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AQUA PRODUCTS: The Federal Circuit Shifts The Burden of Proof On Amending Claims During An IPR From The Patent Owner To The Petitioner

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The United States Court of Appeals for the Federal Circuit's recent decision in ***Aqua Products Inc., v. Matal*** materially changes the burden of proof associated with the patentability of amended claims during an *inter partes* review ("IPR"), shifting the burden from the Patent Owner seeking the amendment to the IPR Petitioner opposing it.

Prior to the *Aqua* decision, if a Patent Owner sought to amend claims during an IPR, the Patent Trial and Appeals Board (the "Board") placed the burden on the Patent Owner to prove that the proposed amended claims were patentable. When Patent Owner Aqua attempted to amend its claims during an IPR challenge to its U.S. Patent No. 8,273,183, the Board found that Aqua had not met its burden and denied Aqua's motion to amend.

On appeal, the Federal Circuit initially "upheld the Board's approach of allocating to the patentee the burden of showing that its proposed amendments would overcome the art of record." Aqua petitioned the Board's decision for *en banc* rehearing, which was granted.

The controlling question faced and answered by the Federal Circuit in its *en banc* rehearing was which party bears the burden of establishing patentability of amended claims in an IPR: Patent Owner or Petitioner? According to the Director of the USPTO and the Board, the burden properly belonged on the Patent Owner pursuant to 37 C.F.R. § 42.20, a regulation promulgated by the Director to govern all motion practice before the Board, requiring that "[t]he moving party has the burden of proof to establish that it is entitled to the requested relief."

However, the Federal Circuit disagreed, determining that "Congress explicitly placed the burden of persuasion to prove propositions of unpatentability ***on the petitioner for all claims, including amended claims***." As a safeguard against issuance of "untested" amended claims, the Federal Circuit noted that proposed amended claims must be narrower in scope and cannot add new matter. As a result, the amended claims are necessarily subjected to the same earlier examination the original claim faced and are reassessed to determine whether they are supported by the patent's written description.

In applying its final written decision to Aqua's *en banc* appeal, the Federal Circuit vacated and remanded the Board's original decision insofar as it denied the Patent Owner's motion to amend claims. Further, the matter was remanded for the Board to issue a final decision assessing the patentability of the proposed substitute claims ***without placing the burden of persuasion on the patent owner***. Importantly, the Federal Circuit also stipulated that the Board must follow this same practice in all pending IPRs unless and until the Director engages in notice and comment rulemaking regarding the correct burden on this issue.

It remains to be seen how the Director (or the Supreme Court) will respond to the Federal Circuit's *Aqua* decision. At least for now, the Board can no longer place the burden of establishing the patentability of amended claims in an IPR on the Patent Owner. As such, this decision has the potential to be the most significant change to IPR proceedings since their statutory institution. If the Director and the Board embrace a liberal amendment process in adherence with this decision, it is a brave new world for IPR proceedings where Petitioner risk could substantially increase.

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