

No. 2015-1177

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

In re Aqua Products, Inc.,

*Appellant*

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

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**BRIEF OF AMICUS CURIAE  
AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION  
IN SUPPORT OF NEITHER PARTY**

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**CERTIFICATE OF INTEREST**

In accordance with FED. CIR. R. 47.4 and FED. R. APP. P. 26.1, counsel for Amicus Curiae American Intellectual Property Law Association certifies the following:

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.

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

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Date: October 4, 2016

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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.<sup>1</sup> AIPLA’s only interest is in seeking correct and consistent interpretation of the law as it relates to intellectual property issues.<sup>2</sup>

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<sup>1</sup> 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.

<sup>2</sup> 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.<sup>3</sup> In over 70% of the cases that have gone to final written decision, the PTAB has cancelled all of the

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<sup>3</sup> 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.<sup>4</sup> 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.*

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<sup>4</sup> 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.”<sup>5</sup>

**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

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<sup>5</sup> 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

Respectfully submitted,

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**CERTIFICATE OF FILING AND SERVICE**

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).

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