

2015-1177

United States Court of Appeals
for the Federal Circuit

IN RE: AQUA PRODUCTS, INC.,

Appellant.

*Appeal from the United States Patent and Trademark Office, Patent Trial and
Appeal Board in No. IPR2013-00159*

**EN BANC BRIEF FOR AMICUS CURIAE
HOUSTON INTELLECTUAL PROPERTY LAW ASSOCIATION
IN SUPPORT OF NO PARTY**

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October 5, 2016

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

In re: Aqua Products, Inc.

No. 2015-1177

CERTIFICATE OF INTEREST

Counsel for the Houston Intellectual Property Law Association certifies the following:

1. The full name of every party or amicus represented by me is:

Houston Intellectual Property Law Association

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

Houston Intellectual Property Law Association

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

None

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

James H. Hall
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Dated: October 5, 2016

/s/ James H. Hall
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INTEREST OF AMICUS CURIAE

The Houston Intellectual Property Law Association (“HIPLA”) is an association of hundreds of lawyers and other professionals who predominately work in the Greater Houston area. The practice of most of the HIPLA membership relates in substantial part to the field of intellectual property law. Founded in 1961, HIPLA is one of the largest associations of intellectual property practitioners. HIPLA’s mission is to promote the development and understanding of intellectual property law through regular meetings, sponsored CLE opportunities, and *amicus* briefs. As an organization, HIPLA has no stake in any of the parties to this litigation. No party to the appeal or its counsel authored this brief in whole or in part. Further, no party to the appeal, its counsel, or other person besides HIPLA has contributed money that was intended to fund preparation or submission of this brief. HIPLA’s *amicus* committee and Board of Directors voted on the preparation and submission of this brief, and no HIPLA member voting to prepare and submit this brief has served as record counsel to any party in the subject of this appeal. HIPLA procedures require approval of positions in briefs by a majority of directors present and voting. HIPLA files this brief in accordance with the Order issued on August 12, 2016, which states that briefs may be filed without consent or leave of the court.

SUMMARY OF THE ARGUMENT

The Court invited amici curiae to provide their views on two issues: (1) may the PTO require patent owners to bear the burdens of persuasion or production in filing a motion to amend, and (2) may the Board raise patentability challenges to proposed amended claims in the absence of a challenge, or an inadequate challenge, from the petitioner? The PTO's current regulations, which answer both of these questions in the affirmative, have resulted in a startlingly low number of successful, contested motions to amend. The low success rate is a telltale indicating the PTO's answer to these two questions is not what Congress intended.

35 U.S.C. § 316(e) provides the sole evidentiary standard to be used in inter partes reviews for all propositions of unpatentability, assigning the burden of proof to the petitioner alone. The statutory provisions related to the patent owner's motion to amend indicate that Congress intended to require patent owners bear a burden of production to show the proposed amended claims do not introduce new matter or enlarge the scope of the claims. They say nothing allowing the PTO to shift the burden of proof to the patent owner. Similar to a no evidence summary judgment motion, once the patent owner

meets its burden of production, the petitioner must prove proposed amendments are unpatentable by a preponderance of the evidence.

Section 316(e) is clear and unambiguous. The PTO's justifications for disregarding its clear language and shifting the burden to patent owners to prove patentability of amended claims are based on interpretations of other sections which apply to different issues. The PTO's interpretations, to the extent they directly conflict with the statute, are therefore entitled to no deference.

Inter partes review was also clearly intended to be an adversarial process, replacing the examinational model used in the discarded inter partes reexamination. Congress' intent in shifting away from an examinational model was to speed up the process and reduce the burden on the PTO. Moreover, the statute clearly places the burden of proof on the petitioner alone, making it improper for the PTO to assert new issues of unpatentability on its own accord. Nothing in the statute supports such powers.

Even when a petitioner fails to raise a challenge to an amended claim, there is no danger that broad, previously unexamined claims will issue. Any amended claims are required to be narrower in scope than the previously examined and issued claims, and no new matter can be introduced. Furthermore, if a patent owner were, in violation of the duty of candor, to

transgress these strictures (and in the unlikely event the PTO did not reject the claim for doing so), all claims of the patent could become unenforceable due to inequitable conduct. These safeguards, along with the ability of any party concerned by the new claims to challenge them via reexamination, inter partes review, or litigation, render this concern illusory.

ARGUMENT

A. The Very Small Number of Successful Motions to Amend Reveals a Problem in the PTO's Statutory Interpretation.

As of April 30, 2016, the Board had instituted and completed 1539 AIA trials. USPTO, PTAB MOTION TO AMEND STUDY, 2 (April 30, 2016), at <https://www.uspto.gov/sites/default/files/documents/2016-04-30%20PTAB%20MTA%20study.pdf>. Patent owners filed motions to amend in 192 of these trials. *Id.* at 3. Seventy-four of these motions either solely requested cancellation of claims, were rendered moot, or were not decided due to prior termination of the proceeding. *Id.* Of the remaining 118 motions, the PTAB completely denied motions to amend in 112 trials, and partially denied patent owners' motions in four of the remaining six trials. *Id.* at 4. Thus, out of 118 motions, patent owners were entirely successful in only two cases, or a rate of 1.7 percent. Moreover, it appears that the small number of successful motions has created a chilling effect, as the filing rate for these motions dropped by 36 percent from 2014 to 2015, and is on track for a similar drop from 2015 to 2016. *Id.* at 7. This dreadfully low rate of success should indicate that there is something wrong with the Board's interpretation or administration of the motion to amend process.

B. Because Congress Has Assigned the Petitioner the Burden of Proving Unpatentability, the PTO May Not Require the Patent Owner to Prove that Proposed Amended Claims are Patentable.

Section 316(e) of the AIA contains a plain and unambiguous assignment of the burden of proof on all issues of unpatentability. The PTO's convoluted statutory interpretation creating a different burden of proof for patentability of amended claims simply does not stand up to scrutiny. The PTO's arguments are insufficient to justify overlooking the plain mandate of Congress in assigning the burden of proof to the petitioner on all propositions of unpatentability.

1. Section 316(e) places the burden of proving any proposition of unpatentability in an inter partes review squarely on the petitioner.

Section 316(e) is titled "Conduct of inter partes review," and has five subsections. Subsection (e), titled "Evidentiary Standards," states simply that "[i]n an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence." Thus, the separate evidentiary standards subsection of the code section applicable to the general conduct of the inter partes review assigns to the petitioner alone—not the patent owner or the Board itself—the burden of proving any proposition of unpatentability.

Congress did not limit this evidentiary standard to a petitioner's challenge of issued claims in its petition, or indicate in any way that this standard does not apply to proposed amended claims. The statute is clear and unambiguous; the plain reading places the burden of proving unpatentability on the petitioner, not the patent owner, for all propositions of unpatentability arising in the review.

This understanding is supported by the legislative history. The only comment in the record regarding the assignment of the burden of proof is a statement from Senator Kyl:

One important structural change made by the present bill is that inter partes reexamination is converted into an adjudicative proceeding in which **the petitioner, rather than the Office, bears the burden of showing unpatentability.** . . . In the present bill, section 316(a)(4) gives the Office discretion in prescribing regulations governing the new proceeding. The Office has made clear that it will use this discretion to convert inter partes into an adjudicative proceeding. This change also is effectively compelled by new section 316(e), **which assigns to the petitioner the burden of proving a proposition of unpatentability by a preponderance of the evidence.** Because of these changes, the name of the proceeding is changed from "inter partes reexamination" to "inter partes review."

157 CONG. REC. S1375 (daily ed. Mar. 8, 2011) (emphasis added). Senator Kyl's statement reinforces the plain reading of § 316(e) in assigning the

petitioner the burden of proving unpatentability, no matter the context in which it arises.

Thus, based on the plain text of the statute as well as the legislative history, the burden of proof lies with the petitioner to show any claim is unpatentable, whether an original or proposed amended claim.

2. The PTO's bases for asserting that § 316(e) does not apply to proposed amendments

Despite the plain language of § 316(e), the PTO has assigned to the patent owner the burden of proving the patentability of proposed amended claims, for the reasons summarized in the panel decisions in *Nike, Inc. v. Adidas AG*, 812 F.3d 1326 (Fed. Cir. 2016) and *Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292 (Fed. Cir. 2015):

- (1) § 316(a)(9) “delegated to the PTO the specific authority to establish the standards and procedures with which a patent owner must comply to amend its patent during an IPR.” *Nike*, 812 F.3d at 1333–34. Consistent with § 316(a)(9), the PTO promulgated 37 C.F.R. § 42.20, which provides that a “moving party [here, the patent owner] has the burden of proof to establish that it is entitled to the requested relief.” *Id.* at 1332.

(2) § 316(a)(9)'s reference to "information submitted by the patent owner in support of any amendment entered under subsection (d)," also means that "the patent owner carries an affirmative duty to justify why newly drafted claims . . . should be entered into the proceeding." *Id.*

(3) § 316(e)'s reference to "an inter partes review instituted under this chapter" also "mak[es] clear that the burden of proof is on the petitioner to prove unpatentable those issued claims that were actually challenged in the petition for review and for which the Board instituted review," but does not "necessarily apply to . . . newly offered substituted claims proposed by a patent owner in a motion to amend filed as part of an already-instituted IPR proceeding." *Id.*

(4) § 318(b)'s instruction that only those amended claims that are "determined to be patentable" supports assigning the burden of proving patentability of proposed amended claims to the patent owner. *Proxyconn*, 789 F.3d at 1306.

The PTO also asserts a policy rationale for placing the burden on the patent owner. *See* Intervenor's Br., Doc. 35, at 23; *see also Proxyconn*, 789 F.3d at 1307–08. This rationale is addressed in section C below.

3. The statutory scheme authorizes assigning the patent owner only a burden of production for the motion to amend, but not the burden of persuasion assigned to the petitioner by § 316(e).

The PTO (and the Federal Circuit, in past reliance on the PTO's analysis), has misinterpreted the statutory scheme created by Congress with regard to a petitioner's burden of persuasion and the patent owner's motion to amend. Section 316(a)(9) provides the PTO with authority to prescribe regulations

setting forth standards and procedures for allowing the patent owner **to move to amend the patent** under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submitted by the patent owner in support of any amendment entered under subsection (d) is made available to the public as part of the prosecution history of the patent.

35 U.S.C. § 316(a)(9) (emphasis added). This gives the PTO authority to regulate what the patent owner must do in order to *move* to amend the patent, *i.e.*, to bring the proposed claims into the proceeding. As written, that authority does not extend to creating standards and procedures governing *whether* the patent may be amended, *i.e.*, whether the proposed claims should issue.

In spite of this distinction, both the PTO and the Federal Circuit have referred to this statute as giving the PTO the authority to set standards for

amending the patent, not merely allowing a motion to amend. *See, e.g.*, Changes to Implement Inter Partes Review Proceedings, 77 Fed. Reg. 48680, 48690 (Aug. 14, 2012) (“[37 C.F.R. § 42.121] is consistent with 35 U.S.C. 316(a)(9), as amended, which requires the Office to promulgate rules setting forth the standards and procedures **for the patent owner to amend the patent.**”) (emphasis added); *Nike, Inc.*, 812 F.3d at 1333 (“In other words, Congress delegated to the PTO the *specific* authority to establish the standards and procedures with which **a patent owner must comply to amend its patent** during an IPR.”) (italics in original, emphasis added).

The distinction here is crucial to answering the Court’s questions regarding the proper burdens of production and persuasion assigned by Congress. The statute allows procedures governing what hurdles a patent owner must clear to move for, or request, an amended claim. This is the burden of production, also called the burden of going forward with the evidence, which requires the party bearing it to come forward with evidence of a particular fact. *See, e.g., In re Magnum Oil Tools Int’l, Ltd.*, No. 2015-1300, 2016 WL 3974202, at *5 (Fed. Cir. July 25, 2016); *see also Director, Office of Workers' Compensation Programs, Dept. of Labor v. Greenwich Collieries*, 512 U.S. 267, 274–75 (1994). Here, the burden of production requires showing that “[a]n amendment under this subsection may not enlarge

the scope of the claims of the patent or introduce new matter.” 35 U.S.C. § 316(d)(3); *see also* 37 C.F.R. § 42.121(a)(2), (b).

After these hurdles are cleared, however, the statute does not authorize the PTO to establish rules governing when a motion to amend, otherwise meeting the statutory requirements, should be granted and an amended claim entered. That is, the PTO was not given the authority to change the ultimate burden of persuasion on patentability, assigned to the petitioner by § 316(e). Thus, the Board’s incorrect application of 37 C.F.R. § 42.20 to a patent owner’s motion to amend is in conflict with § 316(e), and is thus not entitled to *Chevron* deference.

Congress intended that the PTO’s regulations would explain to patent owners the required content and scope of a motion to amend, but not change the burden of persuasion assigned by § 316(e). This makes a patent owner’s motion to amend very similar to a no evidence motion for summary judgment. Under Rule 56, a moving party that does not bear the burden of persuasion at trial does bear the burden of production. *Modrowski v. Pigatto*, 712 F.3d 1166, 1167 (7th Cir. 2013) (*citing Celotex Corp. v. Catrett*, 477 U.S. 317, 325 (1986)). The moving party is not required to produce evidence negating its opponent’s claim, but merely to point out to the district court that there is an absence of evidence to support the nonmoving party’s case. *Id.* at 1168–69.

Similarly, a patent owner must comply with 37 C.F.R. § 42.121 by requesting an amendment that responds to a ground of unpatentability involved in the trial, does not enlarge the scope of the claims of the patent, nor introduce new subject matter. This satisfies the burden of production. But the burden of persuasion at trial—proving that a proposed amended claim is unpatentable—does not shift to the patent owner. It remains, pursuant to § 316(e), with the petitioner to prove any proposition of unpatentability by a preponderance of the evidence.

Of course, in the summary judgment context, while the non-movant bears the burden of persuasion at trial, the movant still bears the burden of persuasion as to the summary judgment motion itself. But in an inter partes review, the motion briefing *is* the trial. There is no subsequent evidentiary hearing; the motion papers are the only opportunity for the parties to present evidence and argument to the Board.¹ Therefore, because it is the petitioner's trial burden—and because the motion papers contain the only evidence and argument allowed on the amended claims during the trial—the petitioner as

¹ Although the parties may also present argument at the oral argument, no new arguments beyond what was contained in the briefing are permitted by the Board. *See* Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48768 (Aug. 14, 2012) (“A party may rely upon evidence that has been previously submitted in the proceeding and may only present arguments relied upon in the papers previously submitted. No new evidence or arguments may be presented at the oral argument.”).

non-movant retains the burden of persuading the Board of any proposed claim's unpatentability.

4. None of the remaining statutory provisions relied on by the PTO justify contravening the clear meaning of § 316(e).

It is a basic principle of statutory construction that a specific statute controls over a general provision, “particularly when the two are interrelated and closely positioned.” *HCSC-Laundry v. United States*, 450 U.S. 1, 6 (1981) (*per curiam*); *see also Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222, 228–29 (1957) (“Specific terms prevail over the general in the same or another statute which otherwise might be controlling.”). Section 316(e) unambiguously states that the burden of proving any proposition of unpatentability in an inter partes review lies with the petitioner. None of the other statutory provisions relied on by the PTO, or previously accepted by the court, justify a different reading of this unambiguous text, because they do not specifically apply to the appropriate evidentiary standard to be applied in the conduct of inter partes reviews.

First, although § 316(d) refers to a motion to amend, it does not provide that the patent owner bears the burden of proving that a proposed amended claim is patentable. The specific assignment of that burden to the petitioner in

section (e) is therefore controlling in the face of the general discussion of a patent owner's motion to amend in section (d), or the rulemaking authority granted in section (a).

Second, although § 316(a)(9) mentions “information submitted by the patent owner in support of any amendment entered under subsection (d),” this cannot support creating “an affirmative duty to justify why newly drafted claims . . . should be entered into the proceeding,” as stated in *Nike*. This provision reflects a desire that information supporting the amendment be made public as part of the patent's prosecution history, just as in original or subsequent examination proceedings. Of course, the patent owner does not bear the burden of proving patentability in those proceedings. Likewise, the mere fact that patent owners may submit information in support of amendments in inter partes reviews, which should of course be made part of the prosecution history, cannot support assigning the patent owner the burden of proof, especially given the specific assignment of that burden in subsection (e).

Third, § 316(e)'s statement that it applies in “an inter partes review instituted under this chapter,” can in no way be interpreted as limiting the subsequently assigned burden of proof to originally challenged claims, as the court did in *Nike*. Motions to amend only occur in already-instituted inter

partes reviews, bringing them within the ambit of this phrase. Moreover, § 316(d), which governs amendments, uses the same prefatory language, “[d]uring an inter partes review instituted under this chapter.”

Finally, § 318(b) makes no distinction between how an originally challenged claim, or a new or amended claim, is determined to be patentable. In both instances, the claims are described as those “determined to be patentable.” Thus, this section cannot be used to somehow differentiate the burden between the two types of claims. If anything, this section’s use of identical language in each instance supports assigning to the same party the burden of proving patentability or unpatentability. And § 316(e) clearly assigns that burden to the petitioner.

C. Because an Inter Partes Review is an Adjudicatory Proceeding, and Because the Board is Not an Examining Body, the Board May Not Raise Patentability Challenges Sua Sponte.

There is no dispute that the AIA replaced inter partes reexamination with inter partes review, thereby converting the procedure from an examinational to an adjudicative proceeding. *See* Intervenor’s Br., Doc. 35, at 4. In doing so, Congress expressed the intent to transfer the burden of showing unpatentability from the PTO to the petitioner. 157 CONG. REC. S1375 (daily ed. Mar. 8, 2011) (“One important structural change made by the

present bill is that inter partes reexamination is converted into an adjudicative proceeding in which the petitioner, **rather than the Office**, bears the burden of showing unpatentability.”) (statement of Sen. Kyl) (emphasis added). Other legislative statements indicate that the clear intent was to take this burden from the PTO, and assign it only the duty to determine whether the petitioner has met its burden:

The bill uses an oppositional model, which is favored by PTO as allowing speedier adjudication of claims. **Under a reexam system, the burden is always on PTO to show that a claim is not patentable.** Every time that new information is presented, PTO must reassess whether its burden has been met. This model has proven unworkable in inter partes reexam, in which multiple parties can present information to PTO at various stages of the proceeding, and which system has experienced interminable delays. **Under an oppositional system, by contrast, the burden is always on the petitioner to show that a claim is not patentable. Both parties present their evidence to the PTO, which then simply decides whether petitioner has met his burden.**

154 CONG. REC. S9987 (daily ed. Sept. 7, 2008) (statement of Sen. Kyl, introducing S. 3600, the Patent Reform Act of 2008) (emphasis added). There is no indication in the AIA that Congress intended that the PTO should revert back to an examinational system. Rather, one of the reasons to shift from an examinational to an adjudicative proceeding was to lessen the PTO’s burden and to enable a speedier review. In the event that a petitioner does not

challenge an amended claim, it is not a contested matter for the PTO's determination. There is simply nothing in the statute allowing the PTO to raise its own patentability challenges, as one panel of the court has recently noted. *See In re Magnum Oil Tools Int'l, Ltd.*, No. 2015-1300, 2016 WL 3974202, at *10 (Fed. Cir. July 25, 2016) ("It is true that the entire IPR process is one designed as an efficient system for challenging patents that should not have issued. But it is still a system that is predicated on a petition followed by a trial in which the petitioner bears the burden of proof. Given that framework, we find no support for the PTO's position that the Board is free to adopt arguments on behalf of petitioners that could have been, but were not, raised by the petitioner during an IPR. Instead, the Board must base its decision on arguments that were advanced by a party, and to which the opposing party was given a chance to respond. . . . Thus, while the PTO has broad authority to establish procedures for revisiting earlier-granted patents in IPRs, that authority is not so broad that it allows the PTO to raise, address, and decide unpatentability theories never presented by the petitioner and not supported by record evidence.") (internal quotation marks and citations omitted).

Both the PTO and the Federal Circuit have expressed the policy concern that, unless the Board is able to raise its own challenges, unexamined

and untested claims would issue when a petitioner failed to challenge (or failed to adequately challenge) a motion to amend. *See Proxyconn*, 789 F.3d at 1307–08; *see* Intervenor’s Br., Doc. 35, at 23. Even if such policy concerns could override the statutory language, this concern is illusory for several reasons. Section 316(d) itself requires that any amendment “may not enlarge the scope of the claims of the patent or introduce new matter.” To the extent that an amendment violated this statute, even if uncontested by the petitioner, the Board could and should deny the motion, as the patent owner will have failed to meet its burden of production on these issues. If the proposed amendment complied with the statute (and 37 C.F.R. § 42.121’s corresponding requirements), it would necessarily be narrower than a claim previously examined and allowed by the PTO. There is thus no danger that a broader, unexamined claim will issue.

There is an additional safeguard as well. The patent owner, of course, has a duty of candor and good faith to the office throughout the proceeding. 37 C.F.R. § 42.11. Thus, patent owners are constrained from arguing that knowingly unpatentable claims are patentable. To the extent that a patent owner obtains amended claims, despite being aware of prior art that renders the claims unpatentable, the entire patent may become unenforceable due to inequitable conduct. Given the harshness of this penalty, there is very little

chance of a patent owner seeking an improper amendment, especially if it is clearly invalidated by art already the subject of the proceeding. And, any other persons affected by a new claim may challenge validity as well, either through another IPR, ex parte reexamination, or litigation.

CONCLUSION

There is clearly something amiss with the motion to amend process in inter partes reviews. The low rate of patent owner success is directly attributable to the PTO's determination to disregard the clear assignment of the burden of proof in § 316(e). That only a handful of motions to amend have been successful can also be tied to patent owners being forced to overcome not only the arguments of the petitioner—as is proper in an adversarial proceeding—but those of a supposedly neutral referee. The Court should correct this imbalance by requiring the PTO to follow the clear language of the statute.

Dated: October 5, 2016

Respectfully submitted,

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**United States Court of Appeals
for the Federal Circuit**
In re: Aqua Products, Inc., 2015-1177

CERTIFICATE OF SERVICE

I, Robyn Cocho, being duly sworn according to law and being over the age of 18, upon my oath depose and say that:

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October 5, 2016

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