

Fed Circ. Could Make Claim Amendment In AIA Reviews Easier

By **Matthew Bultman**

Law360, New York (December 8, 2016, 8:47 PM EST) -- One of the more contentious topics in patent law of late will be in front of the Federal Circuit on Friday when the full court hears arguments involving an Aqua Products pool cleaner patent, which the company previously asserted in litigation, that could make it easier for patent owners to amend their claims in America Invents Act reviews.

Aqua Products Inc. is challenging the Patent Trial and Appeal Board's rule that patent owners in AIA reviews have the burden of proving that their proposed amended claims are patentable. The company argues it should be up to the party that challenged the patent to prove that the new claims are not patentable.

The case is being closely watched by patent owners, who often complain the board has made securing claim amendments almost impossible. If the Federal Circuit sides with Aqua Products, attorneys say it could make amending claims in AIA reviews a viable option.

"I would think that a shift in the burden would be a signal from the Federal Circuit to the board that they've been too restrictive in [amendment] petitions," said Rachel Elsby of Akin Gump Strauss Hauer & Feld LLP. "The logical extension of that would be that it will be easier to get amendments in."

Aqua Products' patent, which covers an automated swimming pool cleaner, was challenged at the PTAB by a company called Zodiac Pool Systems Inc. after Aqua Products filed an infringement lawsuit. The board later found that many patent claims were invalid, and denied Aqua Products' motion to amend.

The PTAB's decision was affirmed by a panel of Federal Circuit judges, before the court agreed in August to hear the case en banc.

For patent owners, amending claims can be a valuable tool for saving their patents from invalidity challenges. But securing such amendments in AIA reviews has been extremely rare since the proceedings became available in 2012, which many attribute, at least in part, to the burden of proof.

According to statistics the U.S. Patent and Trademark Office released in April, the board at that point had granted just six motions to amend and denied 112. As Aqua Products has noted in its briefing before the Federal Circuit, that's a failure rate of nearly 95 percent.

"Every time a party successfully amends, it makes the news because it's that rare," said Pauline Pelletier, an attorney with Sterne Kessler Goldstein & Fox PLLC.

How the Federal Circuit decides the case will likely hinge on its interpretation of two provisions in the AIA.

At one point, the law states that “the petitioner shall have the burden of proving a proposition of unpatentability,” but another section instructs the patent office to issue regulations “setting forth standards and procedures for allowing the patent owner to move to amend the patent.”

The USPTO, relying on the latter section, says the current rule is a valid exercise of its regulatory authority. It also contends that placing the burden on the patent owner reflects that the patent owner is in the best position to understand the prior art and how it relates to the proposed substitute claims.

The office has received the support of some in the computer and electronics industries. The Internet Association, for instance, joined with heavyweights like Dell, Vizio and Intel in a November amicus brief, arguing the rule furthers Congress’ desire to weed out bad patents.

“Requiring patent owners to bear the burden of persuasion regarding the patentability of proposed amended claims makes good sense,” the group wrote.

But critics, including groups in the biotechnology and pharmaceutical industries, argue the rule can’t be justified. One trade group, the Pharmaceutical Research and Manufacturers of America, said the USPTO’s interpretation “guts the right to amendment” and could stifle innovation.

“Everybody wants good-quality patents — that’s across the board,” said Finnegan Henderson Farabow Garrett & Dunner LLP’s James Barney, who represents Aqua Products. “Everybody wants a procedure that results in good patents and that if there are bad patents out there, everybody agrees that we should try to weed those out. But I think in this particular issue, this is about balance. Where is that balance?”

The case raises a second question that the full Federal Circuit will be forced to grapple with: whether the PTAB can raise patentability challenges to proposed amended claims on its own motion when the petitioner does not challenge patentability, or when the board thinks the challenge is inadequate.

This can be important in situations like the one that arose in Aqua Products, when Zodiac Pool Systems settled and was dismissed from the case before the motion to amend was resolved. Not surprisingly, Aqua Products and its supporters believe the PTAB should only decide patentability issues that are presented by the parties.

“The board cannot serve its adjudicatory function where it both advances and evaluates patentability arguments,” PhRMA wrote in its amicus brief.

Regardless of which way the Federal Circuit comes down on these issues, attorneys said it will be important to get guidance from the appeals court. But a ruling that comes down in favor of Aqua Products would create some changes at the PTAB.

With respect to the burden of proof, for instance, the long odds patent owners face in substituting claims in inter partes reviews have discouraged some from even attempting to pursue amendments. If the Federal Circuit were to shift the burden of proof to petitioners, patent owners might be more inclined to give it a try.

“Parties do come to [IPRs] with the grave reality that they are likely to lose claims if they get instituted,” Pelletier said, noting statistics that show a large number of final decisions result in claims being invalidated. “So, parties may be more willing to amend and would like that option if it is a viable option.”

The case is In re: Aqua Products Inc., case number 2015-1177, in the U.S. Court of Appeals for the Federal Circuit.

--Additional reporting by Ryan Davis. Editing by Philip Shea and Jill Coffey.

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