

In re Aqua Products: Claim Amendments During Inter Partes Review

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The Court of Appeals for the Federal Circuit [recently granted a petition to rehear *en banc* a decision by the Patent Trial and Appeal Board](#) (Board) to deny entry of substitute claims in an *inter partes* review. The questions on appeal go to basic fairness in the patent system and may affect the strength of almost any issued patent.

The questions presented for appeal in *In re Aqua Products* are:

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

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

Inter partes review was created as part of the [America Invents Act](#) (AIA) of 2011. It [enables anyone to challenge the validity of granted patents](#) for lack of novelty or nonobviousness on the basis of prior art patents or printed publications, so long as the challenged patent has been granted for at least nine months and is not subject to post-grant review. In [35 U.S.C. § 316](#), which dictates the conduct of *inter partes* review, it is provided that the patent owner may file one motion to amend the patent by canceling any patent claim challenged by the petitioner, or to propose, for each challenged claim, a reasonable number of substitute claims. Any substitute claim must not enlarge the scope of the claims of the patent or introduce new matter.

Included among the regulations prescribed by the United States Patent and Trademark Office (PTO) is a requirement under [37 C.F.R. § 42.20\(c\)](#) that a “*moving party* has the burden of proof to establish that it is entitled to the requested relief.” (Emphasis added.) According to [37 C.F.R. § 42.121\(a\)](#), the “patent owner may file one motion to amend the patent, but only after conferring with the Board,” and, under subsection (2), the motion to amend may be denied where “the amendment does not respond to a ground of unpatentability involved in the trial” or “seeks to enlarge the scope of the claims of the patent or introduce new matter.” Additional clarification has been provided in the [Federal Register](#), which states that a first motion by the patent owner “will be entered so long as it complies with the timing and procedural requirements,” but cautions that “[a]ll motions to amend, even if entered, will not result automatically in entry of the proposed amendment into the patent.”

The requirements of a patent owner attempting to amend claims in an *inter partes* review, however, do not stop with the Federal Register. In 2013, the Board in *Idle Free Systems v. Bergstrom*¹ stated that, for

¹ Case IPR 2012-0027 (JL) (June 11, 2013).

each proposed substitute claim, the patent owner in all circumstances must, “make a showing of patentable distinction over the prior art.” Further, the Board stated that, with respect to any substitute claim, “the burden is not on the petitioner to show unpatentability, but on the patent owner to show patentable distinction over the prior art of record and also prior art known to the patent owner.” According to the Board, a “representation should be made about the specific technical disclosure of the closest prior art known to the patent owner, and not just a conclusory remark that no prior art known to the patent owner renders obvious proposed substitute claims.” Following *Idle Free*, the PTO stated in its “[AIA Blog](#)” that “a patent owner should, with respect to each claim feature added by amendment, discuss what it knows [about] what was previously known about the feature and about the level of ordinary skill in the art,” emphasizing that “the patent owner should explain why the claim feature added by amendment, in combination with all the other features of the claim, would not have been obvious to a person of ordinary skill at the time of the invention, in light of the knowledge and skill level of the person of ordinary skill in the art.”

In *Ariosa Diagnostics v. Isis Innovation Ltd.*,² the Board stated that, “*inter partes* review is neither a patent examination proceeding nor a patent reexamination proceeding,” and that, because “the proposed substitute claims will be added directly to the patent, without examination, if the patent owner’s motion is granted,” the “patent owner, as the movant, bears the burden of establishing the patentability of the proposed substitute claims.” That burden, at least in *Ariosa*, extended beyond responding to each “ground of unpatentability involved in the trial [by the Board],” as set forth in the rules, to other bases for unpatentability, which, in this case, was a holding of ineligibility under [35 U.S.C. § 101](#) in *Ariosa Diagnostics v. Sequenom*.³ Subsequent cases heard by the United States Court of Appeals for the Federal Circuit (Federal Circuit) have affirmed the position of the PTO that the patent owner bears the burden of establishing patentability, even if that burden extends beyond responding to each ground of unpatentability involved in the trial.”⁴

In *Aqua Products*, the patent owner proposed substitute claims that added four additional features to claims directed to a robotic pool cleaner. Those additional limitations were a “vector limitation;” a “directional movement limitation;” a “four wheel limitation;” and a “filtered water limitation.” In support of the substitute claims, the patent owner, Aqua, only argued the vector limitation. The Board held that the vector limitation would have been obvious in view of the prior art and, “without analysis or evidence that the limitations were within the ordinary skill,” dismissed the other three additional features of the proposed substitute claims. The Federal Circuit affirmed the decision by the Board, finding that there was no abuse of discretion in “failing to evaluate objective indicia of non-obviousness and various new limitations in the proposed claims” because Aqua “did not argue that those indicia and limitations distinguish the proposed claims over the combination” of references put forward in the petition for *inter partes* review.

As stated by the PTO, a decision to enter substitute claims is not an examination proceeding, and such claims upon entry are “added directly to the patent.” However, substitute claims are, [by statute](#), no

² Case IPR 2012-0002 (Sept. 2, 2014).

³ Nos. 3:11-CV-0639-SI, 3:12-CV-00132 SI (N.D. Cal.)

⁴ See, e.g., *Microsoft Corp. v. Proxycorn, Inc.* (“At the threshold, we agree with the Director that [§ 42.121\(a\)\(2\)](#) is not an exhaustive list of grounds upon which the Board can deny a motion to amend.”), *Prolitec, Inc. v. Scenair Technologies, Inc.* (“We conclude that the PTO’s approval is a reasonable one at least in a case, like this one, in which the Board’s denial of the motion to amend rested on a merits assessment of the entire record developed on the motion, not just on the initial motion itself.... Evaluating the substitute claims in light of this prior art helps to effectuate the purpose of IPRs to ‘improve patent quality and limit, unnecessary and counterproductive litigation costs.’”), and *Nike, Inc. v. Adidas AG* (“Thus, the Board did not err by placing the burden on Nike to establish patentability over the prior art of Nike’s proposed substitute claims.”)

broader than the issued claims they replace and include no new matter. Therefore, by denying entry of substitute claims without explanation, the Board and the Federal Circuit are deciding patentability in *inter partes* review proceedings without having to establish a *prima facie* case, as would normally be the case during prosecution prior to issuance.⁵ An apparent consequence is that the requirements imposed by the PTO, either as rules under the Code of Federal Regulations, as explanations of those rules in the Federal Register, or in subsequent decisions by the Board and Federal Circuit, seem to have stymied the vast majority of movants to-date. As of April 30, 2016, [only six of 118 motions to amend claims have been granted](#).

Overall, the question is one of fairness to patent owners. According to the language of [35 U.S.C. § 316](#), entry of a “reasonable number of substitute claims” that do not enlarge the scope of the claims or add new matter, are permitted absent additional regulations prescribed by the Director. As stated by Aqua in its petition for rehearing *en banc*, even upon such entry, the petitioner is provided the opportunity to “attempt throughout the rest of the trial to prove unpatentability as required by [§ 316\(e\)](#).” However, very few motions to amend patents to substitute claims under [35 U.S.C. § 316\(d\)](#) get to the point in the proceedings where the petitioner would even face that issue.

Challengers already have advantages over patent owners in an *inter partes* proceeding relative to litigation. For example, the validity of claims is more susceptible to invalidation over prior art because they are [interpreted according to their “broadest reasonable construction,”](#) as opposed to the “[Phillips standard](#)” for issued claims of what a normal person having ordinary skill in the art would understand. Further, the burden of proof for a third-party challenger in an *inter partes* review is not the standard of “clear and convincing evidence” required by a defendant seeking to invalidate an issued patent in court, but rather [a much lower standard of a “preponderance of the evidence.”](#) If, after rehearing *Aqua Products*, the Federal Circuit upholds the current position of the PTO mandating that a patent owner must bear the burden of production or persuasion of patentability in any attempt to amend claims, then the burden on patent owners becomes that much greater. The same holds true if the Federal Circuit decides that the PTO can *sua sponte* challenge substitute claims.

The AIA gives broad latitude to the Director of the PTO to prescribe regulations for conducting an *inter partes* review, but also requires that the PTO consider “[the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.](#)” All of these factors should be given careful thought by the Federal Circuit in its review of the current requirements placed on a patent owner’s motion to amend a patent in an *inter partes* review. As stated by Judge Newman in her dissent in another recent case, *Prolitec, Inc. v. Scentair Technologies*, “[the purpose . . . is not to stack the deck against the patentees, but to achieve a correct and reliable result -- for innovative enterprise is founded on the support of a system of patents.](#)”⁶ In the effort to identify “the worst patents, which probably should never have been issued,” as suggested in the legislative history of the AIA,⁷ the owners of the remaining, valid patents should not be forced to disproportionately bear the cost of that effort.

⁵ See, e.g., *In re Oetiker*, (“If examination at the initial stage does not produce a *prima facie* case of unpatentability, then without more the applicant is entitled to grant of the patent.”)

⁶ *Id.* at 1371 (J. Newman, dissenting).

⁷ [157 CONG. REC. S7413](#) (daily ed. Nov. 14, 2011) (Statement of Sen. Kyl) (reading into the Record a letter from Lamar Smith, Chair of the House Judiciary Committee), as cited by Gregory Dolan, M.D., *Dubious Patent Reform*, 56 B.C.L. REV. 881 (2015).