

Is the Presumption of Validity Dead in Substitute Claims Issued as a Result of Motions to Amend After PTAB Proceedings?

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INTRODUCTION

Under Section 282 of the Patent Act of 1952, “[a] patent shall be presumed valid” and “[t]he burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.” 35 U.S.C. § 282 (2018). As Judge Rich, one of the authors of the 1952 Patent Act explained, the rationale for this presumption is based on “the basic proposition that a government agency such as the [PTO] was presumed to do its job.” *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359 (Fed. Cir. 1984). This presumption makes sense in the context of the statutory scheme of the 1952 Act which first codified this presumption, where a patent application follows an “inquisitorial process between patent owner and examiner.” See *SAS Institute, Inc. v. Iancu*, 138 S. Ct. 1348, 1353 (2018). Thus, the examiner, acting on behalf of the government, can be presumed to have performed his or her job if and when a patent claims issue.

However, in 2011, under the Smith-Leahy American Invents Act (“AIA”), unlike the original prosecution, or even traditional *ex parte* reexamination, “the petitioner is master of its complaint and normally entitled to judgment on all of the claims it raises, not just those the decisionmaker might wish to address.” *Id.* at 1355 ; see *id.* at 1356 (“[T]he petitioner’s petition, not the Director’s discretion, is supposed to guide the life of the [*inter partes* review] litigation.”). To the extent that all the PTAB is performing is “a second look at an earlier administrative grant of a patent,” *Oil States Energy Servs., LLC v. Greene’s Energy Grp.*, 138 S. Ct. 1365, 1374 (2018) (quoting *Cuozzo Speed Techn. LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016)), continuing to apply this presumption to claims that survive a PTAB proceeding (like an *inter partes* review)

continues to make sense. After all, the government did its job in the first instance in the original inquisitorial examination, and a third party challenger was unable to demonstrate error.

However, since the Federal Circuit’s decision in *Aqua Products, Inc. v. Matal* confirmed that the burden of persuasion on a the patentability of amended claims in a motion to amend in an *inter partes* review proceeding (and presumably other post issuance PTAB proceedings) is placed on the petitioner, the theoretical rationale for Section 282(a)’s presumption of validity is no longer present for such amended claims. 872 F.3d 1290 (Fed. Cir. 2017) (en banc). In particular, there is no government agency that is tasked with performing the inquisitorial examination that gave rise to the original presumption. How can there be a presumption that the government agent charged with examining the patent claims did his or her job, when there is no such person assigned to perform that job?

In **Part I** of this paper, we examine the historical roots of Section 282(a) and the presumption of validity and its rationale and applicability to claims that issued through original prosecution and traditional inquisitorial reexamination proceedings. In **Part II**, we examine how previously issued claims and amended claims presented in motions to amend in post issuance proceedings before the PTAB after *Aqua Products* are addressed and the procedures and duties of the relative participants with respect to testing each such claim. In **Part III**, we analyze the proper role of the presumption of validity for claims that issue in post issuance proceedings, both previously issued claims and amended claims.

Part I: Section 282(a) and the Presumption of Validity

In this *Part I*, we discuss Section 282(a) and the presumption of validity. First, we explore the common law roots of the presumption as it existed prior to the 1952 Act which codified it. Second, we discuss the codification of the presumption of validity under the 1952 Act, and its relevant legislative history. Third, we discuss Judge Rich’s seminal decision in *American Hoist*, where he explains the rationale and meaning of Section 282. Fourth, we review the Supreme Court’s pre-AIA affirmance of Section 282 in *Microsoft v. i4i*, and principles laid out by the Court.

A. The Pre-1952 Common Law on Presumption of Validity

As early as 1874, Justice Strong of the Supreme Court laid out the common law roots of the presumption of validity, where it held that prior art “must be shown by the defendant.” *Coffin v. Ogden*, 85 U.S. 120, 124 (1874) (Strong, J.). “The burden of proof rests upon him, and every reasonable doubt should be resolved against him.” *Id.* Not long thereafter, he explained the rationale as “[t]he patent itself is *prima facie* evidence that the patentee was the first inventor, at least it casts upon him who denies it the burden of sustaining his denial by proof.” *Smith v. Goodyear Dental Vulcanite Co.*, 93 U.S. 486, 498 (1877) (Strong, J.); *see also Lehnbeuter v. Holthaus*, 105 U.S. 94, 96 (1882) (Woods, J.) (“The patent is *prima facie* evidence of both novelty and utility, and neither of these presumptions has been rebutted by the evidence.”).

In *Cantrell v. Wallick*, Justice Woods, writing for the Court, explained the early underpinnings of the presumption of validity as follows:

The burden of proof is upon the defendants to establish this defence [sic]. For the grant of letters patent is *prima facie* evidence that the patentee is the first inventor of the device described in the letters patent

and of its novelty. Not only is the burden of proof to make good this defence [sic] upon the party setting it up, but it has been held that ‘every reasonable doubt should be resolved against him.’

117 U.S. 689, 695-96 (1886) (Woods, J.) (quoting *Coffin*, 85 U.S. at 124 (1874); *Washburn v. Gould*, 29 F. Cas. 312 (Cir. Ct. Mass. 1844)) (citing *Lehnbeuter v. Holthaus*, 105 U.S. 94 (1882); *Smith v. Goodyear Dental Vulcanite Co.*, 93 U.S. 486 (1877)).

A decade later, Justice Brewer, writing for the Court, explained the rationale behind this Court-made doctrine:

But this is something more than a mere appeal. *It is an application to the court to set aside the action of one of the executive departments of the government. The one charged with the administration of the patent system had finished its investigations and made its determination with respect to the question of priority of invention. That determination gave to the defendant the exclusive rights of a patentee.* A new proceeding is instituted in the courts — a proceeding to set aside the conclusions reached by the administrative department, and to give to the plaintiff the rights there awarded to the defendant. It is something in the nature of a suit to set aside a judgment, and as such is not to be sustained by a mere preponderance of evidence. It is a controversy between two individuals over a question of fact which has once been settled by a special tribunal, entrusted with full power in the premises. As such it might be well argued, were it

not for the terms of this statute, that the decision of the Patent Office was a finality upon every matter of fact.

Morgan v. Daniels, 153 U.S. 120, 124 (1894) (emphasis added) (citing *Butler v. Shaw*, 21 F. 321, 327 (Cir. Ct. D. Mass. 1884)).

By the 1930s, these principles had become firmly incorporated into the common law jurisprudence. For example, in *Radio Corp. of America v. Radio Engineering Laboratories*, Justice Cardozo explained:

A patent regularly issued, and even more obviously a patent issued after a hearing of all the rival claimants, is presumed to be valid until the presumption has been overcome by convincing evidence of error.

The force of that presumption has found varying expression in this and other courts. Sometimes it is said that in a suit for infringement, when the defense is a prior invention, the burden of proof to make good this defense is upon the party setting it up, and every reasonable doubt should be resolved against him. Again it is said that the presumption of the validity of the patent is such that the defense of invention by another must be established by the clearest proof — perhaps beyond reasonable doubt. The context suggests that in these and like phrases the courts were not defining a standard in terms of scientific accuracy or literal precision, but were offering counsel and suggestion to guide the course of judgment. Through all the verbal variances, however, there runs this common core of thought and truth, that one otherwise an infringer who assails the

validity of a patent fair upon its face bears a heavy burden of persuasion, and fails unless his evidence has more than a dubious preponderance.

293 U.S. 1, 7-8 (1934) (emphasis added) (internal quotations and citations omitted).

B. The 1952 Act and Section 282(a)

The 1952 Act, which first enacted into the statutory law the presumption of validity provided:

A patent shall be presumed valid. The burden of establishing invalidity of a patent shall rest on the party asserting it.

35 U.S.C. § 282 (1952 ed.).

The reviser's note to that section simply said:

The first paragraph declares the existing presumption of validity of patents.

35 U.S.C. § 282 note (1952 ed.) (Historical and Revision Notes).

The “*Commentary on the New Patent Act*,” by P.J. Federico, principal author of the 1952 Act, explained:

The first paragraph of section 282 declares that a patent shall be presumed valid and that the burden of establishing invalidity of a patent shall rest on a party asserting it. That a patent is presumed valid was the law prior to the new statute, but it was not expressed in the old statute. The statement of the presumption in the statute should give it greater dignity and effectiveness.

P.J. Federico, *Commentary on the New Patent Act*, 75 J. PAT. & TRADEMARK OFF. SOC'Y 161, 215 (1993) (reprinted from 35 U.S.C.A. (1954 ed.)); *see also Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359 (Fed. Cir. 1984) (quoting with approval).

Similarly, a contemporaneous speech by Judge Rich to the New York Patent Law Association (now known as New York Intellectual Property Law Association), explained in 1952:

Section 282 puts into the statute the presumption of validity for the benefit of those cynical judges who now say the presumption is the other way around.

Giles Rich, Address at New York Patent Law Association (Nov. 6, 1952) (quoted with approval in *Am. Hoist*, 725 F.2d at 1359).

Section 282 received a number of revisions over the decades following its enactment in 1952. Congress first amended Section 282(a) in 1965. The amended statute read:

A patent shall be presumed valid. Each claim of a patent (whether in independent or dependent form) shall be presumed valid independently of the validity of other claims; dependent claims shall be presumed valid even though dependent upon an invalid claim. ***The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting it.***

35 U.S.C. § 282 (1965 ed.) (emphasis added).

Ten years later, Congress again amended Section 282(a) to read:

A patent shall be presumed valid. Each claim of a patent (whether in independent,

dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. ***The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.***

35 U.S.C. § 282 (1975 ed.) (emphasis added). The revised Section 282 was examined by the Federal Circuit in 1984. *See generally Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350 (Fed. Cir. 1984). Subsequently, Section 282(a) went through two further revisions. In 1995, Congress added the following to the end of the second sentence of Section 282(a):

Notwithstanding the preceding sentence, if a claim to a composition of matter is held invalid and that claim was the basis of a determination of nonobviousness under section 103(b)(1), the process shall no longer be considered nonobvious solely on the basis of section 103(b)(1).

35 U.S.C. § 282 (1995 ed.). The sentences: “***A patent shall be presumed valid,***” and “***The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity,***” continued to remain in the statute. *Id.*

The Supreme Court later considered this version of the Section 282(a) in *Microsoft Corp. v. i4i Ltd. Partnership*. 131 S. Ct. 2238 (2011). Later that year, Congress further revised Section 282(a) as part of the Leahy-Smith America Invents Act (“AIA”) to read as follows:

(a) In general. A patent shall be presumed valid. Each claim of a patent (whether in independent,

dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. ***The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.***

35 U.S.C. § 282 (2011 ed.) (emphasis added).

Thus, the 2011 revision to Section 282(a) removed the language that was added by the 1995 revision, since that portion of Section 103 was no longer included in the AIA, inserted subsection headings (shown in underscore), and labeled the undesignated paragraphs as (a)-(c). Thus, the current language of Section 282(a) is identical to the language examined by the Federal Circuit in 1984 in *American Hoist*, whose rationale was endorsed by the Supreme Court in *Microsoft*.

**C. Federal Circuit Jurisprudence:
American Hoist & Derrick Co. v. Sowa & Sons, Inc., 725 F.2d 1350 (Fed. Cir. 1984)**

In *American Hoist*, Judge Rich, an author of the 1952 Act and distinguished patent jurist, wrote an early Federal Circuit decision addressing confusion regarding how the presumption of validity applied with respect to evidence considered and evidence not considered previously by the patent office in the original examination of an issued patent claim. The “prevailing confusion” lay, as Judge Rich explained, “over its meaning and effect has been engendered by assertions that under some circumstances the presumption is retained and under others it is destroyed, or that the presumption is strengthened or weakened, as a result of which, it has been said, the burden of proof shifts from one party to another or the standard of proof changes.” *Am. Hoist*, 725 F.2d

at 1358. Judge Rich rejected and clarified this confusion.

After discussing the judicial history of the presumption and the legislative enactment in which he participated, he summarized for the Court what has become the prevailing interpretation of Section 282:

To summarize on this point, § 282 creates a presumption that a patent is valid and imposes the burden of proving invalidity on the attacker. That burden is constant and never changes and is to convince the court of invalidity by clear evidence. Deference is due the Patent and Trademark Office decision to issue the patent with respect to evidence bearing on validity which it considered ***but no such deference is due with respect to evidence it did not consider.*** All evidence bearing on the validity issue, whether considered by the PTO or not, is to be taken into account by the tribunal in which validity is attacked.

Id. at 1360 (emphasis added).

Significantly, as Judge Rich explained, “[b]ehind it all, of course, was the basic proposition that a government agency such as the then Patent Office was presumed to do its job.” *Id.* at 1359 (citing *Morgan v. Daniels*, 153 U.S. 120, 125 (1894)). Thus, the presumption should arise, in theory, only when the job is actually performed or expected to be performed.

American Hoist remained the law of land as applied by the Federal Circuit up to the time the Supreme Court considered the question again in *Microsoft Corp.* (discussed *infra*). See, e.g., *ALZA Corp. v. Andrx Pharmaceuticals, LLC*, 603 F.3d 935, 940 (Fed. Cir. 2010); *Ultra-Tex Surfaces, Inc. v. Hill Bros. Chemical Co.*, 204 F.3d 1360, 1367 (Fed. Cir. 2000); *A Greenwood v. Hattori Seiko Co.*, 900 F.2d 238, 240-241 (Fed. Cir.1990); see also *Microsoft Corp. v. i4i*

Ltd. Partnership, 131 S. Ct. 2238, 2243 (2011) (“In the nearly 30 years since *American Hoist*, the Federal Circuit has never wavered in this interpretation of § 282.”).

D. SCOTUS Review: *Microsoft Corp. v. i4i Ltd. Partnership*, 131 S. Ct. 2238 (2011)

In *Microsoft*, the Supreme Court clearly recognized the clear applicability of Section 282:

As stated, the first paragraph of § 282 provides that ‘[a] patent shall be presumed valid’ and ‘[t]he burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.’ Thus, by its express terms, § 282 establishes a presumption of patent validity, and it provides that a challenger must overcome that presumption to prevail on an invalidity defense.

131 S. Ct. at 2245 (quoting 35 U.S.C. § 282 (2002 ed.)).

In doing so, Justice Sotomayor writing for the Court relied upon the inquisitorial nature of the patent examination process as part of the rationale justifying such a presumption. The Court noted that when Congress adopted the common law term “presumed valid” in Section 282, it intended to adopt the meaning already attached to this term since the “presumption of patent validity had long been a fixture of common law.” *Id.* at 2246. There is “[n]othing in [Section] 282’s text suggests that Congress meant to depart from that understanding to enact a standard of proof that would rise and fall with the facts of each case.” *Id.* at 2250.

Further, the Court indicated that in cases where evidence was never considered by the PTO, the cases should be read to reflect the “commonsense principle” that “if the PTO did not have all material facts before it, its considered judgment may lose significant

force.” *Id.* at 2251. Thus, the “challenger’s burden to persuade the jury of its invalidity defense by clear and convincing evidence may be easier to sustain.” *Id.*

Part II: PTAB Proceedings

A. The Pre-AIA Inquisitorial Process at the Patent Office

As Justice Sotomayor explained in *Microsoft Corp. v. i4i Ltd. Partnership*, for purposes of original prosecution at least, Congress has charged the PTO with the task of examining patent applications and issuing patents. *See id.* at 2242 (citing 35 U.S.C. §§ 2(a)(1), 131 (2002 ed.)). In order to obtain a patent, an applicant must file “claims” that describe the invention and meet the statutory requirements of Congress (e.g., 35 U.S.C. §§ 101-03, 112 (2018)). *SAS Institute, Inc. v. Iancu*, 138 S. Ct. 1348, 1353 (2018). The PTO must evaluate each claimed invention and determine whether an application falls within one of the express categories of patentable subject matter, and is novel, and nonobvious. *Microsoft*, 131 S. Ct. at 2242. When evaluating if these and other statutory conditions have been met, the PTO must engage in fact-finding and refer to the fact-finding to make factual determinations to determine patentability. *Id.* During the fact-finding process, a patent examiner searches prior art to ensure that an invention is new and unique, reviews patent applications to ensure conformity to formal requirements, and issues office actions communicating the examiner’s findings on patentability to inventors and patent practitioners. The Supreme Court has labeled the PTO’s initial examination process between patent owner and examiner as an “inquisitorial process” due to its investigative and fact-finding nature. *SAS*, 138 S. Ct. at 1353.

Likewise, before the AIA, other forms of post-issuance proceedings, where the PTO would take a “second look” at a previously issued patent were also inquisitorial in nature. For example, in 1980, Congress established *ex parte* reexamination to review patent claims. *See Act to Amend the Patent and Trademark Laws*, 35 U.S.C. § 301, *et. seq.* (1980). While still in

existence today, *ex parte* reexamination provided the only administrative process for the PTO to reconsider and cancel patent claims that were wrongly issued. *See Oil States Energy Servs., LLC v. Greene’s Energy Grp.*, 138 S. Ct. 1365, 1370 (2018). An *ex parte* reexamination allows “[a]ny person at any time” to “file a request for reexamination.” *Id.* (quoting 35 U.S.C. § 302 (2018)). Further, if the PTO determines that there is “a substantial new question of patentability” for “any claim of the patent,” it can reexamine the patent. *Id.* (quoting 35 U.S.C. §§ 303(a), 304 (2018)). The *ex parte* reexamination process “follows essentially the same inquisitorial process between patent owner and examiner as the initial Patent Office examination.” *SAS*, 138 S. Ct. at 1353. Congress embraced the “inquisitorial” approach of *ex parte* reexamination in its statute. *Id.* at 1355. The statute authorized the PTO “to investigate a question of patentability ‘[o]n [its] own initiative, and at any time.’” *Id.* (quoting 35 U.S.C. § 303(a) (2018)).

About twenty years later, in 1999 Congress added *inter partes* reexamination to the PTO’s arsenal. *See American Inventors Protection Act*, §§ 4601-08, 113 Stat. 1501A-567 to 1501A-572 (1999). The *inter partes* reexamination process provided a “slightly more adversarial process,” but like its predecessor, “followed a more or less inquisitorial course led by the Patent Office.” *SAS*, 138 S. Ct. at 1353. (citing 35 U.S.C. § 314(a) (2006 ed.)). Any person could file a request for reexamination. 35 U.S.C. § 311(a) (2006 ed.). The PTO would then determine if the request raised a “substantial new question of patentability affecting any claim of the patent.” *Oil States*, 138 S. Ct. at 1371 (quoting 35 U.S.C. §§ 312(a), 313 (2006 ed.)). If so, the PTO would commence a reexamination. *See id.* The *inter partes* reexamination followed the same general procedures for initial examination, but allowed a third-party requester and the patent owner to participate in a limited manner by filing responses and replies. *See id.* (citing 35 U.S.C. §§ 314(a), (b) (2006 ed.)). In 2012, the America Invents Act phased out *inter partes* reexamination, in favor of *inter partes* review proceedings. *See id.*

B. The American Invents Act in 2011

The AIA became effective on September 16, 2011. *See Leahy-Smith America Invents Act*, Pub. L. No. 112-29 (2011). Among other changes to the U.S. Patent Law, the most notable change included the establishment of a new administrative process called *inter partes* review for the PTO to reconsider and cancel patent claims that were wrongly issued. *Oil States*, slip op. at 2. In an *inter partes* review proceeding, a petitioner can request cancellation of patent claims on the grounds that the claims fail the novelty or nonobviousness standards for patentability. *Id.* at 2-3. “[*I*nter partes review [is] guided by the initial petition. Congress structured the process such that the petition[, not the [PTAB], defines the proceedings contours.” *SAS*, 138 S. Ct. at 1351 (citing 35 U.S.C. § 312(a)(3) (2018)).

After an *inter partes* review proceeding is instituted, the PTAB examines a patent’s validity. 35 U.S.C. § 311(b) (2018). The PTAB sits in three-member panels of administrative patent judges. *Id.* § 6(c). During an *inter partes* review, the petitioner and the patent owner are entitled to a discovery process, (*Id.* § 316(a)(5)), and the burden of proving unpatentability lies with the petitioner under a preponderance of the evidence standard. *Id.* § 316(e). A patent owner can file a motion to amend the patent by voluntarily canceling a claim or offering a reasonable number of substitute claims. *Id.* § 316(d)(1)(B). The parties may settle at any time prior to issuance of a final written decision. *Id.* § 317. However, the PTAB will issue a final written decision no later than a year after it notices the institution of *inter partes* review. *Id.* § 316(a)(11). This deadline may be extended up to six months for good cause. *Id.* § 318(a). A party dissatisfied with the PTAB’s decision can seek judicial review in the Federal Circuit. *Id.* § 319.

C. The Changed Paradigm from Inquisitorial to Adversarial Proceedings

The AIA became effective on September 16, 2011, just a few months after the Supreme

Court’s June 9, 2011 decision in *Microsoft Corp. v. i4i Ltd. Partnership*. See Leahy-Smith America Invents Act, Pub. L. No. 112-29 (2011). Under the AIA, any person other than the patent owner could file a petition for *inter partes* review. 35 U.S.C. § 311(a) (2012 ed.). After the institution of an *inter partes* review, the matter proceeds before the PTO “with many of the usual trappings of litigation.” *SAS*, 138 S. Ct. at 1353-54. As Justice Gorsuch explained in *SAS*, this new approach clearly deviated from the inquisitorial approach used in the PTO in the past, both in original prosecution, as well as the prior *ex parte* reexaminations and *inter parte* reexaminations in favor of a more adversarial proceeding. “[R]ather than create (another) agency-led, inquisitorial process for reconsidering patents, Congress opted for a party-directed, adversarial process.” *Id.* at 1355 (citation omitted). Under the new *inter partes* review regime, the petitioner defined challenges, which the PTO would decide. *Oil States Energy Servs., LLC v. Greene’s Energy Grp.*, 138 S. Ct. 1365, 1371 (2018). The new structure also included the right for a patent owner to “amend its patent or to cancel one or more of its claims.” *SAS*, 138 S. Ct. at 1354 (citing 35 U.S.C. § 316(d)).

The patent owner could file a motion to amend by “propos[ing] a reasonable number or substitute claims.” *Oil States*, 138 S. Ct. at 1371 (citing 35 U.S.C. § 316(d)(1)(B)). However, unlike district court litigation in which the presumption of validity applied, the new proceedings instead utilized a preponderance of the evidence standard. See 35 U.S.C. § 316(e) (2018).

Earlier versions of Section 316(e) stated that “[t]he petitioner shall have the burden of proving a proposition of *invalidity*” S. 3600, 110th Cong. § 5(c) (2008) (emphasis added) (proposing 35 U.S.C. § 331(b)); see also S. 1145, 110th Cong. § 5(c)(1) (2008) (proposing 35 U.S.C. § 331(b) (“The petitioner . . . shall have the burden of proving a proposition of *invalidity*” (emphasis added))). Congress changed “*invalidity*” to the broader term “*unpatentability*” in the enacted version of

Section 316(e). 35 U.S.C. § 316(e) (2018). Despite these changes, the preponderance of evidence standard did not change.

During the March 2011 Senate debates involving the replacement of *inter partes* reexamination with the AIA’s *inter partes* review, Senator Kyl commented on Congress’s intention to create an adjudicative proceeding where the petitioner bore the burden of showing unpatentability:

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. 3386 (daily ed. 2011) (statement of Sen. Kyl) (emphasis added). The legislative history indicates that while there may have been debate over who bore the burden, the burden remained unchanged—to prove unpatentability by a preponderance of evidence—throughout the revisions of the AIA.

D. Motions to Amend Under *Aqua Products*

During the first six years of PTAB practice, the PTO placed the burden of persuasion on the Patent Owner when it presented a motion to amend to substitute claims. *See, e.g., Idle Free Sys., Inc. v. Bergstrom, Inc.*, IPR2012-00027 (PTAB June 11, 2013); *see also Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292, 1307-8 (Fed. Cir. 2015); *Prolitec, Inc. v. ScentAir Techs., Inc.*, 807 F.3d 1353, 1363 (Fed. Cir. 2015). This made sense, since the Patent Owner was asking to be awarded new claims, it should justify its request. However, this procedure, combined with concerns over patent owner estoppel attached to failed substitute claims (37 C.F.R. § 42.73(d)(3)) and intervening rights created by successful substitute claims, discouraged many patent owners from opting to present substitute claims during the PTAB trial proceedings.

In 2017, the full Federal Circuit found fault with the PTO's prior practice and held in *Aqua Products v. Matal*, that, at least under the current PTO regulations, "[t]he only legal conclusions that support and define the judgment of the court are: (1) the PTO has not adopted a rule placing the burden of persuasion with respect to the patentability of amended claims on the patent owner that is entitled to [*Chevron*] deference; and (2) in the absence of anything that might be entitled deference, the PTO may not place that burden on the patentee." 872 F.3d 1290, 1327 (2017) (*en banc*). Significantly, the court's inquiry about whether the PTAB may *sua sponte* raise patentability challenges to amended claims was "reserved for another day." *Id.* at 1325.

Faced with this radical departure from its prior practice, the PTAB quickly responded with new guidance ("Guidance") on the decision. Memorandum from David P. Ruschke, Chief Admin. Patent Judge, U.S. Patent and Trademark Office on Guidance on Motions to Amend in view of *Aqua Products* to Patent Trial and Appeal Board (Nov. 21, 2017), https://www.uspto.gov/sites/default/files/documents/guidance_on_motions_to_amend_11_2017.pdf. The PTAB confirmed that the burden of persuasion will no longer be placed on a patent

owner with respect to the patentability of substitute claims presented in a motion to amend. *Id.* Further, in reviewing a patent owner's motion to amend, as long as the motion satisfies the statutory requirements under 35 U.S.C. § 316(d), the PTAB will "determine whether the substitute claims are unpatentable by a preponderance of the evidence based on the entirety of the record, including any opposition made by the petitioner." *Id.*

While the Patent Owner still had to meet certain statutory requirements under 35 U.S.C. § 316(d) (*e.g.*, proposing a reasonable number of substitute claims, not enlarging the scope of the claims, and introducing no new matter), the scope of any challenge would in essence be solely defined by the Petitioner in opposing the proposed motion. Significantly, the PTAB is not empowered with raising new prior art, or even previously raised prior art not included in the record, or new grounds, like patent-eligibility, indefiniteness, new matter, etc., without a challenge raised by the Petitioner. In the words of Justice Gorsuch, "it's the petitioner, not the [PTAB], who gets to define the contours of the proceeding." *SAS Institute, Inc. v. Iancu*, 138 S. Ct. 1348, 1355 (2018).

Since *Aqua Products*, docket navigator reflects that over 30 motions to amend substitute claims have been filed, and of those motions, three have been granted in full. While this does not seem like an uptick, it may signal a change. Prior to *Aqua Products*, the PTAB only granted in full four motions to amend substitute claims since the AIA created *inter partes* review in 2011. Figure 1, below, depicts the outcomes of motions to amend substitute claims by year since the passage of the AIA.

	2011 (Post- AIA)	2012	2013	2014	2015	2016	2017 (Pre- Aqua Products)	2017 (Post-Aqua Products)	2018
Granted	0	0	0	0	1	2	1	1	2
Denied	0	0	6	65	49	50	32	10	16
Partial	0	0	0	3	0	1	4	1	1
TOTAL	0	0	6	68	50	53	37	12	19

Figure 1: Outcomes of Motions to Amend Substitute Claims (2011-2018). Data obtained from Docket Navigator (as of September 4, 2018).

While it is still too early to fully understand the full effects of *Aqua Products*, it is expected that more patent owners will seek motions to amend, and more motions are likely to be granted as a result of the shifting burden of persuasion.

Part III: How Should the Presumption of Validity Apply to Substitute Claims that are granted in Post-Issuance Proceedings?

In this *Part III*, we analyze the appropriate role of the presumption of validity for claims that issue in post-issuance proceedings—including both previously issued claims and amended substitute claims.

A. Rationale for Presumption of Validity Is Not Present for Amended Claims

The effects of *Aqua Products* with regard to the number of and success of motions to amend to substitute claims are still unknown. However, in light of *Aqua Products* confirming that the burden of persuasion on the patentability of substitute claims in a motion to amend during an inter partes review proceeding (and thus, presumably other post-issuance PTAB proceedings) lies with the petitioner, it is anticipated that more patent owners will seek motions to amend to substitute claims and that

more motions will be granted. As patent owners seek and potentially obtain new substitute claims during *inter partes* review proceedings with increasing regularity, the question of whether, and if so, how the presumption of validity should be applied to these new substitute claims becomes increasingly important.

Substitute claims that issue as a result of motions to amend during post-issuance proceedings do not undergo the initial prosecution process where the PTO engages in fact-finding and refers to that fact-finding to make factual determinations to determine patentability. *Microsoft*, 131 S. Ct. at 2242. Without the initial inquisitorial fact-finding process, a patent examiner has not:

- (1) searched prior art to ensure that an invention is new and unique;
- (2) reviewed patent applications to ensure conformity to formal requirements; or
- (3) issued office actions communicating the examiner’s findings on patentability to inventors and patent practitioners, among other things.

Therefore, the theoretical “rationale underlying the presumption [of validity]—that the PTO, in its expertise, has approved the claim” (*KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 426 (2007))—is no longer present for substitute claims. ***Significantly, there is no government agency that is tasked with performing the inquisitorial***

examination that gave rise to the original presumption.

B. Federal Circuit Jurisprudence: *Sciele Pharmaceuticals, Inc. v. Lupin Ltd.*, 684 F.3d 1253 (Fed. Cir. 2012) and Revisiting *Microsoft Corp. v. i4i Ltd. Partnership*, 131 S. Ct. 2238 (2011)

The Federal Circuit previously determined that the “presumption [of validity] applies to all issued claims,” but “[t]hat does not mean, however, that [a court] should not consider the prosecution history” when there are “quirks in the prosecution history.” *Sciele Pharma., Inc. v. Lupin Ltd.*, 684 F.3d 1253, 1261 (Fed. Cir. 2012). In the case of substitute claims that issue as a result of motions to amend during post-issuance proceedings, there certainly are “quirks in the prosecution history” as there is no prosecution history at all. The fact that an examiner did not engage in the typical inquisitorial examination process or previously consider prior art references could impact the weight that a court or jury assigns to the evidence. “For example, it could be reasonable to give more weight to new arguments or references that were not explicitly considered by the PTO when determining whether a defendant met its burden of providing clear and convincing evidence of invalidity.” *Id.* at 1260.

Unlike the initial prosecution process, there is no government agent charged with examining substitute patent claims that issue as a result of motions to amend during post-issuance proceedings. Under the logic of *Sciele*, it would be reasonable in such instances to give more weight to all arguments and references as they were never considered by the PTO. This falls in line with the reasoning of the Supreme Court in *Microsoft*. Specifically, Justice Sotomayor pointed out that there is “[n]othing in [Section] 282’s text suggests that Congress meant to depart from that understanding to enact a standard of proof that would rise and fall with the facts of each case.” *Microsoft*, 131 S. Ct. at 2250. Further, the Court indicated that in cases where evidence was never considered by the PTO, the cases should be read to reflect the

“commonsense principle” that “if the PTO did not have all material facts before it, its considered judgment may lose significant force.” *Id.* at 2251. Thus, the “challenger’s burden to persuade the jury of its invalidity defense by clear and convincing evidence may be easier to sustain.” *Id.*

While overcoming Section 282(a)’s presumption of validity should be easier in theory with respect to substitute claims, as a practical matter, it likely will still prove to be difficult. Faced with instructions that all patent claims are presumed valid and that invalidity must be proven by clear and convincing evidence, and an understanding that the Patent Office already took a second look at an asserted patent and issued new substitute claims, a jury will likely have difficulty understanding a further instruction that evidence not presented during an *inter partes* review proceeding should be weighed more heavily, much less ultimately finding a substitute claim invalid when sufficient evidence has been presented.

Nonetheless, without a full inquisitorial approach, claims amended in an *inter partes* review proceeding or other post-issuance challenge are likely to be subject to a greater scope of challenges, since the foundation for the presumption of validity that otherwise exists is no longer present. Thus, as Justice Sotomayor explained, challenges on grants not already raised, “may be easier to sustain.” *Microsoft*, 131 S. Ct. at 2251.

Conclusion

A presumption of validity that is based on the assumption that government officials are presumed to have done their job is reasonable when a government office has been so tasked. However, in the context of amended claims coming out of an *inter partes* review, the rationale falls apart. No presumption should remain for such claims, at least as long as the burden in an *inter partes* review rests solely upon a petitioner with respect to substitute claims offered by amendment.

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ABOUT THE PATENT QUALITY INITIATIVE

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SIDEBAR 1

***Inter Partes Review* The Evolution of Section 282(a) Since 1952 Act**

1952 Version:

A patent shall be presumed valid. The burden of establishing invalidity of a patent shall rest on a party asserting it.

35 U.S.C. § 282(a) (1952 ed.).

1965 Amendment:

A patent shall be presumed valid. Each claim of a patent (whether in independent or dependent form) shall be presumed valid independently of the validity of other claims; dependent claims shall be presumed valid even though dependent upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting it.

35 U.S.C. 282(a) (1965 ed.).

1975 Amendment:

A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

35 U.S.C. § 282(a) (1975 ed.).

1995 Amendment:

A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. Notwithstanding the preceding sentence, if a claim to a composition of matter is held invalid and that claim was the basis of a determination of nonobviousness under section 103(b)(1), the process shall no longer be considered nonobvious solely on the basis of section 103(b)(1). The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

35 U.S.C. § 282(a) (1995 ed.).

2011 Amendment:

(a) In general. A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

35 U.S.C. § 282(a) (2011 ed.).

SIDEBAR 2

Burden of Proof in *inter partes* review

35 U.S.C. § 316 - Conduct of *inter partes* review.

(e) Evidentiary standards. In an *inter partes* review instituted under this chapter [35 U.S.C. §§ 311, *et. seq.*], the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

35 U.S.C. § 316(e) (2018).

SIDEBAR 3

Motions to Amend

35 U.S.C. § 316 - Conduct of *inter partes* review.

(d) Amendment of the patent.

(1) In general. During an *inter partes* review instituted under this chapter [35 USCS §§ 311, *et seq.*], the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:

(A) Cancel any challenged patent claim.

(B) For each challenged claim, propose a reasonable number of substitute claims.

(2) Additional motions. Additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding under section 317 [35

USCS § 317], or as permitted by regulations prescribed by the Director.

(3) Scope of claims. An 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) (2018).

37 C.F.R. § 42.121 - Amendment of the patent.

(a) Motion to amend. A patent owner may file one motion to amend a patent, but only after conferring with the Board.

(1) Due date. Unless a due date is provided in a Board order, a motion to amend must be filed no later than the filing of a patent owner response.

(2) Scope. A motion to amend may be denied where:

(i) The amendment does not respond to a ground of unpatentability involved in the trial; or

(ii) The amendment seeks to enlarge the scope of the claims of the patent or introduce new subject matter.

(3) A reasonable number of substitute claims. A motion to amend may cancel a challenged claim or propose a reasonable number of substitute claims. The presumption is that only one substitute claim would be needed to replace each challenged claim,

and it may be rebutted by a demonstration of need.

(b) Content. A motion to amend claims must include a claim listing, which claim listing may be contained in an appendix to the motion, show the changes clearly, and set forth:

(1) The support in the original disclosure of the patent for each claim that is added or amended; and

(2) The support in an earlier-filed disclosure for each claim for which benefit of the filing date of the earlier filed disclosure is sought.

(c) Additional motion to amend. In addition to the requirements set forth in paragraphs (a) and (b) of this section, any additional motion to amend may not be filed without Board authorization. An additional motion to amend may be authorized when there is a good cause showing or a joint request of the petitioner and the patent owner to materially advance a settlement. In determining whether to authorize such an additional motion to amend, the Board will consider whether a petitioner has submitted supplemental information after the time period set for filing a motion to amend in paragraph (a)(1) of this section.

37 C.F.R. § 42.121 (2018).

37 C.F.R. § 42.221 - Amendment of the patent.

(a) Motion to amend. A patent owner may file one motion to amend a patent, but only after conferring with the Board.

(1) Due date. Unless a due date is provided in a Board order, a motion to amend must be filed no later than the filing of a patent owner response.

(2) Scope. A motion to amend may be denied where:

(i) The amendment does not respond to a ground of unpatentability involved in the trial; or

(ii) The amendment seeks to enlarge the scope of the claims of the patent or introduce new subject matter.

(3) A reasonable number of substitute claims. A motion to amend may cancel a challenged claim or propose a reasonable number of substitute claims. The presumption is that only one substitute claim would be needed to replace each challenged claim, and it may be rebutted by a demonstration of need.

(b) Content. A motion to amend claims must include a claim listing, which claim listing may be contained in an appendix to the motion, show the changes clearly, and set forth:

(1) The support in the original disclosure of the patent for each claim that is added or amended; and

(2) The support in an earlier-filed disclosure for each claim for which benefit of the filing date of the earlier filed disclosure is sought.

(c) Additional motion to amend. In addition to the requirements set forth in paragraphs (a) and (b) of this section, any additional motion to amend may not be filed without Board authorization. An additional motion to amend may be authorized when there is a good cause showing or a joint request of the petitioner and the patent owner to materially advance a settlement. In determining whether to authorize such an additional motion to amend, the Board will consider whether a petitioner has submitted supplemental information after the time period set for filing a motion to amend in paragraph (a)(1) of this section.

37 C.F.R. § 42.221 (2018).