patent owners were entirely successful in only two cases, or a rate of 1.7 percent. Moreover, it appears that the small number of successful motions has created a chilling effect, as the filing rate for these motions dropped by 36 percent from 2014 to 2015, and is on track for a similar drop from 2015 to 2016. *Id.* at 7. This dreadfully low rate of success should indicate that there is something wrong with the Board's interpretation or administration of the motion to amend process.

B. Because Congress Has Assigned the Petitioner the Burden of Proving Unpatentability, the PTO May Not Require the Patent Owner to Prove that Proposed Amended Claims are Patentable.

Section 316(e) of the AIA contains a plain and unambiguous assignment of the burden of proof on all issues of unpatentability. The PTO's convoluted statutory interpretation creating a different burden of proof for patentability of amended claims simply does not stand up to scrutiny. The PTO's arguments are insufficient to justify overlooking the plain mandate of Congress in assigning the burden of proof to the petitioner on all propositions of unpatentability.

1. Section 316(e) places the burden of proving any proposition of unpatentability in an inter partes review squarely on the petitioner.

Section 316(e) is titled "Conduct of inter partes review," and has five subsections. Subsection (e), titled "Evidentiary Standards," states simply that "[i]n 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." Thus, the separate evidentiary standards subsection of the code section applicable to the general conduct of the inter partes review assigns to the petitioner alone—not the patent owner or the Board itself—the burden of proving any proposition of unpatentability.

Congress did not limit this evidentiary standard to a petitioner's challenge of issued claims in its petition, or indicate in any way that this standard does not apply to proposed amended claims. The statute is clear and unambiguous; the plain reading places the burden of proving unpatentability on the petitioner, not the patent owner, for all propositions of unpatentability arising in the review.

This understanding is supported by the legislative history. The only comment in the record regarding the assignment of the burden of proof is a statement from Senator Kyl:

One important structural change made by the present bill 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.** . . . In the present bill, section 316(a)(4) gives the Office discretion in prescribing regulations governing the new proceeding. The Office has made clear that it will use this discretion to convert inter partes into an adjudicative proceeding. This change also is effectively compelled by new section 316(e), **which assigns to the petitioner the burden of proving a proposition of unpatentability by a preponderance of the evidence.** Because of these changes, the name of the proceeding is changed from "inter partes reexamination" to "inter partes review."

157 CONG. REC. S1375 (daily ed. Mar. 8, 2011) (emphasis added). Senator Kyl's statement reinforces the plain reading of § 316(e) in assigning the

petitioner the burden of proving unpatentability, no matter the context in which it arises.

Thus, based on the plain text of the statute as well as the legislative history, the burden of proof lies with the petitioner to show any claim is unpatentable, whether an original or proposed amended claim.

2. The PTO's bases for asserting that § 316(e) does not apply to proposed amendments

Despite the plain language of § 316(e), the PTO has assigned to the patent owner the burden of proving the patentability of proposed amended claims, for the reasons summarized in the panel decisions in *Nike, Inc. v. Adidas AG*, 812 F.3d 1326 (Fed. Cir. 2016) and *Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292 (Fed. Cir. 2015):

- (1) § 316(a)(9) “delegated to the PTO the specific authority to establish the standards and procedures with which a patent owner must comply to amend its patent during an IPR.” *Nike*, 812 F.3d at 1333–34. Consistent with § 316(a)(9), the PTO promulgated 37 C.F.R. § 42.20, which provides that a “moving party [here, the patent owner] has the burden of proof to establish that it is entitled to the requested relief.” *Id.* at 1332.

(2) § 316(a)(9)'s reference to "information submitted by the patent owner in support of any amendment entered under subsection (d)," also means that "the patent owner carries an affirmative duty to justify why newly drafted claims . . . should be entered into the proceeding." *Id.*

(3) § 316(e)'s reference to "an inter partes review instituted under this chapter" also "mak[es] clear that the burden of proof is on the petitioner to prove unpatentable those issued claims that were actually challenged in the petition for review and for which the Board instituted review," but does not "necessarily apply to . . . newly offered substituted claims proposed by a patent owner in a motion to amend filed as part of an already-instituted IPR proceeding." *Id.*

(4) § 318(b)'s instruction that only those amended claims that are "determined to be patentable" supports assigning the burden of proving patentability of proposed amended claims to the patent owner. *Proxyconn*, 789 F.3d at 1306.

The PTO also asserts a policy rationale for placing the burden on the patent owner. *See* Intervenor's Br., Doc. 35, at 23; *see also Proxyconn*, 789 F.3d at 1307–08. This rationale is addressed in section C below.

3. The statutory scheme authorizes assigning the patent owner only a burden of production for the motion to amend, but not the burden of persuasion assigned to the petitioner by § 316(e).

The PTO (and the Federal Circuit, in past reliance on the PTO's analysis), has misinterpreted the statutory scheme created by Congress with regard to a petitioner's burden of persuasion and the patent owner's motion to amend. Section 316(a)(9) provides the PTO with authority to prescribe regulations

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) (emphasis added). This gives the PTO authority to regulate what the patent owner must do in order to *move* to amend the patent, *i.e.*, to bring the proposed claims into the proceeding. As written, that authority does not extend to creating standards and procedures governing *whether* the patent may be amended, *i.e.*, whether the proposed claims should issue.

In spite of this distinction, both the PTO and the Federal Circuit have referred to this statute as giving the PTO the authority to set standards for

amending the patent, not merely allowing a motion to amend. *See, e.g.*, Changes to Implement Inter Partes Review Proceedings, 77 Fed. Reg. 48680, 48690 (Aug. 14, 2012) (“[37 C.F.R. § 42.121] is consistent with 35 U.S.C. 316(a)(9), as amended, which requires the Office to promulgate rules setting forth the standards and procedures **for the patent owner to amend the patent.**”) (emphasis added); *Nike, Inc.*, 812 F.3d at 1333 (“In other words, Congress delegated to the PTO the *specific* authority to establish the standards and procedures with which **a patent owner must comply to amend its patent** during an IPR.”) (italics in original, emphasis added).

The distinction here is crucial to answering the Court’s questions regarding the proper burdens of production and persuasion assigned by Congress. The statute allows procedures governing what hurdles a patent owner must clear to move for, or request, an amended claim. This is the burden of production, also called the burden of going forward with the evidence, which requires the party bearing it to come forward with evidence of a particular fact. *See, e.g., In re Magnum Oil Tools Int’l, Ltd.*, No. 2015-1300, 2016 WL 3974202, at *5 (Fed. Cir. July 25, 2016); *see also Director, Office of Workers' Compensation Programs, Dept. of Labor v. Greenwich Collieries*, 512 U.S. 267, 274–75 (1994). Here, the burden of production requires showing that “[a]n 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)(3); *see also* 37 C.F.R. § 42.121(a)(2), (b).

After these hurdles are cleared, however, the statute does not authorize the PTO to establish rules governing when a motion to amend, otherwise meeting the statutory requirements, should be granted and an amended claim entered. That is, the PTO was not given the authority to change the ultimate burden of persuasion on patentability, assigned to the petitioner by § 316(e). Thus, the Board’s incorrect application of 37 C.F.R. § 42.20 to a patent owner’s motion to amend is in conflict with § 316(e), and is thus not entitled to *Chevron* deference.

Congress intended that the PTO’s regulations would explain to patent owners the required content and scope of a motion to amend, but not change the burden of persuasion assigned by § 316(e). This makes a patent owner’s motion to amend very similar to a no evidence motion for summary judgment. Under Rule 56, a moving party that does not bear the burden of persuasion at trial does bear the burden of production. *Modrowski v. Pigatto*, 712 F.3d 1166, 1167 (7th Cir. 2013) (*citing Celotex Corp. v. Catrett*, 477 U.S. 317, 325 (1986)). The moving party is not required to produce evidence negating its opponent’s claim, but merely to point out to the district court that there is an absence of evidence to support the nonmoving party’s case. *Id.* at 1168–69.

Similarly, a patent owner must comply with 37 C.F.R. § 42.121 by requesting an amendment that responds to a ground of unpatentability involved in the trial, does not enlarge the scope of the claims of the patent, nor introduce new subject matter. This satisfies the burden of production. But the burden of persuasion at trial—proving that a proposed amended claim is unpatentable—does not shift to the patent owner. It remains, pursuant to § 316(e), with the petitioner to prove any proposition of unpatentability by a preponderance of the evidence.

Of course, in the summary judgment context, while the non-movant bears the burden of persuasion at trial, the movant still bears the burden of persuasion as to the summary judgment motion itself. But in an inter partes review, the motion briefing *is* the trial. There is no subsequent evidentiary hearing; the motion papers are the only opportunity for the parties to present evidence and argument to the Board.¹ Therefore, because it is the petitioner's trial burden—and because the motion papers contain the only evidence and argument allowed on the amended claims during the trial—the petitioner as

¹ Although the parties may also present argument at the oral argument, no new arguments beyond what was contained in the briefing are permitted by the Board. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48768 (Aug. 14, 2012) (“A party may rely upon evidence that has been previously submitted in the proceeding and may only present arguments relied upon in the papers previously submitted. No new evidence or arguments may be presented at the oral argument.”).

non-movant retains the burden of persuading the Board of any proposed claim's unpatentability.

4. None of the remaining statutory provisions relied on by the PTO justify contravening the clear meaning of § 316(e).

It is a basic principle of statutory construction that a specific statute controls over a general provision, “particularly when the two are interrelated and closely positioned.” *HCSC-Laundry v. United States*, 450 U.S. 1, 6 (1981) (*per curiam*); *see also Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222, 228–29 (1957) (“Specific terms prevail over the general in the same or another statute which otherwise might be controlling.”). Section 316(e) unambiguously states that the burden of proving any proposition of unpatentability in an inter partes review lies with the petitioner. None of the other statutory provisions relied on by the PTO, or previously accepted by the court, justify a different reading of this unambiguous text, because they do not specifically apply to the appropriate evidentiary standard to be applied in the conduct of inter partes reviews.

First, although § 316(d) refers to a motion to amend, it does not provide that the patent owner bears the burden of proving that a proposed amended claim is patentable. The specific assignment of that burden to the petitioner in

section (e) is therefore controlling in the face of the general discussion of a patent owner's motion to amend in section (d), or the rulemaking authority granted in section (a).

Second, although § 316(a)(9) mentions “information submitted by the patent owner in support of any amendment entered under subsection (d),” this cannot support creating “an affirmative duty to justify why newly drafted claims . . . should be entered into the proceeding,” as stated in *Nike*. This provision reflects a desire that information supporting the amendment be made public as part of the patent's prosecution history, just as in original or subsequent examination proceedings. Of course, the patent owner does not bear the burden of proving patentability in those proceedings. Likewise, the mere fact that patent owners may submit information in support of amendments in inter partes reviews, which should of course be made part of the prosecution history, cannot support assigning the patent owner the burden of proof, especially given the specific assignment of that burden in subsection (e).

Third, § 316(e)'s statement that it applies in “an inter partes review instituted under this chapter,” can in no way be interpreted as limiting the subsequently assigned burden of proof to originally challenged claims, as the court did in *Nike*. Motions to amend only occur in already-instituted inter

partes reviews, bringing them within the ambit of this phrase. Moreover, § 316(d), which governs amendments, uses the same prefatory language, “[d]uring an inter partes review instituted under this chapter.”

Finally, § 318(b) makes no distinction between how an originally challenged claim, or a new or amended claim, is determined to be patentable. In both instances, the claims are described as those “determined to be patentable.” Thus, this section cannot be used to somehow differentiate the burden between the two types of claims. If anything, this section’s use of identical language in each instance supports assigning to the same party the burden of proving patentability or unpatentability. And § 316(e) clearly assigns that burden to the petitioner.

C. Because an Inter Partes Review is an Adjudicatory Proceeding, and Because the Board is Not an Examining Body, the Board May Not Raise Patentability Challenges Sua Sponte.

There is no dispute that the AIA replaced inter partes reexamination with inter partes review, thereby converting the procedure from an examinational to an adjudicative proceeding. *See* Intervenor’s Br., Doc. 35, at 4. In doing so, Congress expressed the intent to transfer the burden of showing unpatentability from the PTO to the petitioner. 157 CONG. REC. S1375 (daily ed. Mar. 8, 2011) (“One important structural change made by the

present bill 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.”) (statement of Sen. Kyl) (emphasis added). Other legislative statements indicate that the clear intent was to take this burden from the PTO, and assign it only the duty to determine whether the petitioner has met its burden:

The bill uses an oppositional model, which is favored by PTO as allowing speedier adjudication of claims. **Under a reexam system, the burden is always on PTO to show that a claim is not patentable.** Every time that new information is presented, PTO must reassess whether its burden has been met. This model has proven unworkable in inter partes reexam, in which multiple parties can present information to PTO at various stages of the proceeding, and which system has experienced interminable delays. **Under an oppositional system, by contrast, the burden is always on the petitioner to show that a claim is not patentable. Both parties present their evidence to the PTO, which then simply decides whether petitioner has met his burden.**

154 CONG. REC. S9987 (daily ed. Sept. 7, 2008) (statement of Sen. Kyl, introducing S. 3600, the Patent Reform Act of 2008) (emphasis added). There is no indication in the AIA that Congress intended that the PTO should revert back to an examinational system. Rather, one of the reasons to shift from an examinational to an adjudicative proceeding was to lessen the PTO’s burden and to enable a speedier review. In the event that a petitioner does not

challenge an amended claim, it is not a contested matter for the PTO's determination. There is simply nothing in the statute allowing the PTO to raise its own patentability challenges, as one panel of the court has recently noted. *See In re Magnum Oil Tools Int'l, Ltd.*, No. 2015-1300, 2016 WL 3974202, at *10 (Fed. Cir. July 25, 2016) ("It is true that the entire IPR process is one designed as an efficient system for challenging patents that should not have issued. But it is still a system that is predicated on a petition followed by a trial in which the petitioner bears the burden of proof. Given that framework, we find no support for the PTO's position that the Board is free to adopt arguments on behalf of petitioners that could have been, but were not, raised by the petitioner during an IPR. Instead, the Board must base its decision on arguments that were advanced by a party, and to which the opposing party was given a chance to respond. . . . Thus, while the PTO has broad authority to establish procedures for revisiting earlier-granted patents in IPRs, that authority is not so broad that it allows the PTO to raise, address, and decide unpatentability theories never presented by the petitioner and not supported by record evidence.") (internal quotation marks and citations omitted).

Both the PTO and the Federal Circuit have expressed the policy concern that, unless the Board is able to raise its own challenges, unexamined

and untested claims would issue when a petitioner failed to challenge (or failed to adequately challenge) a motion to amend. *See Proxyconn*, 789 F.3d at 1307–08; *see* Intervenor’s Br., Doc. 35, at 23. Even if such policy concerns could override the statutory language, this concern is illusory for several reasons. Section 316(d) itself requires that any amendment “may not enlarge the scope of the claims of the patent or introduce new matter.” To the extent that an amendment violated this statute, even if uncontested by the petitioner, the Board could and should deny the motion, as the patent owner will have failed to meet its burden of production on these issues. If the proposed amendment complied with the statute (and 37 C.F.R. § 42.121’s corresponding requirements), it would necessarily be narrower than a claim previously examined and allowed by the PTO. There is thus no danger that a broader, unexamined claim will issue.

There is an additional safeguard as well. The patent owner, of course, has a duty of candor and good faith to the office throughout the proceeding. 37 C.F.R. § 42.11. Thus, patent owners are constrained from arguing that knowingly unpatentable claims are patentable. To the extent that a patent owner obtains amended claims, despite being aware of prior art that renders the claims unpatentable, the entire patent may become unenforceable due to inequitable conduct. Given the harshness of this penalty, there is very little

chance of a patent owner seeking an improper amendment, especially if it is clearly invalidated by art already the subject of the proceeding. And, any other persons affected by a new claim may challenge validity as well, either through another IPR, ex parte reexamination, or litigation.

CONCLUSION

There is clearly something amiss with the motion to amend process in inter partes reviews. The low rate of patent owner success is directly attributable to the PTO's determination to disregard the clear assignment of the burden of proof in § 316(e). That only a handful of motions to amend have been successful can also be tied to patent owners being forced to overcome not only the arguments of the petitioner—as is proper in an adversarial proceeding—but those of a supposedly neutral referee. The Court should correct this imbalance by requiring the PTO to follow the clear language of the statute.

Dated: October 5, 2016

Respectfully submitted,

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**United States Court of Appeals
for the Federal Circuit**
In re: Aqua Products, Inc., 2015-1177

CERTIFICATE OF SERVICE

I, Robyn Cocho, being duly sworn according to law and being over the age of 18, upon my oath depose and say that:

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2015-1177

**United States Court of Appeals
for the Federal Circuit**

IN RE: AQUA PRODUCTS, INC.,

Appellant.

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

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CERTIFICATE OF INTEREST

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Biotechnology Industry Organization)

2. The name of the real parties in interest (if the party named in the caption is not the real party in interest) represented by me is:

None.

3. All parent corporations and any publicly held companies that own 10 percent of the stock of the party or *amicus curiae* represented by me are:

None.

4. The names of all law firms and the partners or associates that appeared for the party or *amici curiae* now represented by me in the trial court or are expected to appear in this court are:

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STATEMENT OF INTEREST OF AMICUS CURIAE

The Biotechnology Innovation Organization (“BIO”) (formerly: Biotechnology Industry Organization) is the principal trade association representing the biotechnology industry domestically and abroad. BIO has more than 1,000 members, which span the for-profit and non-profit sectors and range from small start-up companies and biotechnology centers to research universities and Fortune 500 companies. Approximately 90% of BIO’s corporate members are small or mid-size businesses that have annual revenues of under \$25 million, and that count their patents among their most valuable business assets. BIO’s members depend heavily on robust patent rights and a fair system for adjudicating their validity.

Biotechnology businesses and entrepreneurs have huge reliance interests in the validity of their patents. BIO members commonly devote a decade of effort and in excess of 2 billion dollars to develop innovative products that address unmet medical needs, increase crop yields, and provide real-world tools in the fight against disease, hunger, and pollution. Without the promise of effective and predictable patent rights, these investments would be far more difficult—if not impossible—to undertake. And unlike typical products in, for example, the e-commerce, enterprise software, or mobile communications industries, biotechnology products tend to be protected by only a handful of patents. A

biotech company literally faces the loss of its entire business if but a few, or even just one, of its patents are invalidated. BIO's member companies are extremely sensitive to even the slightest procedural imbalances that exist in the proceedings of the Patent Trial and Appeal Board (PTAB) of the United States Patent and Trademark Office (PTO), including the ability to amend claims in *inter partes* review (IPR). Accordingly, the question of who has the burden of proof, and what must be proved, before a claim amendment can be entered in IPR is of great importance to BIO's membership¹.

BIO files this brief in accordance with the Order issued on August 12, 2016, which states that briefs may be filed without consent or leave of the court.

¹ BIO has no direct stake in the result of this appeal. Nor does BIO take any position on the ultimate validity of the challenged patent or the patentability of the proposed substitute claims. No counsel for a party authored this brief in whole or in part and no such counsel or party, nor any person other than the *amicus curiae* or its counsel, made a monetary contribution intended to fund the preparation or submission of this brief. This brief reflects the consensus view of BIO's members, but not necessarily the view of any individual member.

ARGUMENT

I. The PTO May Impose No Burden of Proving “Patentability” in an IPR; Instead, the Petitioner Bears the Burden of Persuasion as to Unpatentability of a Substitute Claim.

The Court’s first *en banc* question asks if the PTO may require the patentee to bear a burden of production, or a burden of persuasion, regarding patentability of proposed substitute claims during the course of a IPR proceeding before the PTAB. DKT. NO. 60 (ORDER ON PETITION FOR REHEARING (2015-1177)) at 2.

BIO submits that the PTO may not require the patentee to bear a burden of proving patentability of a proposed substitute claim. However, the PTO may require the patentee to come forward with information relating to the threshold conditions of 35 U.S.C. § 316(d) and its implementing Rule 42.121. *See* 35 U.S.C. § 316(d) (providing for a motion to substitute claims); *cf.* 37 C.F.R. § 42.121(a)(2)(ii) (setting forth grounds for denial of such a motion).

This requirement would facilitate the determination that the amendment (i) does not enlarge the scope of the claims, (ii) introduces no new matter, and (iii) is responsive to a ground of purported invalidity on which the PTAB proceeding was instituted. 37 C.F.R. § 42.121(a)(2)(i), (ii).

Rule 42.121 further provides that the patentee’s motion to amend set forth “support in the original disclosure of the patent for each claim that is added or

amended” and “[t]he support in an earlier-filed disclosure for each claim for which benefit of the filing date . . . is sought.” 37 C.F.R. § 42.121(b)(1), (2).

Following this strictly enumerated showing by the patentee, the petitioner must produce information that establishes the unpatentability of the substitute claim. *See* 35 U.S.C. § 316(e) (“the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence”). By its plain terms, Section 316(e) requires a petitioner that believes the substitute claim to be unpatentable to bear the burden of persuasion for that proposition. Neither the IPR statute nor its implementing rules establish or allocate a contrary burden of proving “patentability.” Because the burden of showing unpatentability must be carried by the petitioner, the patentee accordingly has no affirmative duty to prove patentability of a substitute claim. *See, e.g., Abbvie Inc. v. Mathilda & Terence Kennedy Inst. Of Rheumatology Trust*, 764 F.3d 1366, 1378-80 (Fed. Cir. 2014) (addressing the distinction between “patentable” and “unpatentable” claims under Section 103). Similarly, there is no duty to prove the patentability of an original instituted claim.

If the Board finds that the petitioner’s showing is insufficient to establish the unpatentability of the an original or substitute claim by a preponderance of the evidence, the Board must rule in favor of the patentee. 35 U.S.C. § 318(a) (the PTAB “shall issue a final written decision with respect to the patentability of any

patent claim [and any new claim under Section 316(d)] challenged by the petitioner”) (emphasis added).

The Court’s second *en banc* question is presented in two parts. The Court first asks whether the PTAB may *sua sponte* challenge the patentability of a proposed substitute claim if the petitioner does not do so or does so in an inadequate manner. DKT. NO. 60 at 2-3. The Court then inquires—in the event the answer is yes—as to where the burdens of persuasion and production would lie under such circumstances. *Id.* at 3.

BIO submits that the Board should tread carefully when inquiring about the ‘adequacy’ of any petitioner opposition to a proposed substitute claim. The PTAB’s role as impartial adjudicator is threatened by, if not wholly incompatible with, the concept of acting as a quasi-intervenor that might seek to remedy any perceived substantive shortcomings in a party’s submissions. *Cf. In re Magnum Oil Tools Int’l, Ltd.*, 2015-1300, 2016 WL 397402, at *10 (Fed. Cir. July 25, 2016) (“while the PTO has broad authority to establish procedures for revisiting earlier-granted patents in IPR, that authority is not so broad that it allows the PTO to raise, address, and decide unpatentability theories”).

In instances where the petitioner does not oppose the proposed substitute claim, the Board must nonetheless decide whether the substitute claim meets the requirements of Section 316(d) and its implementing regulations. This inquiry is

limited to the determination that a proposed substitute claim (i) is not broader in scope than any originally granted claim, (ii) does not present new matter, (iii) responds to a ground of unpatentability that forms the basis of the instituted PTAB proceeding,² and (iv) has proper written description support in the original disclosure and any previously filed applications for which a claim of priority is made. 37 C.F.R. §§ 42.121 (a)(2)(i), (ii); 37 C.F.R. § 42.121(b)(1), (2).

To the extent a proposed claim amendment enlarges the scope of the claim, introduces new matter, is unsupported by original disclosure of the patent, or is not otherwise entitled to a desired priority date, the PTAB may deny the claim on its own accord. Similarly, 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 PTAB can require the patentee to show cause why the substitute claim should not be denied.

² *C.f. Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292 (Fed. Cir. 2015) at 1308 (“Section 42.121(a)(2)(i) simply requires that a patentee's amendment be made in order to “respond to a ground of unpatentability involved in the trial,” and not for some other reason. As the PTO explained, this rule is meant to “enhance efficiency of review proceedings. . . . [A]ny amendment that does not respond to a ground of unpatentability most likely would cause delay, increase the complexity of the review, and place additional burdens on the petitioner and the Board.”)(citing *Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents*, 77 Fed.Reg. 48,680, 48,705 (Aug. 14, 2012).

In any event, such challenges must be limited to the art and argument that was applied against the original claim. *See* 37 C.F.R. § 41.121(a)(2)(i) (requiring a motion to amend to “respond to a ground of unpatentability involved in the trial”); *see also Magnum Oil*, at *10 (proscribing new unpatentability theories from the scope of PTAB authority). The PTAB cannot itself challenge the substitute claim using new art or argument that might be applicable against the original claim. To do so would constitute a new, additional ground of unpatentability affecting the original claim outside the scope of the instituted grounds of the proceeding. *See* 35 U.S.C. § 314(a) (“[t]he Director may not authorize an *inter partes* review to be instituted unless the Director determines that . . . the petition filed under section 311 . . . shows that there is a reasonable likelihood that the petitioner would prevail”) (underlining added); *see also SAS Inst., Inc. v. ComplementSoft, LLC.*, No. 2015-1347, 2016 U.S. App. LEXIS 10508, at 46 * 20-21 (Fed. Cir. June 10, 2016) (“[a]n agency may not change theories midstream”).

Challenges to the patentability of the substitute claim must similarly be limited to the amendatory subject matter such as patentability defects that were manifestly caused by the amendment. To do otherwise, especially in the context of an *inter partes* review, would open the door to rejections under Sections 112 or 101 that would apply with equal force against amended and unamended claims alike. Such a proposition would broaden the IPR proceeding beyond its statutory

scope. *See* 35 U.S.C. § 311(b) (“[a] petitioner . . . may request to cancel as unpatentable 1 or more claims . . . only on a ground that could be raised under section 102 or 103”).

The balance between the various types of post-grant review was achieved with great difficulty and care during the legislative process. One compromise was to limit the scope of the IPR process to questions of anticipation or obviousness based on patents and printed publications, similarly to *inter partes* reexamination. To permit a back-door use of other grounds for purported invalidation would not only significantly risk upsetting that careful balance, but would be contrary to Congress’s intent.

As to the second element of the Court’s question and regarding the burdens of persuasion, if the requirements of Section 316(d) (including Rule 42.121) are met, narrowed claims that are free of the instituted grounds should be deemed presumptively patentable. Therefore, if the petitioner does not challenge the substitute claim, the Board’s role will be limited to confirming that the requirements of Rule 41.121 are met, or to present reasons why the substitute claim fails to satisfy Rule 42.121 on the existing record.

II. The PTAB’s Current Claim Amendment Practices are Inconsistent with Congressional Intent

In essentially unchanged language, the ability of the patentee to amend its claims was a constant feature of the proposed post-grant review processes

considered by four Congresses with little debate or controversy.³ This lack of contest or debate clearly suggests that Congress assumed that claim amendments in *inter partes* review would be a common and otherwise unremarkable procedure that would unfold as a matter of course if not of right.

Other aspects of the legislative history lend further support to this conclusion. For example, the 2007 Senate report on S. 1145 tersely, but clearly, stated that patent owners were to be given the opportunity to amend “as a matter of right.” S. REP. NO. 110-259 at 22 (2008). A year later, then Senator John Kyl of Arizona commented that a written institution decision would be desirable because it would “give the patent owner a sense of what issues are important to the board and where he ought to focus his amendments.” 154 CONG. REC. S9988. The House Report on H.R. 1249, too, indicated that the bill would allow for a reasonable number of claim amendments. H.R. REP. NO. 112-98(I) at 76 (2011). In the same report, various Representatives approvingly noted the high rate of “modification or nullification” of patent claims in *inter partes* reexamination and the desire to retain this feature in the new IPR proceedings. *Id.* at 164.

If Congress had complaints about *inter partes* reexamination (and it had many), the frequency at which these proceedings resulted in amended claims was

³ For example, compare early versions of the amendment provision, e.g., S. 3818, 109TH CONG. § 318 (2006), with the final version that was enacted, H.R. 1249, 112TH CONG. § 326 (2011).

not among them as any such concerns are conspicuously absent from the legislative record. As Congress was no doubt aware, claim “modification” had long been the predominant outcome in *inter partes* reexamination, where 61% of these decided proceedings resulted in amended claims.⁴ In contrast, only 2% of the motions seeking to amend claims in IPR proceedings have been granted, which means that considerably less than 1% of these proceedings result in claim modification.⁵ Such a precipitous decline in the number of proceedings ending in amended claims is astonishing and demands an explanation absent any sign that Congress intended such a drastic change. There is simply no evidence to suggest that Congress, in reforming *inter partes* reexamination into the adjudicatory *inter partes* review proceeding, considered claim amendments undesirable. The surprisingly low rate of amendments demands not just an explanation but also the sorely needed clarifications set forth elsewhere in this brief.

The PTO has argued that this profound change in policy is an unremarkable result of its new administrative powers under the AIA. Yet, the PTO’s current

⁴ U.S. Patent and Trademark Office, Inter Partes Reexamination Filing Data (Sept. 30, 2013), http://www.uspto.gov/patents/stats/inter_parte_historical_stats_roll_up_EOY2013.pdf

⁵ U.S. Patent and Trademark Office, Patent Trial and Appeal Board Motion to Amend Study (Apr. 30, 2016), <https://www.uspto.gov/sites/default/files/documents/2016-04-30%20PTAB%20MTA%20study.pdf>

practice is in gross contradiction to both the statute and the PTO's own public declarations that "the Office will continue to apply a broadest reasonable interpretation standard because at the time that a petition is filed . . . the patent owner's ability to amend remains available" and "[a]bsent a change in statutory authority, the Office cannot withdraw the opportunity to amend claims in AIA trial proceedings." 80 FED. REG. 50721-50722 (Aug. 20, 2015). "Since patent owners have the opportunity to amend claims during IPR, PGR, and CBM trials, unlike in district court proceedings, they are able to resolve ambiguities and over breadth through this interpretive approach, producing clear and defensible patents at the lowest cost point in the system." *Office Patent Trial Practice Guide*, 77 FED. REG. 48755, 48764 (Aug. 14, 2012).

Despite such pronouncements, the PTO's actions suggest that it views claim amendments as fundamentally incompatible with the new adjudicatory framework of post-grant proceedings. The results speak for themselves and evince a clear mistrust in the PTAB as to whether the adversarial process that was so clearly intended by Congress can produce a proper analysis of any such amendments. As a result, scores of patents that were once preserved in narrowed form are instead being invalidated in their entirety.

The *status quo* is unworkable. Absent further intervention by Congress there appears no discernible path forward. This Court, sitting *en banc*, has a timely

opportunity to clarify how the existing statute can and should more realistically accommodate claim amendments in the PTAB.

III. The PTO's Burden-Allocation is Inconsistent with the Statute and Exceeds the PTO's Authority

The PTO is clearly grappling with who has the burden of proof and what must be proved before a claim amendment can be entered during an IPR. The statute and its implementing regulations, however, already provide clear answers to these questions. 35 U.S.C. § 316(d) specifies that patent owners may propose substitute claims that do not enlarge the scope of the challenged patent's claims and do not introduce new matter. PTO Rule 42.121—not disputed here—further specifies that the amendment must be responsive to a ground of unpatentability involved in the IPR, have proper support in the specification, and be entitled to the filing date sought.

In its immediate next subsection, Section 316(e), the statute then specifies that a proposition of unpatentability in an instituted IPR (and not, more narrowly, on an instituted claim) must be proved by the petitioner. The process would seemingly require the patentee to come forward with a proposed claim amendment, explain how that amendment distinguishes the claim over the grounds of unpatentability on which the IPR was instituted, and otherwise show proper support in the specification and entitlement to the desired filing date. If these requirements are met, the burden would shift to the petitioner, as the proponent of

unpatentability, to show that even as amended the claim is still anticipated or obvious. This process would harmoniously align with the IPR statute and its adjudicatory framework.

In stark contrast, however, is the PTO's position. That position stands in much greater tension with the statute and even its own implementing regulations. 35 U.S.C. § 316(e)—in the PTO's view—would actually only apply to some propositions of unpatentability in an instituted IPR, but not to others. Rule 42.121 would set forth only some of the substantive requirements for amendments, but not others. And because the statute is silent as to a burden of showing patentability (as opposed to unpatentability), the PTO proposes that it is free to create and allocate such a burden while enjoying deference for doing so.

For justification of these propositions, the PTO has relied almost entirely on Rule 42.20. Rule 42.20 is an all-purpose rule that was carried over in highly generalized form from pre-AIA rules on contested proceedings. *See e.g.* 37 C.F.R. § 42.121 (2010). Rule 42.20 states, in the most general terms, that a party seeking any form of relief must do so by motion; bears the burden of proof that it is entitled to the requested relief; and must obtain prior Board authorization before filing the motion. The PTO's reliance on Rule 42.20 in this regard is suspect. First, if Rule 42.20 applies to claim amendments then it could not have been legally promulgated under the authority of 35 U.S.C. § 316(a)(9). The filing of a motion

to amend is a right that was created by statute—35 U.S.C. § 316(d); such a motion does not require prior authorization by the Board as the rule would require.

Second, a general agency rule cannot trump a specific statutory provision such as 35 U.S.C. § 316(e), which clearly assigns the burden of proof. And third, if Rule 42.20 did what the PTO proposes, such a burden shift would be a substantive change in the law, which would exceed the PTO's authority. *Director, Office of Workers' Compensation Programs v. Greenwich Collieries*, 512 U.S. 267, 271 (1994) (The “assignment of the burden of proof is a rule of substantive law.”); *see also Tafas v. Doll*, 559 F.3d 1345, 1353 (Fed. Cir. 2009) (gathering cases holding PTO has no substantive rulemaking authority).

The IPR statute grants the PTO robust rulemaking power to fill in spaces that Congress left to the PTO for practical implementation of the proceeding so long as those rules are consistent with its legislative intent. But the space the PTO claims to have filled by regulation never existed. There is nothing ambiguous about Congress's allocation of the burden of proving propositions of unpatentability in IPR. Accordingly, this Court's authority to review the PTO's claim amendment process is not constrained by deference to the PTO's rulemaking powers.

IV. The PTAB's Requirement that the Patentee Demonstrate the Patentability of a Proposed Substitute Claim is not a Reasonable Interpretation of the Statute

Under the PTAB's interpretation of the statutes and rules, a patentee seeking to amend a claim in IPR must first and foremost distinguish the substitute claim over the grounds on which the IPR was instituted, and show support in the patent's specification and entitlement to the applicable priority date. In the remaining pages of its motion, the patentee is then required to demonstrate the patentability of the substitute claim over other prior art of record. Even after the PTAB's clarifying opinion in *MasterImage*, the scope of such prior art remains broad. *See MasterImage 3D, Inc. v. RealD, Inc.*, IPR2015-00040 (June 15, 2015). References "of record" include those in the IPR petition; those subject to the patentee's disclosure obligations; those in the prosecution history of the patent and its parent applications; in prior reexaminations, reissues, or even other IPR petitions involving the same patent. Many such references might be deemed pertinent to a proposed claim amendment in any number of unforeseeable 2- or 3-way combinations that are impossible to proactively address in a page-limited motion to amend. And a careful and cautious patentee who made substantial volumes of art of record during patent prosecution (as is typical in biotechnology) will be particularly disadvantaged.

With no way of knowing all other combinations of references that will be deemed important by the panel, patentees will often find it impossible to proactively demonstrate “patentability.” And even patentees who correctly guess which references might be at bar and, further, which combinations of references to address may still fail if they cannot prove that “one of skill in the art *would not have* a reasonable expectation of success in using [the proposed additional claim element].” *Illumina Cambridge Ltd. v. Intelligent Bio-Systems, Inc.*, 638 Fed. Appx. 999, 1004 (Fed. Cir. 2016) (emphasis added). Where not all combinations of references that should be addressed are foreseeable, and faced with an impossible task of proving negatives - absence of an expectation of success, or an absence of a motivation to combine art - prospects for a successful claim amendment will generally be unrealistic.

The petitioner on the other hand, is more logically positioned to probe the patentability of a substitute claim. The petitioner framed the original invalidity arguments, is well-informed about the prior art, and will often have argued for the claim construction that necessitates the amendment. If it is shown that a proposed claim amendment distinguishes the claim over the grounds of unpatentability on which the IPR was instituted, and otherwise meets the requirements of Rule 42.121, it would be entirely reasonable and efficient to let the petitioner then frame

the reasons why that substitute claim is still unpatentable over the prior art of record.

As it stands, however, the PTAB's process encourages inefficiency and unfocused motion practice. Patentees, as discussed above, will often be unable to predict where to focus their arguments of patentability. Petitioners, in opposition, are under no burden of persuasion to show the unpatentability of the substitute claim. For example, petitioners need not even meet a *prima facie* standard, but are nevertheless entitled to raise additional references and invalidity arguments that provide additional fodder for denial of the claim by the Board. By the time of the oral hearing, the patentee will still often have no notice as to which combination of references the panel would have wanted it to address. Effectively, patentees often operate under an ambiguous, shifting, and unfair 'should have known' standard.

The PTO maintains that an extraordinary burden of proving patentability is warranted because substitute claims are not examined by the Office and because the petitioner can neither be trusted nor burdened with stepping into an examiner's shoes. Yet, one wonders whether the PTO's fear of 'unexamined claims' is fully justified. It is difficult to imagine circumstances under which a substitute claim would be entirely new and unexamined. At the time the amendment is proposed, the challenged claim is still presumed to be clear of the prior art. And if an amendment does no more than remove the particular references on which the IPR

was instituted, why should the presumption that such a narrowed claim continues to be novel and nonobvious be destroyed? As a practical matter, there are safeguards: the subject matter of such a claim *was* examined during original prosecution; the patentee must show that the amendment has full support in the original written description; and the petitioner would get to present its best case why the substitute claim is nonetheless anticipated or obvious. The PTO has never explained why a Board decision on such a record would be inherently less reliable than the decisions it renders under current practice.

In its position, the PTO may feel justified by concerns over delay and complication that might be introduced into the time-limited IPR proceeding if the burdens of persuasion were allocated otherwise. It is true that Congress allocated a typical time of one year from the date of institution to completion of an IPR. But as a practical matter, the Board is taking less time than allotted to complete *inter partes* review. The PTO routinely seeks to conclude principal briefing in its cases by six months, and to arrive at an oral hearing by nine months. The PTO takes great pride in dispensing a form of quick and efficient justice under which it has *not once—in thousands of PTAB proceedings*—felt the need to take even the smallest extension of time as otherwise permitted under 35 U.S.C. § 316(a)(11). The PTO's apparent belief that there is no proceeding, however complicated, that cannot be litigated in the PTAB in nine months is, in itself, cause for concern and

begs the question whether the Board has perhaps systematically been sacrificing due process and basic fairness for the sake of speed and efficiency. For present purposes it is sufficient to note that the statute provides ample time to adjudicate the patentability of substitute claims even if the burden of persuasion is on the petitioner, and that the Board, which otherwise so often reminds litigants of its discretion over the conduct of its proceedings, is free to extend the available time by up to six months.

V. Facilitating More Amendments in IPR Would Advance the Intended Policy Outcomes of the AIA.

One of the most important, if not the most important, goals of the AIA is to improve patent quality.⁶ Currently, the outcomes of IPR proceedings are binary: challenged claims either survive the proceeding in unamended form, or, more often than not, are struck down. Because of this all-or-nothing approach, a major policy objective of the AIA – improving the quality of issued patents – remains

⁶ “The legislation will accomplish three important goals, which have been at the center of the patent reform debate: improve the application process by transitioning to a first-inventor-to-file system; improve the quality of patents issued by the USPTO by introducing several quality-enhancement measures; and provide more certainty in litigation...The Patent Reform Act will both speed the application process and, at the same time, improve patent quality...High quality patents are the key to our economic growth. They benefit both patent owners and users, who can be more confident in the validity of issued patents. Patents of low quality and dubious validity, by contrast, enable patent trolls and constitute a drag on innovation. Too many dubious patents also unjustly cast doubt on truly high quality patents” Sen. Patrick Leahy, on the introduction of S. 23; CONGRESSIONAL RECORD, Jan. 25, 2011, S131.

unrealized. It can be fairly asked if the public would not be better served, confidence in the patent system bolstered, and fairness in the marketplace improved, if more patents were to emerge from IPR having undergone amendment with claims that are distinguished over newly-cited art and that more narrowly and clearly define the patentee's rights.

Overall fairness in the marketplace would surely benefit. Patentees may relinquish claim scope, but patent-dependent innovators would at least be able to preserve prospective rights on which they could rely and on which they may build businesses and create jobs. Petitioners and competitors, on the other hand, could develop clearer non-infringement positions and may get the benefit of intervening rights with respect to past activities. Downstream customers and purchasers of infringing technology would be shielded from unfair patent enforcement under the intervening rights provisions of 35 U.S.C. § 252. And, in the event that additional prior art were to come to light, substitute claims would still remain open to subsequent challenge by members of the public in IPR, or in reexamination.

Pressure on the court system would ease as well. The ability to settle IPRs is a prominent aspect of the statute. Congress clearly expected claim amendments to play an important role in the settlement dynamic by going so far as to provide for additional motions to amend in order to facilitate settlements. *See* 35 U.S.C. § 316(d)(2). Moreover, more than 80% of patents in IPR are involved in concurrent

litigation. It is not difficult to forecast that, in a large proportion of concurrent infringement cases in which damages for past infringement are sought, narrowing claim amendments would have great impact not only on questions of claim construction and infringement theories, but also on the calculation of damages. In some instances, amendment may eliminate entitlement to past damages altogether. The appellate workload of the Federal Circuit would likely be positively impacted, as well. With more clearly and narrowly delineated boundaries of the patent right, appeals from both the District Courts and even the PTAB would likely decrease.

It should also be noted that several proposals have been floated, within Congress and without, to address improvements to the PTAB amendment process. One category of proposal, in particular, would deal with stated concerns over the judicial examination capability and time limitations in a more robust amendment process by moving more towards a traditional examination and reexamination/reissue model while preserving the time restraints imposed by the statute. See, for example, D. McCombs and A. Ehmke, *Why an IPR Amendment Process Makes Sense*, Law 360, July 15, 2015; <http://www.law360.com/articles/710920/why-an-ipr-amendment-off-ramp-makes-sense> stated, and A. Baluch and Q. T. Dickinson, *Finding a Middle Ground on Motions to Amend in Inter Partes Review*, IPO Law Journal, June 3, 2015.

<http://www.ipo.org/wp-content/uploads/2015/06/Finding-a-Middle-Ground-on-IPR-Amend-Claims.pdf>.

Congress may eventually provide further guidance on the operation of the IPR process. If and when that occurs, refined or alternative procedures governing claim amendments may well be included in such legislation, with the support of stakeholders, including BIO. But for the time being, this Court's guidance is needed to establish that the Congressionally-mandated IPR amendment process fulfills the objectives Congress intended: a facile and robust means to improve patent quality, while maintaining the integrity of the post-grant system.

CONCLUSION

For the foregoing reasons, this Court should hold that the USPTO may require the patentee to produce information to support a threshold determination that proposed substitute claims do not broaden the scope of the claims and introduce no new matter, but that the burden of persuasion as to unpatentability of the substitute claim lies with the petitioner.

Respectfully submitted:

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October 5, 2016

**United States Court of Appeals
for the Federal Circuit**
In re: Aqua Products, Inc., 2015-1177

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I, Elissa Matias, being duly sworn according to law and being over the age of 18, upon my oath depose and say that:

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