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Intellectual Property ADVISORY

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Federal Circuit Shifts Burden of Demonstrating Patentability for Amended Claims in Post-Grant Proceedings

Since the enactment of the America Invents Act (AIA), the USPTO's Patent Trial and Appeal Board (PTAB) has required patent owners to bear the burden of proving the patentability of substitute claims in post-grant motions to amend. In *Aqua Products Inc. v. Matal*, the Federal Circuit, sitting en banc, held that the PTAB cannot place the burden of persuasion on the patent owner for proposed substitute claims.

Background

Post-grant proceedings—including inter partes reviews (IPRs), post-grant reviews (PGRs), and covered business methods reviews (CBMs)—were introduced in 2012 under the AIA as procedures for challenging the validity of issued patent claims. However, during the course of a post-grant proceeding, the patent owner has the option of proposing a reasonable number of substitute claims for each of the challenged claims by filing a motion to amend. With that motion, the patent owner can attempt to amend the challenged claims to avoid prior art or resolve issues that might otherwise render the patent invalid.

Relying on its general rule that a moving party bears the burden of persuasion, the PTAB has placed the burden of demonstrating the patentability of proposed substitute claims on the patent owner. In other words, while the petitioner bears the burden of proving that an original patent's challenged claims are invalid, the burden is shifted to the patent owner for proving the patentability of substitute claims. The Federal Circuit has, on numerous occasions, upheld the PTAB's motion to amend practices. Both in the context of IPRs and other post-grant proceedings, patent owners have faced difficult odds for obtaining substitute claims, with only 5% of motions to amend being granted, as indicated in the USPTO's most recent motion to amend study.

Aqua Products

In *Aqua Products*, the patent owner sought to amend three claims during an IPR to include limitations found in claims that were not being challenged. However, during the IPR proceeding, the PTAB ruled that the patent owner had not shown that the amended claims were patentable over the prior art, and refused to allow the amendment. The PTAB did not engage in a novelty or obviousness analysis in rejecting the amendment and instead focused on whether the patent owner had sufficiently shown that the claims were patentable over the prior art.

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On appeal, the Federal Circuit initially affirmed the PTAB's decision, but subsequently decided to review the case en banc. In a sharply divided ruling, the Federal Circuit held that the burden of showing the patentability of proposed substitute claims cannot be properly allocated to the patent owner.

In the precedential portion of the ruling, the court held that "(1) the PTO has not adopted a rule placing the burden of persuasion with respect to the patentability of amended claims on the patent owner that is entitled to deference; and (2) in the absence of anything that might be entitled deference, the PTO may not place that burden on the patentee." Although the USPTO has adopted regulations allocating the burden of persuasion to the patent owner, the current regulations were not subject to a formal notice and comment rule-making process, and accordingly were not given deference by the court. While the precedential portion of the decision is limited, Judges O'Malley, Newman, Lourie, Moore, and Wallach, writing in concurring opinions, would have gone further, affirmatively allocating the burden of persuasion to the petitioner to show unpatentability for all aspects of the IPR.

In remanding back to the PTAB, the Federal Circuit only went so far as to state that the USPTO may not allocate the burden of persuasion of replacement claims to the patent owner in all pending IPRs "unless and until the Director engages in notice and comment rule-making." While the Federal Circuit could subsequently review the validity of a rule promulgated from such notice and comment rule-making, the Federal Circuit has explicitly left the door open for the USPTO to reallocate the burden of persuasion for replacement claims back to the patent owner.

Takeaway

The long-term impact of *Aqua Products* will likely depend on the reaction of the USPTO, particularly whether the USPTO decides to engage in a formal rule-making process on the burden of persuasion of the patentability of substitute claims. Furthermore, the fractured nature of the opinion in *Aqua Products* could make this issue an attractive candidate for Supreme Court review. However, for the time being, *Aqua Products* could improve the odds for patent owners pursuing motions to amend in post-grant proceedings.

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