

## INTELLECTUAL PROPERTY LITIGATION

## Expert Analysis

# Claim Amendments: Who Should Bear The Burden of Proving (Un)patentability?

Inter Partes Review proceedings before the Patent and Trademark Office are once again at the forefront of intellectual property litigation.

The 2011 America Invents Act allows a patent owner to seek leave from the Patent Trial and Appeal Board to amend one or more of the claims that are challenged in an IPR, including substituting new claims instead of those that are challenged. Thus far, this ability exists more in theory than in practice: The PTO calculated that as of April 2016, the PTAB had granted only six out of 118 motions to amend patent claims. PTO, “Patent Trial and Appeal Board Motion to Amend Study” 4 (April 30, 2016).

Under existing PTO regulations, the patent owner must prove that its proposed substitute claims are patentable. On December 9, the Federal Circuit heard oral argument en banc to decide whether the PTO properly placed that burden on the patent owner, or whether the IPR petitioner should instead bear a burden to prove that the proposed new claims are unpatentable. See *In re Aqua Products*, No. 2015-1177 (Fed. Cir. argued Dec. 9, 2016).

Given the infrequency with which patent owners succeed in amending or substituting for challenged claims, shifting the burden of proving (un)patentability to the petitioner might have a significant effect



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on IPR practice. We therefore report here on the pending appeal in *Aqua Products* and the current state of the law, and we offer suggestions for practitioners.

### Amendment During an IPR

*Aqua Products* involves the intersection of several statutes and regulations.

The first are those governing motions to amend claims during an IPR proceeding. Subsection 316(d), “Amendment of the Patent,” expressly allows the patent owner to file a motion proposing “a reasonable number of substitute claims” for each challenged claim. 35 U.S.C. §316(d)(1). The proposed amended claims must be narrower than the cancelled claims: “An amendment under this subsection may not enlarge the scope of the claims of the patent or introduce new matter.” Id. §316(d)(3). Congress also delegated rulemaking authority to the PTO to establish “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 ...” Id. §316(a)(9). In response, the PTO promulgated a regulation providing that a motion to amend the patent “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).

Second, in the AIA, Congress also placed the burden of proving unpatentability on the petitioner: “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. §316(e).

Third, consistent with its pre-AIA general motion-practice regulations, the PTO promulgated a regulation that allocates the burden of proof to the moving party: “Burden of proof. The 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 Patent Trial and Appeal Board initially interpreted the PTO’s regulations as placing the burden on the patent owner, as movant, to establish that the proposed substitute claims are patentable. *Idle Free Sys. v. Bergstrom*, IPR2012-00027, 109 U.S.P.Q. 2d 1443 (PTAB Jan. 7, 2014). And a subsequent precedential order created a burden-shifting paradigm, in which the patent owner must first make out a prima facie claim of patentability, and must ultimately prove patentability, but the petitioner may attempt to rebut the patent owner’s showing:

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Once Patent Owner has set forth a prima facie case of patentability of narrower substitute claims over the prior art of record, the burden of production shifts to Petitioner. In its opposition, Petitioner may explain why Patent Owner did not make out a prima facie case of patentability, or attempt to rebut that prima facie case ... The ultimate burden of persuasion remains with Patent Owner, the movant, to demonstrate the patentability of the amended claims.

*MasterImage 3D v. RealD*, IPR2015-00040, 2015 WL 4383224 (PTAB July 15, 2015).

Several Federal Circuit panel decisions, including the panel decision in *Aqua Products*, upheld the PTAB's interpretation of the PTO rules. See *In re Aqua Products*, 823 F.3d 1369, 1373 (2016), vacated, 833 F.3d 1335 (Fed. Cir. 2016); *Nike v. Adidas AG*, 812 F.3d 1326, 1333-34 (Fed. Cir. 2016); *Prolitec v. Scentair Techs*, 807 F.3d 1353, 1363 (Fed. Cir. 2015). Not all of those decisions were unanimous, however. Judge Pauline Newman dissented in *Prolitec* and would have held that Congress's allocation to the petitioner of the burden of proving a proposition of unpatentability applies to proposed amended claims as well as to the existing, challenged claims. See *Prolitec*, 807 F.3d at 1366-67 (Newman, J., dissenting).

### Pending En Banc Appeal

*Aqua Products* is about automated swimming-pool cleaners, the devices that travel along the bottom of a swimming pool, often on wheels, propelled by water jets or motors. When several of its patent claims were challenged in an IPR proceeding, Aqua Products moved to substitute the challenged claims with different, narrower claims. The PTAB denied Aqua Products's motion to amend the claims, finding that Aqua Products did not meet its burden to prove the patentability of its proposed substitute claims.

On appeal, the Federal Circuit panel held that in light of the prior panel decisions in *Prolitec* and *Nike*, it "cannot

revisit the question of whether the Board may require the patentee to demonstrate the patentability of substitute claims over the art of record." *Aqua Products*, 823 F.3d at 1373.

The Federal Circuit then vacated the panel's decision and called for en banc review to decide whether the PTO may require the patent owner to bear the burden of proving the patentability of proposed amended claims, and also whether the PTAB may sua sponte raise patentability challenges to the proposed new claims if the petitioner either does not oppose the new claims or does so inadequately, in the PTAB's judgment.

*Aqua Products*, supported by amici from the pharmaceutical industry among others, argued that the patent owner should have to prove only the thresh-

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old questions, namely that the proposed new claims respond to a question of patentability raised in the IPR, do not expand the scope of the claims, do not introduce new matter, and that the petitioner should otherwise bear the burden of disproving patentability. If the petitioner does not oppose the new claims, they should issue as a matter of course.

The PTO intervened, to argue in support of the existing rules and to defend the PTAB's right to reject new claims as unpatentable even where the petitioner does not challenge them.

Eleven judges of the full court heard oral argument on Dec. 9, 2016. While the audio reveals no clear consensus, and predicting Federal Circuit decisions from oral argument is always perilous, the questions to both sides were pointed and frequent.

### Guidance for Practitioners

While the bar waits to find out who will bear the burden of proving (un)patentability

in future IPR proceedings, there is still some useful guidance to be gleaned from the existing body of decisions on motions to amend. See, e.g., *Shin Fu Co. of Am. v. The Tire Hanger*, IPR2015-00208 (PTAB April 22, 2016); *Int'l Flavors & Fragrances v. United States*, IPR2013-00124, 2014 WL 12558344 (PTAB May 20, 2014); *Toyota Motor v. American Vehicular Sci.*, IPR2013-00419, 2014 WL 1691619 (PTAB March 7, 2014).

Even if *Aqua Products* ultimately shifts to the petitioner the burden of disproving the patentability of proposed new claims, the patent owner is likely to retain the burden of proving that the new claims are narrower and do not introduce new subject matter. To that end, a patent owner moving to substitute new claims should consider addressing these issues:

- How the features added by the proposed claims serve to narrow those claims;
- Where those new features find support in the existing patent specification and/or priority documents;
- The extent to which the proposed new features were previously known, alone or in combination with other claim elements; and
- Proposed claim constructions for any new claim terms, including any asserted plain and ordinary meaning.

Finally, if the patent owner no longer has to prove patentability after the decision in *Aqua Products*, patent owners will still want to consider whether to address patentability in the motion to amend as a matter of litigation strategy, rather than as a requirement.