

HOW TO FIX THE AMENDMENT FALLACY

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The Patent Trial and Appeal Board has made it hard for patent owners to amend their claims. Patrick Doody outlines the problems this causes and how to fix them.

Since being established under 2011's America Invents Act (AIA), signed into law in September 2011, the Patent Trial and Appeal Board (PTAB) has issued a number of decisions that have made it extremely difficult and impractical for the patent owner to amend its claims.

The basis for the PTAB's requirement that a patent owner must prove the patentability of its proposed amended claims, however, may not be consistent with the statute, the legislative history of the AIA, or the rules. In addition, the PTAB's requirements that make it impractical for a patent owner to amend its claims are inconsistent with other orders and decisions.

ONE-MINUTE READ

The Patent Trial and Appeal Board has routinely denied motions to amend in a number of proceedings despite the board's director making it clear that patent owners had a right to file a motion to amend the claims and did not need authorization from the PTAB. One example is the first PTAB order to discuss a motion to amend, *Idle Free v Bergstrom*, which was first dismissed first because Bergstrom did not confer with the board, and then because the board presented a number of new requirements including proving that its claims are patentable. A modification to the post-grant review process would level the playing field. First, the requirement that a patent owner must prove its claims patentable should be overturned. Second, the USPTO should revise the rules to preclude presenting alternative or contingent amendments. Third, the first seven months of a post-grant review proceeding could be modified to permit a patent owner to amend its claims, although this modification would be difficult without the above-noted statutory reprieve on the one year pendency requirement.

Authority for permitting amendments

Section 6 of the AIA provides the statutory framework for two new post-grant proceedings before the PTAB; inter partes review, and postgrant review. This section of the AIA added new statutory language specifically authorising patent owners in post-grant proceedings to amend their claims, and granting the director the authority to prescribe regulations that set forth the standards and procedures for allowing the patent owner to move to amend the patent - 35 USC §§316(a)(9) and (d) for inter partes review, and 35 USC §§326(a)(9) and (d) for post-grant review.

The director therefore proposed regulations, published in February 2012, that provided the patent owner with an opportunity to amend the patent. These proposed rules permitted a patent owner to file one motion to amend a patent after conferring with the Board, and required the motion to set forth the support for the amendment (§42.121(b) and §42.221(b)), to show how the amendment responds to a ground of rejection (§42.121(c)(1) and §42.221(c)(1)), and to explain why the amendment does not enlarge the scope of the claims or introduce new matter (§42.121(c)(2) and §42.221(c)(2)).

Members of the public commented on these proposed rules. Some comments recommended that the director prohibit patent owners from amending patent claims that are being asserted against a defendant-petitioner in litigation, but these were not adopted. The final rules stated that motions to amend may be denied where the amendment does not respond to a

ground of unpatentability, or where the amendment seeks to enlarge the scope of the claims or introduce new matter. This language therefore found its way into the final rules. Additional requirements included a presumption of a one-to-one correspondence between original and substitute claims, and a listing setting forth the support in the original disclosure of the patent for each claim.

The director therefore clearly prescribed rules governing the ability of the patent owner to move to amend its claims. The director made it clear that patent owners had a right to file a motion to amend the claims and did not need authorisation from the PTAB (although a conference was required), and that the motion would be denied if it did not comply with certain provisions set out in 37 CFR §42.121 and 37 CFR §42.221. It was rational and reasonable for patent practitioners to believe that if they complied with the provisions of these rules, their motion to amend would be entered.

Diverging from the rules

The first PTAB order discussing a motion to amend was issued on June 11 2013 in the *Idle Free v Bergstrom* inter partes review, IPR2012-00027. The PTAB first dismissed the motion to amend because the patent owner Bergstrom did not first confer with the Board. The PTAB then, by order, presented a number of new requirements on a patent owner that must be met before a motion to amend would be granted. The PTAB alleges these requirements stem not from the portions of the rules that pertain specifically to motions to amend, but rather they result from 37 CFR §42.20(c), which relates to

motions generally and requires the moving party to establish that it is entitled to the requested relief.

During an inter partes review, the PTAB required the patent owner to prove with evidence and facts that the proposed claims are patentable over the prior art of record *and* “over prior art not of record but known to the patent owner.” In *Idle Free* the PTAB alleged it had the authority to require the patent owner to prove patentability of substitute claims because a post-grant proceeding is not a patent examination or patent re-examination, and that the proceedings are more adjudicatory than examinational in nature.

The PTAB also relied on 37 CFR §42.20(c), which states the moving party bears the burden of proof on the relief requested, and concluded that the patent owner bears the burden of showing a patentable distinction of each proposed substitute claim over the prior art. But nothing in 37 CFR §42.121 and 37 CFR §42.221 ever stated that a motion to amend would or even could be denied if the patent owner failed to prove a patentable distinction over the prior art. More importantly, the relief requested in a motion to amend is entry of amended claims - it is not a motion for judgment on the amended claims. The PTAB does not require a patent owner filing a motion to exclude evidence to prove that the challenged claims will be patentable only if the evidence is excluded. Nor does the PTAB require a patent owner filing a motion for additional discovery prove that its claims will be patentable only if it obtains the evidence it seeks.

In addition, the PTAB's decisions on validity are not final, but are appealable to the Court of Appeals of the Federal Circuit (CAFC). The CAFC may disagree with the PTAB's conclusions on validity, and has on many occasions. Accordingly, by refusing to enter an amendment because the patent owner did not establish the patentability of the amended claims, the PTAB effectively precludes the Federal Circuit from reviewing the patentability of the amended claims.

Using the *Idle Free* order as its template, the PTAB has routinely denied entry of patent owner's motions to amend in a number of proceedings: *Avaya v Network-1 Security Solutions*, IPR2013-00071; *Innolux Corporation v Semiconductor Energy Labs Co*, IPR2013-00066 and IPR2013-00068; *Oracle Corp v Clouding IP*, IPR2013-00099; *Synopsys v Mentor Graphics Corp*, IPR2012-00042; *Microsoft v Proxycorn*, IPR2012-00026; and *Synopsys v Mentor Graphics*, IPR2013-00042. As of the writing of this paper, the PTAB has ultimately refused entry of patent owner's amendments in every final written decision in which a motion to amend was an issue.

The PTAB's reluctance to enter amendments was made clear in the final written decision in *Idle Free*. In this decision, the PTAB denied entry of the patent owner's motion to amend, even though the PTAB admitted the motion satisfied the requirements of 37 CFR §42.121, and that the patent owner had established that the amendment rendered the claims patentable over the prior art of record.

Although the patent owner stated that the reference cited in the proceedings was the closest prior art known to it, the PTAB required the patent owner to show more. The PTAB required the patent owner to show, in a 15 page motion, the level of skill in the art, what was previously known with respect to every added feature to the claims, and if the patent owner was not the very first to have the added feature, it must reveal what would have been known to one with ordinary skill in the art. The PTAB therefore denied Bergstrom's renewed motion to amend because "Bergstrom has not, in its motion, set forth a *prima facie* case for the relief requested or satisfied its burden of proof."

Simply put, the relief requested in a motion to amend is entry of the amendment, much like the relief requested in a motion to exclude evidence is the exclusion of the evidence. A motion to amend does not request that the PTAB find the amended claims patentable. That should be left for the patent owner's response, not the motion, and the statute makes it clear that the petitioner bears the burden of proving the claims are not patentable. But the PTAB appears to flip this requirement on its head; instead arguing that statements made in a patent owner's response regarding the patentability of amended claims is improper because those arguments must be made in a motion to amend.

Other inconsistent PTAB positions

The PTAB has taken inconsistent positions in requiring a patent owner prove the patentability to enter a motion to amend, but not requiring

the same proof for other motions. The positions taken by the PTAB to support its restrictions on a patent owner's ability to amend its claims also are inconsistent with other decisions by the PTAB. The PTAB asserted in the *Idle Free* order that postgrant proceedings were more adjudicatory than examinational. The PTAB reiterated this position in other orders denying motions to amend, and most recently stated in granting a motion for admission *pro hac vice* in *Google and Apple v Jongerius*, IPR2013-00191: "An inter partes review is neither a patent examination nor a patent reexamination. Rather, it is a trial, adjudicatory in nature and constitutes litigation."

The notion that post-grant proceedings are adjudicative and not examinational is supported by the legislative history, which makes it clear that that these proceedings are adversarial, but also makes it clear that the petitioner bears the burden of showing unpatentability. Indeed, the House Report accompanying the AIA specifically states that patent owners have the opportunity to amend its claims, and the burden is on the petitioner to prove unpatentability. The legislative history of the AIA reveals that it was Congress' intent to permit the patent owner to amend its claims at least once, and that the challenger bore the burden of proving unpatentability by a preponderance of the evidence.

Restricting the patent owner's ability to amend its claims appears to run counter to the legislative intent of the AIA, the statute, and the prescribed rules. It also is

inconsistent with the PTAB's position that claims be construed using the broadest reasonable interpretation (BRI). In the very first final written decision - *SAP v Versata*, CBM2012-000001 - the PTAB expended nearly half of the decision explaining why BRI was appropriate. Here, the PTAB noted that the office's BRI standard is different from district court standards, and that the "difference in standards generally arises from the ability of an applicant or patent owner in office proceedings to amend their claims."

The PTAB cited numerous decisions that support the notion that if a patentee is not able to control the phraseology of its claims and cannot amend them, then BRI is not appropriate. All of these decisions relate to examination proceedings, however, and do not concern the new "adjudicative" proceedings before the PTAB.

If the PTAB contends that it will not examine the validity of amended claims and that the proceedings are adjudicative, then BRI should not apply. If the PTAB will permit a patent owner to amend its claims, require the petitioner to prove they are unpatentable, and then assess the sufficiency of the parties' arguments, then BRI should apply. But this is not how the current postgrant proceedings are carried out. There is what appears to be a fundamental inconsistency in these respective positions, but one that might be remedied by a few modifications to the procedural framework of post-grant proceedings.

The real problem

On the one hand, claims of a patent involved in a post-grant proceeding

are broadly construed using a BRI standard, on the theory that this construction is appropriate where patent owners can amend their claims and the PTO examines them for validity. It naturally follows that it is easier to find claims invalid when construing them more broadly. On the other hand, the PTAB places significant limitations on a patent owner's ability to amend its claims by requiring the patent owner to prove the claims are patentable. This requirement is premised on the theory that post-grant proceedings do not involve an examination of the claims, but rather are adjudicatory. This inconsistency appears to favour the petitioner.

The PTAB's reluctance to consider amendments is understandable. First, the PTAB must issue a final written decision within one year. Second, the legislative history supports its position that postgrant proceedings are adversarial and are not an examination. Third, the PTAB likely does not have the authority to "examine" a newly submitted claim, and consequently, it shifts the burden to the patent owner. But the burden should be with the petitioner, as stated in the AIA and its legislative history, and the PTAB certainly has the authority to decide patentability issues after affording both patent owner and petitioner an opportunity to address the issue.

The real problem therefore appears to be that there currently is no procedure available to permit a petitioner to fully address a motion to amend, or for a patent owner to address the patentability issues thus raised by the petitioner. The current procedural framework for post-grant

proceedings simply does not provide the ability of both parties to address proposed amendments, and permit the PTAB to adequately carry out its review within the statutory time frame. This is exacerbated by the fact that the PTAB permits patent owners to submit "alternative" claim sets or "contingent" proposed amendments, even though there is no apparent authority in the AIA, its legislative history, or the statute, and despite the fact it is inconsistent with the statutory expression "substitute claim."

The PTO stated in response to comments regarding contingent amendments that "[a]lternative claim sets or contingent amendment may be permitted if the total number of substitute claims is reasonable." The ability to present alternative or contingent sets of claims doubles the effort by now requiring the PTAB to assess the patentability of two sets of claims.

How to fix it?

A modification to the current post-grant review process could rectify this apparent inconsistency, and should level the playing field, although it would be preferable if Congress were to revise the statute to permit post-grant proceedings to be completed within 18 months if patent owner seeks to amend its claims. First, the requirement that a patent owner must prove its claims patentable set out in the *Idle Free* order should be overturned. Second, the USPTO should revise the rules to preclude presenting alternative or contingent amendments, and to soften the patent owner estoppel provisions of 37 CFR §42.73(d)(3)(i) so that a patent owner who loses a claim in a post-grant proceeding could

seek narrower claims in a reissue or ex parte re-examination (the current estoppel provisions preclude a patent owner from pursuing a claim that is not patentably distinct from a finally refused claim, as opposed to being patentably distinct over the prior art). Third, the first seven months of a post-grant review proceeding could be modified as follows to permit a patent owner to amend its claims, although this modification would be difficult without the above-noted statutory reprieve on the one year pendency requirement.

The proposed modification to the post-grant proceedings could be implemented as follows. The patent owner could be required to make a decision quickly after the decision to institute as to whether it wishes to amend the claims, and make such a motion to the PTAB within one month of institution of the decision. This motion would only provide for the substitution of proposed claims for challenged claims, or cancellation of challenged claims. If no decision is made, then the postgrant proceeding would follow the present timeline.

If a patentee chooses to amend its claims and files a motion, the amendments should be entered if that

motion satisfies the requirements of 37 CFR §42.121 and 37 CFR §42.221. The PTAB could decide this issue very quickly. The petitioner then would be permitted to file a response within two months, and to submit additional evidence, but only with respect to the substitute claims and the grounds on which trial was granted (or slightly modified by the addition of one or more prior art references). The page limit for the petitioner response should be more than the 15 page limit for oppositions to a motion, but less than the page limit for a full petition or patent owner response. The petitioner also would be permitted to propose entirely new grounds of unpatentability, and file a motion to terminate the current proceeding, and institute a new proceeding on the proposed new grounds of unpatentability. This would prevent the situation in the *Microsoft v Proxyconn* case, IPR2012-00026 and IPR2013-00109, from occurring in which the patent owner filed a motion to amend, and the petitioner, in its reply, proposed entirely new rejections of the amended claims together with supporting expert evidence. But at that stage in the proceeding, the rules do not permit any further reply by the patent owner.

The PTAB then would be given one month to decide the petitioner's motion, and if no motion for a new proceeding were filed, the patent owner would file its patent owner response within three-and -ahalf months from the petitioner's response. The petitioner then files its reply within one-and-ahalf months of the patent owner's response. A new timeline might appear as follows:

This modified proceeding would provide far more flexibility at the PTAB in permitting patent owner's to amend their claims, and would permit a petitioner an opportunity to adequately respond to the amended claims. While the timelines are compressed if a patent owner files a motion to amend, the periods could be extended if the PTAB took advantage of the extra six months permitted in the statute, or if Congress amended the statute to require a final written decision within 18 months if a motion to amend were filed. The modified proceeding also provides consistency in the proceeding whereby claims would be accorded their broadest reasonable interpretation, and the patent owner would be permitted an adequate, and practical opportunity to amend its claims.

