



THINK FORWARD

Aqua Products, Inc. v. Matal: En Banc Decision on Motions to Amend Claims in AIA Post-Grant Proceedings Issues

By [Laura Lydigsen](#)

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Those who were hoping for a clear standard to emerge as a result of the Federal Circuit's grant of en banc review on the issue of burdens of proof for motions to amend in post-grant proceedings under the American Invents Act ("AIA") may be disappointed by *Aqua Products, Inc. v. Matal*, No. 2015-1177, which issued October 4, 2017. Instead of firm, unanimous guidance on the two questions on which en banc review was granted, the court authored a series of five plurality opinions that span over 148 pages on just one of the two questions presented and "disagree over a host of issues."

Judge O'Malley authored the 66-page leading plurality opinion, in which four of her colleagues joined and two concurred in the result. The narrow judgment on which this seven-judge majority agreed was that under 35 U.S.C. § 316 and the current underlying regulatory scheme, the burden of persuasion with respect to the patentability of amended claims falls on the petitioner—not the patentee. In so holding, this majority overruled several recent Federal Circuit decisions to the extent they are inconsistent, including *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), *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).

One additional point on which this seven-judge majority agreed is that the PTAB cannot purport to promulgate substantive rules via agency adjudication. Even if a majority of the nearly 300-person Board votes to make a decision on a particular issue precedential, as the Board did with the burden of persuasion for motions to amend in *MasterImage 3D, Inc. v. RealD Inc.*, No. IPR2015-0040 (PTAB July 15, 2015), the Board's decision is still not a regulation entitled to deference under administrative law principles to the extent it concerns a substantive issue of law. The seven judges forming the majority were unanimous in their criticism of the agency's reliance on adjudicatory decisions like *MasterImage* and *Idle Free Systems, Inc. v. Bergstrom, Inc.*, IPR2012-00027 (PTAB June 11, 2013), as a substitute for notice and comment rulemaking on substantive issues. As Judge O'Malley stated, "Agency rulemaking is not supposed to be a scavenger hunt."

An exhaustive list of the points on which the judges disagreed is beyond the scope of this summary. However, there was one point of disagreement that is particularly noteworthy: the burden of production. Part III of Judge Reyna's concurring opinion explains that 37 C.F.R. § 42.22 places on the patentee the burden of production for showing that amendment to the claims is warranted under 35 U.S.C. § 316(d) and requires that the patentee's motion to amend include, *inter alia*, "a statement that clearly points out the patentably distinct features for the proposed new or amended claims." Judge Reyna observed that the court's criticisms of the Board's attempt to use adjudication to issue rules does not call into question 37 C.F.R. § 42.22. Notably, Part III of his concurrence was joined by five judges, prompting him to note that it "sets forth the judgment of this court." But even with six judges in agreement on Part III, all is not settled on the burden of production. Judge O'Malley's five-judge plurality opinion expends pages

explaining why Judge Reyna’s “odd” concurrence is not a judgment. She also observed that “it appears that the purpose of Judge Reyna’s closing dictum is to create a hole in the very judgment he . . . endorse[s] today, to say that, as long as the Director calls something a burden of production, the Board can place any substantive burden it chooses on the patent owner’s ability to propose amendments under § 316(d).”

So what can we expect post-*Aqua Products*? Judge O’Malley’s five-judge plurality opinion sums up *Aqua Products* well: “Very little said over the course of the many pages that form the five opinions in this case has precedential weight.” Even so, there are holdings in *Aqua Products* for both patent owners and challengers:

- While the majority’s holding is narrow, patent owners will benefit from the change in the burden of persuasion, which will, at minimum, likely result in reconsideration or remand for further consideration in numerous cases decided under the old burden. In some cases, the change in the burden may ultimately tilt the balance in favor of the patent owner on a motion to amend.
- For patent challengers, *Aqua Products* itself discloses workarounds for the new burden of persuasion. First, the court’s decision effectively invites the PTO to clarify the burden of proof for motions to amend, through notice and comment rulemaking. While Judge O’Malley’s five-judge plurality takes the position that 35 U.S.C. 316 is clear that the burden of persuasion for motions to amend rests on the patent challenger, this is a minority view. Second, Judge O’Malley herself observed that the Board’s existing regulations on burden of production may create a hole by which the Board could reach the same conclusion on the patentability of proposed amended claims as existed under *MasterImage*.
- Post-*Aqua Products*, look for more challenges from both sides to agency policies and practices that have been established via routes other than formal notice and comment rulemaking. It is also likely that the PTO may promulgate regulations in the near term to start the process of plugging holes in its substantive law that are currently addressed only through adjudication.

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