

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
INTELLECTUAL PROPERTY VENTURE CLINIC and the
OHIO VENTURE ASSOCIATION
as *AMICI CURIAE* IN SUPPORT OF AQUA PRODUCTS, INC.'S APPEAL**

CRAIG A. NARD, *Galen J. Roush*
Professor of Law and Director,
Spangenberg Center for Law,
Technology & the Arts
TIMOTHY J. O'HEARN, *Adj. Professor*
CASE WESTERN RESERVE
UNIVERSITY SCHOOL OF LAW
11075 East Blvd.
Cleveland, OH 44106

CRISTOPHER SKLARIN, *President*
OHIO VENTURE ASSOCIATION
1120 Chester Ave. #470
Cleveland, Ohio 44114

STEVEN M. AUVIL
BRYAN A. SCHWARTZ
SQUIRE PATTON BOGGS (US) LLP
2550 M Street Northwest
Washington, DC 20037
(202) 457-6000

*Counsel for Amici Curiae Case Western
Reserve University School of Law
Intellectual Property Venture Clinic and
the Ohio Venture Association*

October 5, 2016

(additional counsel listed on inside cover)

PETER K. HESS
RUDOLF TESCHEMACHER
BARDHELE PAGENBERG
Prinzregentenplatz 7
81675 München, Germany
+49.(0)89.928 05-571

TIMOTHY J. O'HEARN
2555 Coventry Road
Shaker Heights, OH 44120
(216) 272-3152

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

In re: Aqua Products, Inc. v. _____

Case No. 2015-1177

CERTIFICATE OF INTEREST

Counsel for the:

(petitioner) (appellant) (respondent) (appellee) (amicus) (name of party)

Case Western Reserve University School of Law Intellectual Property Venture Clinic

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

/s/ Bryan A. Schwartz
Signature of counsel

Please Note: All questions must be answered

Bryan A. Schwartz
Printed name of counsel

cc: _____

Reset Fields

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

In re: Aqua Products, Inc. v. _____

Case No. 2015-1177

CERTIFICATE OF INTEREST

Counsel for the:

(petitioner) (appellant) (respondent) (appellee) (amicus) (name of party)

The Ohio Venture Association

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
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:

October 5, 2016

Date

/s/ Bryan A. Schwartz

Signature of counsel

Please Note: All questions must be answered

Bryan A. Schwartz

Printed name of counsel

cc: _____

Reset Fields

TABLE OF CONTENTS

	Page
CERTIFICATE OF INTEREST	i
INTEREST OF <i>AMICI CURIAE</i>	1
SUMMARY OF ARGUMENT.....	2
ARGUMENT	3
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.....	3
A. Read as a whole, Title 35 precludes requiring the patent owner to prove the patentability of amendments in an IPR.	3
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.	5
II. THE USPTO EXCEEDED ITS AUTHORITY BY CEDING RULE- MAKING ON IPR AMENDMENT STANDARDS TO THE PTAB ADMINISTRATIVE LAW JUDGES	12
CONCLUSION.....	18

TABLE OF AUTHORITIES

	Page(s)
Cases	
<i>Atlantic Cleaners & Dyers, Inc. v. United States</i> , 286 U.S. 427 (1932).....	3
<i>Helvering v. Stockholms Enskilda Bank</i> , 293 U.S. 84 (1934).....	3
<i>Idle Free Systems, Inc. v. Bergstrom, Inc.</i> , IPR2012-00027 (JL), Paper 26 (PTAB June 11, 2013).....	<i>passim</i>
<i>In re Lovin</i> , 652 F.3d 1349 (Fed. Cir. 2011)	13
<i>Martin v. Occupational Safety & Health Review Comm’n</i> , 499 U.S. 144 (1991).....	14
<i>Medtronic, Inc. v. Mirowski Family Ventures, LLC</i> , 134 S. Ct. 843 (2014).....	16
<i>Microsoft Corp. v. Proxyconn, Inc.</i> , 789 F.3d 1292 (Fed. Cir. 2015)	13, 16, 17, 18
<i>Russello v. United States</i> , 464 U.S. 16 (1983).....	4
<i>Sorenson v. Secretary of Treasury</i> , 475 U.S. 851 (1934).....	3
<i>Suprema, Inc. v. ITC</i> , 796 F.3d 1338 (Fed. Cir. 2015) (O’Malley, dissenting).....	17
<i>Veeam Software Corporation v. Symantec Corporation</i> , IPR2014-00090, Paper 37 (PTAB April 23, 2015)	15
<i>Veritas Technologies, LLC v. Veeam Software Corp.</i> , No. 2015-1894, 2016 U.S. App. LEXIS 15978 (Fed. Cir. Aug. 30, 2016)	14, 15, 16

Statutes

5 U.S.C. § 554(d) 14

35 U.S.C. § 3(b)(3)..... 13

35 U.S.C. § 6(b)(4)..... 14

35 U.S.C. § 102..... 2, 3, 8

35 U.S.C. § 103..... 8

35 U.S.C. § 316(a)(9)..... 12

35 U.S.C. § 316(e) 3, 10, 18

Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 146(p), 125
Stat. 284, 293 (2011)..... *passim*

European Patent Convention

Art. 54 EPC 8

Art. 99(1) EPC 8

Art. 100(a) EPC..... 8

Art. 101 (3) EPC 10

Art. 123(2) EPC 10

Art. 123(3) EPC 10

Rule 76 EPC..... 9

Rule 79 EPC..... 9

Other Authorities

37 C.F.R. § 42.20 14

37 C.F.R. § 42.121 7, 10, 12

157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) 4

Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 81 Fed. Reg. 18754, 18765 (April 1, 2016)17, 18

Alan J. Kasper et al., *Patents After the AIA: Evolving Law and Practice* (AIPLA and BNA 2016)6

Case Law of the Boards of Appeal of the European Patent Office (8th ed. July 2016).....12

Charles E. Van Horn, *Effects of GATT and NAFTA on PTO Practice*, 77 J.Pat. & Trademark Off. Soc’y 231 (1995)5

Donald S. Chisum, *The Harmonization of International Patent Law*, 26 J. MARSHALL L. REV. 437 (1993).....5

Hal D. Cooper, *A History of Inventions, Patents, and Patent Lawyers in the Western Reserve*, LCCN 95115374 (Cleveland Intellectual Property Law Association, 1993).....2

Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 Fed. Cir. B.J. (2012)7

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)6, 7

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)5

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 *Proxycorn*, which expressed concern about “the wisdom of the PTO’s [case-based] approach” as a substitute for “traditional notice and comment rule-making.” *Proxycorn*, 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.

DATED: October 5, 2016

CRAIG A. NARD, *Galen J. Roush*
Professor of Law and Director,
Spangenberg Center for Law,
Technology & the Arts
TIMOTHY J. O'HEARN, *Adj. Professor*
CASE WESTERN RESERVE
UNIVERSITY SCHOOL OF LAW
11075 East Blvd.
Cleveland, OH 44106

CRISTOPHER SKLARIN, *President*
OHIO VENTURE ASSOCIATION
1120 Chester Ave. #470
Cleveland, Ohio 44114

Respectfully submitted,

/s/ Bryan A. Schwartz
STEVEN M. AUVIL
BRYAN A. SCHWARTZ
SQUIRE, PATTON BOGGS (US) LLP
2550 M Street Northwest
Washington, DC 20037
(202) 457-6000

PETER K. HESS
RUDOLF TESCHEMACHER
BARDHELE PAGENBERG
Prinzregentenplatz 7
81675 München, Germany
+49.(0)89.928 05-571

TIMOTHY J. O'HEARN
2555 Coventry Road
Shaker Heights, OH 44120
(216) 272-3152

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

CERTIFICATE OF SERVICE

I certify that I served a copy on counsel of record on October 5, 2016

by:

- U.S. Mail
- Fax
- Hand
- Electronic Means (by E-mail or CM/ECF)

Bryan A. Schwartz

/s/ Bryan A. Schwartz

Name of Counsel

Signature of Counsel

Law Firm

Squire Patton Boggs (US) LLP

Address

2550 M Street Northwest

City, State, Zip

Washington, DC 20037

Telephone Number

(202) 457-6000

Fax Number

(202) 457-6315

E-Mail Address

bryan.schwartz@squirepb.com

NOTE: For attorneys filing documents electronically, the name of the filer under whose log-in and password a document is submitted must be preceded by an "/s/" and typed in the space where the signature would otherwise appear. Graphic and other electronic signatures are discouraged.

Reset Fields

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.

/s/ Bryan A. Schwartz

BRYAN A. SCHWARTZ

*Counsel for Amici Curiae Case Western
Reserve University School of Law
Intellectual Property Venture Clinic and
the Ohio Venture Association*