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Federal Circuit Concludes that PTAB Not Justified in Placing Burden of Persuasion on Patent Owners When They Seek to Amend Claims in Inter Partes Review

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After several months of consideration, the U.S. Court of Appeals for the Federal Circuit sitting *en banc* in *Aqua Products, Inc. v. Matal* has concluded that, under the current rules, the U.S. Patent and Trademark Office is not justified in placing the burden of persuasion on patent owners when they seek to amend claims in *inter partes* review. A majority, consisting of seven of the eleven judges sitting *en banc*, reached the narrow consensus that the USPTO has not adopted any rule entitled to deference that adequately defines the burden with respect to patentees seeking to amend claims in *inter partes* review. In the absence of any rule or PTAB decision that might be entitled deference, the majority concluded that the USPTO may not place that burden on the patentee at this time. While leaving many questions unanswered, the Court unanimously rejected the USPTO's justification that the statute places the burden on the patentee because amendments must be sought by "motion." The majority also held that the PTAB must consider the entirety of the record when assessing the patentability of amended claims in rendering its final written decision, and must justify any conclusions of unpatentability for such claims based on that record. It is not enough to rely only on the motion to amend. Finally, the Court left for another day the issue of whether the PTAB can, *sua sponte*, raise patentability challenges to an amended claim.

Prior decisions that have endorsed the USPTO's practice of placing the burden of persuasion on the patent owner under its current rules have been overruled to the extent that they are inconsistent with the majority's holding in *Aqua Products*. These prior decision are *Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292 (Fed. Cir. 2015), *Prolitec, Inc. v. ScentAir Techs., Inc.*, 807 F.3d 1353 (Fed. Cir. 2015) (petition for reh'g pending), *Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309 (Fed. Cir. 2016), and *Nike, Inc. v. Adidas AG,* 812 F.3d 1326 (Fed. Cir. 2016). The majority also held that the PTAB's non-binding decisions in *MasterImage 3D, Inc. v. RealD Inc.*, No. IPR2015-00040, 2015 WL 10709290 (P.T.A.B. July 15, 2015) and *Idle Free Sys., Inc. v. Bergstrom, Inc.*, No. IPR2012-00027, 2013 WL 5947697 (P.T.A.B. June 11, 2013) were not entitled to either *Chevron* or *Auer* deference and thus are

presumably also overruled to the extent they stand for placing a burden of persuasion on patent owners seeking to amend.

In closing, the majority instructs the PTAB how to proceed on remand in *Aqua Products* and provides broader guidance on how to proceed in other cases impacted by its holding. First, with respect to the remand in *Aqua Products*, the Court instructs the PTAB "to issue a final decision assessing the patentability of the proposed substitute claims without placing the burden of persuasion on the patent owner." Slip. Op. 65-66. Second, the Court directs that PTAB to follow this same practice in all pending *inter partes* review proceedings "unless and until the Director engages in notice and comment rulemaking." Slip Op. at 66. The court then suggests that it will decide if any later practices adopted by the USPTO regarding amendments are valid. Last, the PTAB must consider the entire record when making its decision on patentability.

As a practical matter, the outcome of *Aqua Products* suggests that amendment practice in *inter partes* review may become relatively easier in the short term. It is unclear, however, whether the narrow holding gives the USPTO express leeway to regulate further on this issue. As suggested by the divisions within the *en banc* Court, the future of amending claims will continue to be an evolving and dynamic aspect of post-grant proceedings. And a great deal can be learned from the detailed analysis set forth in the many pages of these thoughtful opinions.

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