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***Aqua Products* Sparks Drastic Uptick in Motion to Amend Filings**



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Unlike district court litigation, post-grant proceedings before the Patent Trial and Appeal Board (PTAB) afford patent owners the opportunity to amend any challenged patent claims. By filing a motion to amend during the pendency of a proceeding, patent owners may persuade the board to either: (1) cancel any challenged claims, or (2) replace any challenged claim with a substituted claim.

Though intended to provide patent owners with a level playing field, motions to amend have rarely been

granted, largely due to a U.S. Patent and Trademark Office (PTO) rule that imposed on patent owners the burden of proving that the amending claims are patentable over the prior art. This changed with the U.S. Court of Appeals for the Federal Circuit's *Aqua Products* decision, which held that patent owners no longer bear the burden of demonstrating the patentability of the proposed claim amendments.

Following *Aqua Products*, many stakeholders anticipated at least a modest—if not substantial—rise in the success rate for motions to amend, as evidenced by the dramatic increase in motion filings. This article examines the PTAB's claim amendment practice both before and after *Aqua Products*, and recommends practices to help navigate the present uncertainty and prepare for change.

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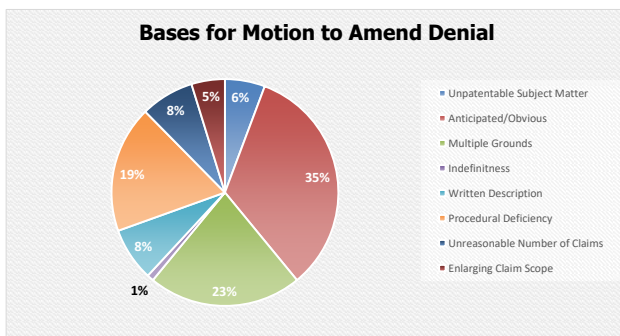
Prior Treatment of Motions to Amend

When Congress passed the Leahy-Smith America Invents Act (AIA) in 2011, it created post-grant proceedings, including inter partes review (IPR), as quick and cost-effective mechanisms for challenging the validity of patent claims before the PTO. To that end, Congress delegated rulemaking authority to the PTO, authorizing the agency to promulgate procedural rules for conducting post-grant proceedings. Despite issuing formal regulations, the PTO opted not to set forth any rules for motions to amend.

Lacking formal guidance, the PTAB eventually issued rulings significantly restricting the ability to amend challenged claims. For instance, in a 2013 decision designated as “informative,” the board held that patentees seeking to amend claims bear the burden to establish a “patentable distinction over the prior art of record and also prior art known to the patent owner,” including “the specific technical disclosure of the closest prior art known to the patent owner.” *Idle Free Sys. v. Berg-*

strom, IPR2012-0027, Paper 26 at 7 (P.T.A.B. June 11, 2013) (emphasis added) (disclosure: Morgan Lewis represented Bergstrom in this proceeding). The board later clarified that “the burden is on the patent owner, as the moving party, to show that its proposed claims are patentable” by distinguishing them from “the art of record, and the art Patent Owner is aware of and deems sufficiently material to place into the record to satisfy its duty of candor and good faith.” *MasterImage3D, Inc. v. RealD Inc.*, IPR2015-00040, Paper 85 at 55 (P.T.A.B. April 14, 2016).

Unsurprisingly, these rules gave patent owners little reason to hope—and petitioners little reason to fear—that a motion to amend would be granted. In fact, a 2016 study conducted by the PTO found that only six motions to amend had been granted. According to the study, the majority of the motions (81 percent) were denied because the proposed claim amendments were not shown to be patentable. The remaining motions were denied for procedural deficiencies.



Regardless of the particular reason for denial, the board’s low grant rate had deterred patent owners from filing motions to amend. Facing a dismal success rate, patent owners often opted not to file a motion to amend that, in essence, conceded the unpatentability of the original claims. Indeed, in the same time period as the 2016 study, patent owners only filed a motion to amend in 12 percent of all completed trials, and only 5 percent of all pending trials.

The inability to circumvent the prior art through claim amendments made post-grant proceedings a particularly effective tool for invalidating patent claims. By 2016, the PTAB was finding claims unpatentable at rates far exceeding the historical trends in district court litigation or pre-AIA proceedings before the PTO. This increased unpatentability rate led some patentees to question whether certain PTO policies and practices, including its treatment of motions to amend, had artificially contributed to the PTAB’s high unpatentability rate.

Aqua Products and Its Impact on Motions to Amend

The low filing and grant rate for motions to amend continued until Oct. 4, 2017, when the Federal Circuit, sitting en banc, issued its opinion in *Aqua Prods., Inc. v. Matal*, 872 F.3d 1290 (Fed. Cir. 2017). Judge Kathleen M. O’Malley, writing for the majority, held that “the PTO may not place that burden on the patentee,” *id.* at 1327, because the AIA’s statutory language “unambigu-

ously requires the petitioner to prove all propositions of unpatentability, including for amended claims,” *id.* at 1296. According to the majority, the PTO’s basis for construing claims under the broadest reasonable interpretation (BRI) standard was predicated on the patent owner’s ability to amend any challenged claims during post-grant proceedings. *Id.* at 1298. As such, the PTAB was instructed to “consider the entirety of the record before it when assessing the patentability of the amended claims.” *Id.* at 1296.

Taking its cue from the majority, the PTO issued Nov. 17, 2017, a “Guidance on Motions to Amend in view of *Aqua Products*” to the board, which explicitly forbids the PTAB from “plac[ing] the burden of persuasion on a patent owner with respect to the patentability of substitute claims presented in a motion to amend.” Instead, upon receiving a procedurally-compliant motion to amend, the board will now determine whether the substituted claims are unpatentable by a preponderance of the evidence based on the entirety of the record, including any petitioner opposition. Unless the evidence weighs in favor of finding the claims unpatentable, the board must grant the motion to amend.

Sensing a turn in the tide, patent owners have begun filing motions to amend at unprecedented rates. Before *Aqua Products*, patentees on average filed roughly six motions to amend each month. That number has since jumped to 15, with 21 motions to amend filed in November 2017 alone.

Since *Aqua Products*, and as of the writing of this article, the PTAB has only ruled on the merits of eight motions to amend to substitute claims. Of those eight motions, however, all but one was denied. The grounds for denial include that the substitute claim lacked written description support, that it enlarged the scope or introduced new matter, or that it was unpatentable as obvious.

Nevertheless, the dramatic uptick in filing rates suggests that patentees are laying odds that the PTAB will more readily permit claims amendments. Time alone will tell whether their renewed optimism will be rewarded.

Future Implications

The current uncertainty surrounding the PTAB’s claim amendment practice creates both risks and opportunities. Although *Aqua Products* appears to have made it easier to amend challenged claims during IPRs or other post-grant proceedings, its full impact has yet to be seen. Until then, patent owners and petitioners should take practical steps to navigate the present uncertainty and prepare for this change.

For one, patent owners can increase the success rate of a motion to amend by ensuring that it complies with all statutory requirements, such as identifying specification support for each proposed amendment. Where support in the specification is questionable, patent owners may be better off defending the existing claims and, if available, pursuing narrower claims in a continuation. Simply put, patent owners should not expect the PTAB to examine their proposed amendments with any less scrutiny after *Aqua Products*.

Conversely, petitioners can successfully oppose any motions to amend by pointing out any procedural defects or evidentiary failings. Although petitioners must now present stronger, more persuasive evidence of un-

patentability, they can still defeat a motion to amend on procedural grounds, including any proposed amendments that either enlarge the scope of the claim, or do not respond to an unpatentability ground asserted in the petition. Otherwise, petitioners should consider focusing on shoring up strong evidence of unpatentability.

Looking ahead, PTO rulemaking will most likely be needed to clarify the ambiguities surrounding motions to amend. Although the Nov. 17 guidance makes clear that patent owners no longer bear the burden of demonstrating the patentability of the proposed claim amendments, it fails to address a number of issues created by the burden being shifted to petitioners. As one example, it is still unclear what initial burden of produc-

tion patent owners have in the motion-to-amend brief. Is patent owner's burden of production limited to meeting the requirements of 37 C.F.R. § 42.121? Or does the burden of production also include showing patentable distinctions of proposed substituted claims over prior art of record and prior art known to the patent owner?

Another issue that deserves discussion is whether petitioners, who now bear the burden of proof, should be permitted to file a sur-reply brief and have the last word, as they do in AIA proceedings generally. The notice-and-comment requirements of the rulemaking process would be one way to inform stakeholders of the PTO's views regarding the procedural aspects of motions to amend.