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Will the PTO Change their Motion to Amend Practices?

The Federal Circuit granted Aqua Product Inc.'s *en banc* rehearing request on August 12, 2016. The court's opinion in *In re Aqua Products, Inc.*, 823 F.3d 1369 (Fed. Cir. 2016)("the original decision") was vacated and the appeal was reinstated.

In the original decision, Aqua Products, Inc. ("Aqua") appealed from the final written decision of the Patent Trial and Appeal Board ("PTAB") in an inter partes review (IPR) of U.S. Patent No. 8,273,183. During the IPR proceeding, Aqua moved to substitute new claims 22-24 that added three new limitations. The PTAB denied Aqua's motion to amend on the grounds that one limitation would have been obvious in light of the prior art of record and the other limitations were within the ordinary skill "without analysis or evidence."

Aqua appealed the PTAB's denial of Aqua's motion to amend during the IPR. Aqua argued that PTAB regulations requiring the patentee to prove patentability over the prior art of record are unsupported by the statute. Aqua further argued that it is impermissible to place the burden on the patentee to show nonobviousness.

On appeal, the Federal Circuit first noted 35 U.S.C. §318(b) which provides that the final written decision of the PTAB may incorporate into the patent any new or amended claim "determined to be patentable." The Federal Circuit further noted 37 C.F.R. §42.121, which allows the PTAB to deny a motion to amended if the amendment does not respond to a ground of unpatentability involved in the trial. Then the Federal Circuit explained that because the relevant regulations place the burden for any motion on the movant under 37 C.F.R. §42.20(c), the PTAB had interpreted 37 C.F.R. §42.121 as placing the burden on the patentee as the movant of a motion to amend, citing *Idle Free Sys., Inc. v. Bergstrom, Inc.*, IPR2012-00027 (PTAB June 11, 2013).

Citing *Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 1307-08 (Fed. Cir. 2015), the Federal Circuit indicated that the Court's precedent upheld the PTAB's approach. Therefore, the Federal Circuit panel indicated that they could not revisit the question of whether the PTAB might require the patentee to demonstrate the patentability of substitute claims over the prior art of record.

Finally, when considering whether the Board abused its discretion by failing to evaluate objective indicia of non-obviousness and various new limitations in the proposed claims (even though Aqua did not provide related arguments in their Motion to Amend), the Federal Circuit found no abuse of discretion. The Federal Circuit reasoned that the PTAB's burden extended to considering only those arguments actually raised by Aqua in their Motion to Amend. To require the PTAB to fully reexamine the proposed claims would amount to shifting the burden of proving non-obviousness from the patentee, as it currently stands, to the PTAB.

Following the Federal Circuits initial holding, Aqua filed a petition for rehearing *en banc*. The Federal Circuit granted the petition for rehearing *en banc*, vacated the initial decision and reinstated the appeal. In their order granting rehearing, the Federal Circuit requested the parties to address the following questions:

(a) When the patent owner moves to amend its claims under 35 U.S.C. § 316(d), may the PTO require the patent owner to bear the burden of persuasion, or a burden of production, regarding patentability of the amended claims as a condition of allowing them? Which burdens are permitted under 35 U.S.C. § 316(e)?

(b) When the petitioner does not challenge the patentability of a proposed amended claim, or the Board thinks the challenge is inadequate, may the Board sua sponte raise patentability challenges to such a claim? If so, where would the burden of persuasion, or a burden of production, lie?

The Federal Circuit requested the parties to limit briefing to the above two questions. Oral argument is scheduled for December 9, 2016. Given the PTO's staunch position to adhere to their Motion to Amend rules, this rehearing will surely be one to keep a close eye on.

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