

Fed. Circ. Amendment Ruling Ups Patent Owners' AIA Odds

By Ryan Davis

Law360, New York (October 4, 2017, 10:00 PM EDT) -- Patent owners will have a better shot at amending patent claims in America Invents Act reviews and avoiding invalidity decisions under Wednesday's long-awaited Federal Circuit ruling, although attorneys said that amendments might still be a challenge to obtain.

In an en banc decision, the full appeals court discarded the U.S. Patent and Trademark Office's rule that when owners seek to amend their patents in AIA reviews, they have the burden of proving that the proposed new claims are patentable.

Instead, the petitioner challenging the validity of the patent has the burden of showing that the new claims are unpatentable, the court said. That significant shift in the law will shake up proceedings at the Patent Trial and Appeal Board, attorneys said.

The PTAB has to date granted very few requests by patent owners to amend their claims and stave off a finding that the patent is invalid. The difficulty of rebutting possible invalidity arguments about the new claims made amendments "almost impossible," said Jon Wright of Sterne Kessler Goldstein & Fox PLLC, so the change will be welcomed by patent owners.

"The bottom line is that this is going to make it easier and more palatable for patent owners to move to amend claims," he said.

The shift in the burden will likely lead to an uptick in the number of motions to amend that are filed and in PTAB decisions allowing amendments, said Andrew Williams of McDonnell Boehnen Hulbert & Berghoff LLP.

"This should result in a lot more claim amendments occurring in patents subject to inter partes review," he said. "Having the burden placed on the patent owner was pretty onerous, which is why you didn't see many amendments being granted."

The difficulty of amending claims has been one of many complaints patent owners have had about the AIA review process, which many see as slanted in favor of petitioners, and they still face challenges even with the burden now on petitioners. For one, it is unclear how much more frequently the PTAB will allow amendments under the new standard.

Amendments have been hard to come by, but the PTAB has found all or some of the challenged claims invalid in 82 percent of final AIA review decisions to date. Attorneys will be watching to see if proposed amended claims fare any better under the Federal Circuit's ruling.

"I speculate that we will see more amendments tried, but the outcome is harder to assess," said Eliot Williams of Baker Botts LLP.

When patent owners had the burden, the PTAB said in a report last year that it had denied 112 out of 118 motions to amend, and shifting the burden to petitioners does not mean those figures are going to flip, he said.

"We'll still have to wait and see how the merits of the amendments will be decided," he said.

Even with the burden shifted to petitioners, patent owners will still find it very difficult to amend claims, said Scott McKeown of Ropes & Gray LLP.

"This is a giant nothingburger in terms of practical applications," he said. "The problem with amendments has never been who had the burden."

Most proposed amended claims have been rejected because the board has found they are not distinguished from the prior art, he noted, and putting the burden on petitioners likely won't change that. "Ultimately, I'd expect amendments will still be shot down," McKeown said.

McDonnell Boehnen's Williams said that he expects the PTAB to allow more amendments than it has in the past, "but to what extent remains to be seen." In addition, other factors beyond the success rate could discourage patent owners from seeking to amend claims.

"Claim amendments might save the claim in the inter partes review, but could be detrimental to the patent owner in litigation," he said. "It might not be feasible for patent owners to attempt claim amendments in all situations."

Most patents challenged at the PTAB are also involved in infringement litigation, he noted. The doctrine of intervening rights shields accused infringers from liability if the claims of the patent are amended, which can potentially prevent the patent owner from recovering past damages.

"I'm not sure this decision is going to be the panacea patent owners are looking for," he said. "They still have the problem of intervening rights for any claim that is amended."

The risk of losing the ability to collect past damages due to intervening rights means that "amendments are never going to be popular, no matter how much they tweak it," McKeown said.

Baker Botts' Williams said that even with those risks, patent owners will seek amendments under the new rules when they see an advantage.

"Most people didn't go down the amendment path unless their back was against the wall. It was only used when you were really in a bind and thought you were going to lose," he said. "Now it will be more strategic."

As patent owners and petitioners game out how to apply the new standard in practice, the USPTO will

likely have to take steps soon to address the Federal Circuit's ruling.

"There are lots of procedural fairness hurdles the board will have to ensure are met," Wright said.

For instance, now that the burden is placed on petitioners on amendments, the board may have to give petitioners more time or a greater number of pages to respond to motions to amend. Fairness would also suggest that petitioners get the last word, which is given to the patent owner under current rules.

The current briefing schedule "is not appropriate to handle this," said Wayne Stacy of Baker Botts, who noted that since the court's ruling takes effect immediately, "the board has to figure this out quickly in active, ongoing cases."

The Federal Circuit's decision also left open the possibility that the USPTO could seek to effectively undo the ruling by setting formal rules to put the burden back on patent owners, which would then have to be reviewed by the appeals court. Attorneys will be closely watching to see if the patent office goes that route.

"The decision today seems to be a repudiation of the patent office, but it does not foreclose its ability to regulate further in this space," said Pauline Pelletier of Sterne Kessler.

The Federal Circuit's 148-page opinion clearly showed that the court wants to pay close attention to the amendment issue and that it generated some very strong opinions, she said, adding, "We can only wait and see what happens next."

The case is *In re: Aqua Products Inc.*, case number 15-1177, in the U.S. Court of Appeals for the Federal Circuit.

--Editing by Jill Coffey.