

2015-1177

IN THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

IN RE: AQUA PRODUCTS, INC.

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

**CORRECTED SUPPLEMENTAL REPLY BRIEF FOR APPELLANT
AQUA PRODUCTS, INC. ON REHEARING EN BANC**

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I. INTRODUCTION

Any dispute over statutory interpretation inevitably involves detours through legislative history, companion legislation, policy arguments, and the like. But in the end, what matters is the text of the statute itself. Here, 35 U.S.C. § 316(e) clearly states 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.” 35 U.S.C. § 316(e) (emphasis added). If, as Aqua contends, “a proposition of unpatentability” is a broad term that applies to *any* proposition of unpatentability that arises in an instituted inter partes review (“IPR”), then this case should easily be resolved in Aqua’s favor. If, on the other hand, this phrase applies only to *certain* propositions of unpatentability, i.e., only those associated with original claims, then this case can be resolved in the PTO’s favor.

From a textual standpoint, neither the PTO nor its supporting *amici* have shown that § 316(e) has anything other than its straightforward, unambiguous meaning, i.e., a petitioner bears the burden of proving *any* proposition of unpatentability in an instituted IPR, regardless of the type of claim involved. The PTO does not dispute that “unpatentability” is a broad term that applies equally to issued and pending claims. Nor is there any dispute that “shall” is mandatory. Although the PTO attempts to draw a “temporal” distinction between “[i]n an inter

partes review” in § 316(e) and “[d]uring an inter partes review” in § 316(d), this alleged distinction is illusory. *See* PTO-Supp.Br. 22 n.12; 35 U.S.C. § 316(d), (e) (emphases added). These introductory clauses merely indicate that the respective provisions apply after institution, not before. There is no meaningful difference between “in” and “during” in these clauses, i.e., something that happens *in* an IPR also happens *during* an IPR.

The PTO contends that § 316(e) makes clear, “[o]n its face,” that the petitioner’s burden to prove unpatentability applies only to issued claims that were challenged in the IPR petition and subject to the Board’s institution decision. PTO-Supp.Br. 21-22. But the PTO fails to offer any textual analysis that supports this assertion. *See id.* at 21-25. As a fallback, the PTO contends that § 316(e) “is, at least, ambiguous.” *Id.* at 25. But the PTO’s only proof of this alleged ambiguity is that some *amici* disagree about certain subsidiary issues such as the burden of *production* or the Board’s authority to sua sponte raise issues of unpatentability. To be clear, *all six* of the *amici* supporting Aqua agree that § 316(e) clearly and unambiguously places the burden of persuasion on the petitioner to prove that proposed amended claims are unpatentable.

Having failed to establish any textual support for its position, the PTO reverts to a policy argument that “[a]llowing untested claims to issue in an inter partes review would represent a sharp break from the American patent system’s

historical practice of requiring examination of all patent claims.” PTO-Supp.Br. 33. But here the PTO proves too much. Putting aside that a narrower version of an already-examined-and-allowed claim is not “untested,” the PTO overlooks that *no claim* in an IPR is *ever* “examined” because, as the PTO concedes, “inter partes review was not designed to have the Board play the role of an examiner.” *Id.* at 28. Thus, even under the PTO’s reading of the statute, amended claims will still issue without being “examined.” Instead, they will be *adjudicated* in a litigation-like process, which is fundamentally different than a PTO examination. Thus, the “sharp break from . . . historical practice” that the PTO complains of actually occurred with the enactment of the AIA, and the PTO is obliged to follow the AIA *as enacted*, not as it wishes.

II. ARGUMENT IN REPLY

The PTO’s arguments fall primarily into four categories: (1) textual arguments focusing on the meaning of “unpatentability” and § 316(e)’s introductory clause; (2) contextual arguments focusing on the interplay between § 316(e) and the grant of rulemaking authority in § 316(a)(9); (3) legislative-history arguments; and (4) policy arguments. Aqua will address each of these in turn.

A. The PTO Fails to Establish Any Logical Textual Interpretation of § 316(e) That Would Support Narrowing the Petitioner’s Burden Only to Original Claims

1. The Term “Unpatentability” in § 316(e) Covers Both Original and Amended Claims

The PTO asserts that § 316(e), “[o]n its face,” does not apply to amendments. PTO-Supp.Br. 21. But the PTO fails to demonstrate how the actual words in § 316(e) compel this result. In fact, they do not.

As Aqua explained in its opening supplemental brief, § 316(e) makes no distinction between original and amended claims. Aqua-Supp.Br. 12. The provision instead refers broadly to a “proposition of unpatentability,” which applies equally to both types of claims. *Id.* Notably, Congress did not use the narrower term “invalidity” that typically refers to already-issued claims. *Id.* at 12-13. Thus, in opting for the broader concept of “unpatentability” in § 316(e), Congress was clear that the burden of proof applies to *all* claims in an IPR proceeding, including any proposed amended claims. *Id.*

In response, the PTO points to statutory provisions in the AIA that use “unpatentability” instead of “invalidity” in conjunction with issued claims, and it extrapolates from this (albeit illogically) that “unpatentability” must therefore be interpreted to cover only issued claims. PTO-Supp.Br. 24-25. But this argument merely proves Aqua’s point that “unpatentability” is a *broad term* applicable to both pending *and* issued claims. Indeed, the PTO makes no attempt to rebut that

“patentability” and “unpatentability” are routinely used to describe pending claims in patent applications. *See, e.g., In re Mouttet*, 686 F.3d 1322, 1326-27 (Fed. Cir. 2012) (“The examiner at the [PTO] rejected all twenty of Mouttet’s pending claims under § 103(a) as *unpatentable . . .*” (emphasis added)); *see also* 35 U.S.C. pt. II, ch. 10 (§§ 101-105) (“PATENTABILITY OF INVENTIONS”). Thus, as Aqua explained in its opening supplemental brief and as the PTO does not dispute, “unpatentability” is a broad term that encompasses both issued *and* pending claims, whereas “invalidity” typically pertains only to issued claims. *See, e.g.,* 35 U.S.C. § 282 (discussing “validity” and “invalidity” in the context of issued claims); Aqua-Supp.Br. 12-13.

The Internet Association et al., as *amici curiae* (collectively “TIA”), contend that “invalidity” is “particular to district-court proceedings” where a presumption of validity applies, and that “[b]y using the term ‘unpatentability’ in § 316(e),” Congress chose a term that was appropriate for the IPR statute, where no presumption of validity applies. TIA-Br. 10 n.3. This argument is undercut, however, by the covered-business-method (“CBM”) statute, which is *also* a PTO proceeding where no presumption of validity applies. The CBM statute (§ 18 of the AIA) is a targeted, sunset provision that, on its face, *only addresses issued claims* in CBM patents. Yet the statute uses the invalidity/validity terminology, contrary to TIA’s argument that such terminology only applies in district-court

litigations where a presumption of validity applies. *See* AIA § 18(a)(1), (a)(1)(C), (a)(1)(D). Put differently, despite being a statute that defines a framework for PTO proceedings, § 18 uses “invalidity” rather than “unpatentability” in conjunction with issued claims. *See id.*

In contrast, the CBM statute also refers to the post-grant-review (“PGR”) “standards and procedures” set forth in chapter 32 of title 35. *See* AIA § 18(a)(1). These PGR provisions parallel the IPR statute in that they refer to both original and amended claims. *See, e.g.*, 35 U.S.C. §§ 322(a)(3), 326(d), 328(b). Like the IPR statute, the PGR provisions use the unpatentability/patentability terminology in referring to these claims, instead of the invalidity/validity terminology used in AIA § 18. *See, e.g.*, 35 U.S.C. §§ 326(e), 328(b). Thus, in enacting the AIA, Congress chose the invalidity/validity terminology for § 18 of the CBM statute, where only issued claims are described, but chose the unpatentability/patentability terminology for the PGR and IPR statutes, where both original *and* amended claims are described. This statutory framework supports Aqua’s argument that “unpatentability” is a broad term that encompasses both original and amended claims.

For these reasons, the term “unpatentability” in § 316(e) cannot refer *only* to issued claims as the PTO suggests. If Congress wanted § 316(e) to cover only issued claims, it would have used the same validity/invalidity terminology from the

neighboring CBM statute. Instead, Congress chose the broader “unpatentability” terminology for § 316(e), which expands the burden of proof to cover both original and amended claims, just like the PGR statute.

2. The IPR Statute Does Not Associate “Unpatentability” Only with Original Claims and “Patentability” Only with Amended Claims

The PTO and its supporting *amici* argue that Congress used “unpatentability” throughout the IPR statute to refer to a burden of proof specific to issued claims, but a different term, “patentability,” when referring to a burden of proof associated with amended claims. PTO-Supp.Br. 21-25; TIA-Br. 9-10. That is incorrect.

A review of § 318(a) and (b) shows the fallacy of this argument:

(a) Final Written Decision.—If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the *patentability* of any patent claim challenged by the petitioner and any new claim added under section 316(d).

(b) Certificate.—If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be *unpatentable*, confirming any claim of the patent determined to be *patentable*, and incorporating in the patent by operation of the certificate any new or amended claim determined to be *patentable*.

35 U.S.C. § 318(a), (b) (emphases added). As evident in these provisions, the IPR statute does not use “unpatentability” exclusively for issued claims and “patentability” exclusively for amended claims. In § 318(a), the statute uses the *same* term, “patentability,” in reference to *both* “any patent claim challenged by the petitioner *and* any new claim added under section 316(d).” 35 U.S.C. § 318(a) (emphasis added). Likewise, § 318(b) uses “patentable” in conjunction with *both* issued claims and amended claims. *See* 35 U.S.C. § 318(b). Thus, the symmetry proposed by the PTO and TIA, where “unpatentable” allegedly refers only to issued claims and “patentable” refers only to amended claims, simply does not exist in the IPR statute. Both terms apply to original and amended claims.

The phrase “determined to be patentable” in § 318(b) speaks to the ultimate decision of the Board, *not* what the patent owner or petitioner had to show to convince the Board to make that decision. If the Board decides that an original or proposed amended claim overcomes the petitioner’s challenge, the claim is defined as “patentable” and treated as a valid claim, regardless of who had the burden of proof. *See* 35 U.S.C. § 318(a) (referring to determining “the *patentability* of any patent claim challenged by the petitioner and any new claim added under section 316(d).”); *accord* 35 U.S.C. § 318(b). Thus, whether a claim is “patentable” or “unpatentable” depends on the ultimate fate of the claim, *not* who carried the burden. *See* 35 U.S.C. § 318(b) (characterizing an original claim as “unpatentable”

when a cancellation certificate issues and as “patentable” when a confirmation certificate issues, even though the petitioner has the burden of persuasion in both instances).

Because § 316(e) places the burden of proof on the petitioner, it necessarily involves proving *unpatentability*, as it would make no sense to task the petitioner with proving patentability. Thus, the fact that § 316(e) refers to “unpatentability” instead of “patentability” does not mean the burden of proof applies only to original claims, as the PTO suggests. Rather, it means the burden is on the petitioner to prove *any* “proposition of unpatentability” in an instituted IPR, regardless of the type of claim at issue.

3. The Introductory Clause in § 316(e) Does Not Limit the Petitioner’s Burden of Persuasion Only to Original Claims

The PTO and TIA contend that “§ 316(e)’s introductory clause . . . signals that it is limited to existing claims.” TIA-Br. 11; PTO-Supp.Br. 21-22. This introductory clause states: “In an inter partes review instituted under this chapter . . .” 35 U.S.C. § 316(e). According to the PTO, this clause—by itself—limits the petitioner’s burden to “issued claims that were actually challenged in the petition for review.” PTO-Supp.Br. 21-22. But this is incorrect.

The first flaw in the PTO’s argument is that § 316(e) does not mention *any* type of claim, amended or original. The PTO’s insistence that the phrase “[i]n an inter partes review instituted under this chapter” somehow signals a specific type

of claim amounts to a wishful rewrite of the statute. Instead, the introductory clause broadly encompasses *any* “proposition of unpatentability” that arises “[i]n an inter partes review instituted under this chapter,” which necessarily includes propositions of unpatentability associated with proposed amended claims.

Proposed amended claims become part of the “inter partes review instituted under this chapter” by virtue of § 316(d), which has a similar introductory phrase stating that motions to amend are filed “[d]uring an inter partes review instituted under this chapter.” 35 U.S.C. § 316(d)(1). The statute’s use of a virtually identical introductory clause in § 316(d) shows that the burden set forth in § 316(e) is not confined to a specific moment in time when an IPR is instituted, but rather applies to events that arise after institution, such as the introduction of proposed amended claims.

Consistent with this, § 318(a) states that “[i]f an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and *any new claim added under section 316(d).*” 35 U.S.C. § 318(a) (emphases added). This provision treats both original claims and amended claims (i.e., substitute claims “added under section 316(d)”) as part of the same “inter partes review . . . instituted . . . under this chapter.” *Id.* Section 318(c) likewise treats amended claims as part of the IPR proceedings. *See*

35 U.S.C. § 318(c) (“*Any proposed amended or new claim determined to be patentable . . . following an inter partes review under this chapter shall have the same effect as [a reissued patent].*” (emphases added)). Thus, multiple provisions in the IPR statute independently show that proposed amended claims are *part* of the “inter partes review instituted under this chapter” referred to in § 316(e).

If the PTO’s position were adopted and the introductory clause in § 316(e) were interpreted to cover only original claims, then this introductory clause would be given a different meaning than the virtually identical introductory clauses in §§ 316(d) and 318(a). The “inter partes review” “instituted” in § 318(a) and § 316(d) would include both original and amended claims, but the “inter partes review” “instituted” in § 316(e) would include only original claims. This makes no sense because all three provisions refer to the *same* “inter partes review.” The Supreme Court has warned against such inconsistent results. *See Nat’l Credit Union Admin. v. First Nat’l Bank & Tr. Co.*, 522 U.S. 479, 501 (1998) (emphasizing the “established canon of construction that similar language contained within the same section of a statute must be accorded a consistent meaning” (citing *Wis. Dep’t of Revenue v. William Wrigley, Jr., Co.*, 505 U.S. 214, 225 (1992))); *Ratzlaf v. United States*, 510 U.S. 135, 143 (1994) (“A term appearing in several places in a statutory text is generally read the same way each time it appears.”).

As a fallback, the PTO suggests that “[i]n an inter partes review” in § 316(e) has a different meaning than “[d]uring an inter partes review” in § 316(d). *See* PTO-Supp.Br. 22 n.12 (suggesting a “temporal” difference); 35 U.S.C. § 316(d), (e) (emphases added). This, however, is incorrect. Introductory “inter partes review” clauses appear throughout the IPR statute. They help show when the various IPR provisions apply. For example, some provisions only apply before institution, which the statute often signals by referring to the “petition” for “inter partes review.” *See, e.g.*, 35 U.S.C. §§ 311(a), 311(c), 313. Other provisions only apply after institution, which, as explained, is signaled by introductory language referring to an “inter partes review” that has been “instituted.” *See, e.g.*, 35 U.S.C. §§ 315(c) (“If the Director institutes an inter partes review”), 316(d)(1) (“During an inter partes review instituted under this chapter”), 316(e) (“In an inter partes review instituted under this chapter”), 317(a) (“An inter partes review instituted under this chapter”), 318(a) (“If an inter partes review is instituted and not dismissed under this chapter”).

When these introductory phrases are considered together, it is clear that Congress used the “institution” concept to identify IPR provisions that apply after institution. These post-institution introductory phrases achieve this result despite not being worded exactly the same. Along these lines, the “[i]n an inter partes review instituted under this chapter” clause in § 316(e) and the “[d]uring an inter

partes review instituted under this chapter” clause in § 316(d) both signal post-institution IPR proceedings, despite not having identical wording.¹

A construction that excludes amended claims from § 316(e) merely because of a perceived difference between “in” and “during” would exalt form over substance and import meaning into the statute where none exists. A minor word difference such as this does not automatically mean that one statutory phrase must be construed differently than another. *See, e.g., Mertens v. Hewitt Assocs.*, 508 U.S. 248, 255 (1993) (interpreting “other appropriate equitable relief” the same as “any other equitable relief as the court deems appropriate” (citation omitted)); *Van Dusen v. Barrack*, 376 U.S. 612, 621-22 & n.11 (1964) (“might have been brought” interpreted the same as “could have been brought”); *see also Nijhawan v. Holder*, 557 U.S. 29, 38-39 (2009) (stating that where “Congress uses similar statutory language and similar statutory structure in two adjoining provisions, it normally intends similar interpretations”).

Underscoring all of this is that § 316(d)’s motion-to-amend provision is positioned immediately before § 316(e) in the statute. If Congress wanted to prevent § 316(e)’s burden of proof from applying to amended claims, it could have done so expressly. *Touche Ross & Co. v. Redington*, 442 U.S. 560, 571-72 (1979)

¹ The words “during” and “in” are interchangeable prepositions when used in this context. “During” is defined as “[t]hroughout the course or duration of” and “[a]t some time *in*,” and one definition of “in” is “[*d*]uring the act or process of.” *American Heritage College Dictionary* 436, 698 (4th ed. 2002) (emphases added).

(comparing neighboring provisions and concluding that, “when Congress wished to provide a private damage remedy, *it knew how to do so and did so expressly*” (emphasis added)). Instead, Congress opted for the broad introductory clause “[i]n an inter partes review instituted under this chapter” and the broad concept of “unpatentability,” which combine to implicate *all* proceedings and claims that are part of the IPR after institution, including any proposed amended claims introduced under § 316(d).

4. Because the Statute Is Clear, the PTO’s Interpretation of § 316(e) Is Entitled to No Deference

The PTO argues that its decision to place the burden on the patentee to prove patentability for amended claims was a valid exercise of authority under *Chevron*. PTO-Supp.Br. 1-2, 7-9. Specifically, it contends that § 316(e) “is at least ambiguous as to whether it governs the patentability of amended claims” and, therefore, it was permitted to fill this gap. PTO-Supp.Br. 7-9. As explained below, however, the PTO’s *Chevron* analysis is flawed.

Chevron requires two steps: (1) analyze whether Congress “has directly spoken to the precise question at issue”; and if not, (2) determine “whether the agency’s answer is based on a permissible construction of the statute.” *Chevron, U.S.A., Inc. v. Nat. Res. Def. Council, Inc.*, 467 U.S. 837, 842-43 (1984). Under this framework, if Congress has spoken directly to the question at issue, the analysis ends at step one, and the court and agency “must give effect to the

unambiguously expressed intent of Congress.” *Id.* Here, the PTO’s *Chevron* analysis is backwards—it starts with step two and backs into step one. That is, the PTO begins with the grant of authority in § 316(a)(9) that allows it to establish “standards and procedures” for motions to amend and concludes from there that its interpretation of § 316(e) was not unreasonable. *See* PTO-Supp.Br. 7-9.

A proper *Chevron* analysis must begin with the text of § 316(e) and a determination of whether Congress addressed who bears the burden of proof on patentability of amended claims. As explained above, Congress unambiguously spoke to this issue. Section 316(e) prescribes a burden of proof that applies to the entire “inter partes review” proceeding after it is “instituted.” And § 316(e) unambiguously assigns this burden to the petitioner using the mandatory word “shall.” The broad introductory clause in § 316(e) and the use of the broad phrase “a proposition of unpatentability” show that § 316(e) applies to *all* propositions of unpatentability at issue after institution, including those associated with proposed amended claims. There is no ambiguity about this. The fact that § 316(e)’s language is “broad and general in nature does not mean it is ambiguous.” *Texaco Marine Servs., Inc. v. United States*, 44 F.3d 1539, 1544 (Fed. Cir. 1994).

Because the text of § 316(e) leaves no gap for the PTO to fill, any regulation or interpretation that shifts the burden of persuasion to the patentee after institution to prove that a claim is *not* unpatentable runs afoul of § 316(e), regardless of

whether it is an amended or original claim. While § 316(a)(9) grants the PTO rulemaking authority for motions to amend, the PTO cannot use this rulemaking authority to pass regulations that conflict with other provisions in the statute. *See* Section II.B.1, *infra*.

In arguing that § 316(e) is ambiguous, the PTO asserts that Aqua and its supporting *amici* disagree on how the provision should be interpreted. PTO-Supp.Br. 25-27. That is not so. All six *amici* briefs filed in support of Aqua conclude that § 316(e) clearly and unambiguously places the burden of persuasion on the petitioner to prove amended claims unpatentable. IPO-Br. 6; AIPLA-Br. 12-13; Case-Western-Br. 3-4; BIO-Br. 3-4; Pharm.-Research-&-Mfrs.-Am.-Br. 4-5; Houston-IPLA-Br. 12-13. This consensus, if anything, shows that § 316(e) is *not* ambiguous. To the extent there is disagreement among the *amici*, it is on subsidiary issues involving the burden of *production* or how to procedurally handle amended claims in the limited circumstances when petitioners decline to challenge them.

B. The PTO’s Contextual Arguments Cannot Overcome the Clear, Mandatory Language of § 316(e)

1. The General Rulemaking Authority of § 316(a)(9) Cannot Override the More Specific Mandate of § 316(e) That Petitioners “Shall” Bear the Burden of Proving a Proposition of Unpatentability

The PTO contends that only two provisions in chapter 31 make *specific* reference to motions to amend, § 316(a)(9) and § 316(d), and that these two provisions override § 316(e), which is allegedly more general in nature because it makes no reference to amended claims. PTO-Supp.Br. 13-15. But the PTO has this backwards.² The question at hand is not about motions to amend generally, but about which party bears the *burden of proof* with respect to the patentability of amended claims. On that question, § 316(e) is *specific* because it directly addresses who bears the burden of proof on propositions of unpatentability. The PTO contends that, for amended claims, it can simply ignore § 316(e) because that provision “makes no reference” to amended claims. PTO-Supp.Br. 14-15. That argument is illogical, however, because § 316(e) does not mention *any* type of claim. If the PTO’s argument were accepted, that would mean it could also ignore

² Indeed, the PTO elsewhere concedes that § 316(a)(9) is not specific, but is a “*broad* grant of authority.” PTO-Supp.Br. 7 (emphasis added); *see also id.* at 10 (describing § 316(a)(9) as granting “general authority”).

§ 316(e) for *issued* claims, since § 316(e) likewise makes no reference to issued claims. This would be an absurd result.³

Nothing in § 316(a)(9) specifically addresses the burden-of-proof question. In contrast, § 316(e) addresses this issue directly, which means it is the more specific provision on the question of the burden of proof. Because of this, § 316(a)(9) cannot, as the PTO argues (PTO-Supp.Br. 15), “displace” the *specific* burden of proof set forth in § 316(e). *See Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 228-29 (1957) (“However inclusive may be the general language of a statute, it ‘will not be held to apply to a matter specifically dealt with in another part of the same enactment.’” (citations omitted)).

While § 316(a)(9) grants the PTO “general authority” (PTO-Supp.Br. 10) to “set[] forth standards and procedures” for motions to amend, this is not *carte blanche* authority. The PTO cannot promulgate regulations or take positions that conflict with other provisions in the statute. *Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 213-14 (1976) (“The rulemaking power granted to an administrative agency charged with the administration of a federal statute is not the power to make law.”); *see also Chevron*, 467 U.S. at 842-43 (regulations “must give effect to the

³ The PTO also argues that the pre-institution burden of proof in § 314(a) “displace[s]” the universal burden of proof in § 316(e). PTO-Supp.Br. 15. This is incorrect—the burden of proof in § 314(a) applies before institution, and the burden of proof in § 316(e) applies after institution. Section 314(a) in no way impacts the application of § 316(e), and vice versa.

unambiguously expressed intent of Congress”). Here, the PTO’s interpretation of 37 C.F.R. §§ 42.20(c) and 42.121, requiring patent owners to prove that amended claims are *not* unpatentable, directly conflicts with § 316(e), which unambiguously requires petitioners to bear the opposite burden.

Furthermore, the AIA shows that when Congress wanted to authorize the PTO to make rules on burdens of proof for patentability issues, it did so expressly. This is evident by comparing the AIA’s derivation statute and the old interference statute that it replaced.⁴ Unlike the IPR statute, the old interference statute did not have a provision on the burden of proof for patentability issues. *See* 35 U.S.C. § 135 (pre-AIA). Thus, a gap existed on this issue, which the PTO filled by requiring the moving party to prove patentability of amended claims. *See* 37 C.F.R. § 41.121(b).

The AIA’s new derivation statute, however, is more instructive. 35 U.S.C. § 135 (post-AIA). It grants the Director *specific* authority to make regulations on burdens and standards of proof. 35 U.S.C. § 135(b) (“The Director shall prescribe regulations setting forth standards for the conduct of derivation proceedings, including requiring parties to provide sufficient evidence to prove and rebut a claim of derivation.”). The derivation statute does not have a provision, like

⁴ The PTO relies on the old interference statute when arguing that it properly exercised its rulemaking authority to task the patent owner with proving patentability for substitute claims. *See* PTO-Supp.Br. 18.

§ 316(e) of the IPR statute, that specifically assigns the burden of proof to one party or another. Thus, whereas the IPR statute expressly assigned the burden of proving unpatentability to the petitioner and remained silent on this issue when delegating rulemaking authority to the PTO, the derivation statute did the opposite—it assigned no burden of proof on the derivation issue and expressly authorized the PTO to issue regulations filling that gap.

This shows that when Congress wanted to give the PTO rulemaking authority on burdens of proof in the AIA, it did so expressly. Congress declined to grant such authority for IPR proceedings. Nothing in chapter 31, including § 316(a)(9), permits the PTO to override the specific and unambiguous language of § 316(e) by requiring patent owners to prove that proposed amended claims are *not* unpatentable.

The PTO contends that if § 316(e) was intended to govern motions to amend, it would make little sense to authorize the PTO to establish “standards and procedures” for these motions because there would be little left for the PTO to do. PTO-Supp.Br. 15-17. This argument lacks merit—the PTO would still have ample room to pass regulations under § 316(a)(9) concerning issues other than the burden of proof. Indeed, the PTO has already enacted many such rules. *See, e.g.*, 37 C.F.R. § 42.24(a)(1)(vi) (setting page limit for motions to amend at twenty-five pages); *Amendments to the Rules of Practice for Trials Before the Patent Trial and*

Appeal Board, 80 Fed. Reg. 28,561, 28,562 (May 19, 2015) (increasing page limit for motions to amend from fifteen to twenty-five pages); 37 C.F.R. § 42.121(a)(1) (setting deadline to file motion to amend as due date for patent owner response); *see also Office Patent Trial Practice Guide*, 77 Fed. Reg. 48,756, 48,766 (Aug. 14, 2012) (describing procedure for mandatory conference call before filing motion to amend); *id.* at 48,767 (setting procedure for petitioner’s opposition to motion to amend).

The PTO also argues that when Congress sought to limit the authority it delegated in 316(a), it said so in the statute. PTO-Supp.Br. 16-17. But § 316(e) does precisely that—it cabins the PTO’s authority regarding the burden of proof on patentability issues arising after institution. In similar fashion, § 316(a)(2) gives the PTO broad authority to issue rules setting forth “the standards for the showing of sufficient grounds to institute a review,” yet § 314(a) *limits* that authority by establishing a specific burden of proof for the petitioner. *Compare* 35 U.S.C. § 316(a)(2) *with* 35 U.S.C. § 314(a). In short, the PTO is free to make rules, but not ones that conflict with the statute.

2. The PTO’s Arguments Regarding General Motion Practice Are Moot

The PTO argues that placing the ultimate burden of persuasion on patentees to prove that proposed amended claims are patentable is “eminently reasonable” because the movant typically bears the burden of proof in court and administrative

proceedings. PTO-Supp.Br. 17-19. This argument is moot, however, because as Aqua has consistently noted, the IPR statute *does* place a burden of proof on the patentee for motions to amend. Section 316(d) requires that amended claims introduce no new matter and be no broader in scope than the original claims. 35 U.S.C. § 316(d)(3). As the movant, a patentee bears the burden to establish these statutory elements. In fact, in this case, the Board found that Aqua met this burden. Aqua-Supp.Br. 6 (citing A39-46).

Regarding the ultimate burden of persuasion on patentability, however, the APA makes clear that a movant does *not* bear a burden of proof when a statute provides otherwise. *See* 5 U.S.C. § 556(d) (“*Except as otherwise provided by statute, the proponent of a rule or order has the burden of proof.*” (emphasis added)). Here, a statute provides otherwise. Specifically, § 316(e) assigns the burden to the *petitioner* to prove any “proposition of unpatentability” in an instituted IPR. Thus, the movant in a motion to amend (i.e., the patentee) does not bear this burden. *See* 5 U.S.C. § 556(d).

Moreover, the fact that this Court has permitted the PTO to require patent owners in interferences to bear the burden of proving amended claims patentable (PTO-Supp.Br. 18) is irrelevant. As explained above, the old interference statute did not have a burden-of-proof provision on patentability like § 316(e) does. *See* 35 U.S.C. § 135 (pre-AIA). Thus, unlike § 316(e), a gap existed in the old

interference statute, and it was appropriate for the PTO to fill that gap by placing the burden of establishing patentability for amended claims on the moving party.

The PTO also argues that the amended claims in this case were not “part of petitioner’s unpatentability challenge considered during the review” because they were contingent upon original claims being found unpatentable. PTO-Supp.Br. 22. That is incorrect. Aqua’s proposed amended claims *were considered* in the IPR, both by the Board and the petitioner, who fully responded to Aqua’s motion to amend. *See* A39-52 (Board ruling on amended claims); A2320-2337 (Petitioner responding to Aqua’s motion to amend). Thus, the proposed amended claims in this case were, in fact, “considered during the review.” PTO-Supp.Br. 22.

C. The Legislative History of the AIA Supports Aqua’s Interpretation, Not the PTO’s

The PTO contends that the drafting history of the AIA supports its position that § 316(e) does not control the burden of proving unpatentability of amended claims. PTO-Supp.Br. 19-21. In fact, though, the legislative history supports *Aqua’s* interpretation of the statute, not the PTO’s.

The PTO notes that earlier draft versions of § 316(e) stated that “[t]he *presumption of validity* . . . shall apply in post-grant review proceedings.” PTO-Supp.Br. 20 (alteration in original) (quoting S. 3600, 110th Cong. § 5(c) (2008) (proposing 35 U.S.C. § 331(a))). Another draft provision in that same section 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))). At that stage of the legislative history, there was no § 316(a)(9) that delegated authority to the Director to set standards and procedures for motions to amend. *See* PTO-Supp.Br. 19 & n.6.

The version of § 316(e) that Congress ultimately enacted, however, states that “the petitioner shall have the burden of proving a proposition of *unpatentability*” 35 U.S.C. § 316(e) (emphasis added). Thus, Congress intentionally changed “invalidity” to “unpatentability” in the enacted version of § 316(e). So when Congress added § 316(a)(9) and delegated rulemaking authority to the PTO for standards and procedures on motions to amend, it *also* changed the language in § 316(e) to include the broader term, “unpatentability.” This simultaneous expansion of the burden of proof in § 316(e) shows Congress’s intent to have amended claims governed by that burden of proof, rather than by the catch-all “standards and procedures” language in § 316(a)(9).

D. The PTO’s Policy Arguments Cannot Override the Clear Intent of Congress

1. The PTO’s Concern About “Untested” Claims Is Overstated and, in Any Event, Cannot Override the Clear, Mandatory Language of § 316(e)

The PTO argues that placing the burden of proof on patentees for amended claims is necessary to preserve patent quality because assigning this burden to the petitioner could result in the issuance of “untested” and “unexamined” claims. PTO-Supp.Br. 31-35; *see also* TIA-Br. 13-23. As an initial matter, a properly amended claim is not “untested” because, by statute, it cannot introduce new matter or be broader in scope than the original claim. 35 U.S.C. § 316(d)(3); Aqua-Supp.Br. 34-35. A properly amended claim is simply a narrower version of an already-examined-and-issued claim.

Moreover, although preserving patent quality and the “integrity of the patent system” are important goals of the IPR statute, *see, e.g.*, 35 U.S.C. § 316(b), they are not the only goals. IPRs are adversarial proceedings intended to largely replace the validity phase of a district-court litigation. Aqua-Supp.Br. 35-38. An inherent feature of any adversarial system—one fully apparent to Congress when it enacted the AIA—is that parties sometimes withdraw or decline to challenge certain issues for strategic or business reasons.

The IPR statute accounts for the adversarial nature of the proceedings. For example, if the parties in an IPR settle after institution, the Board can grant a joint

motion terminating the proceedings under 35 U.S.C. § 317(a). Although the Board can deny such a motion and proceed to a final decision, *see id.*, it typically does not. When termination occurs after institution, an original claim *necessarily* survives that the Board previously called into question. 35 U.S.C. § 314(a) (explaining that institution is appropriate when the petition “shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition”). Indeed, because of the settlement rule in § 317(a), the IPR statute is specifically structured to permit, in some instances, a claim to survive despite concerns about its patentability. Thus, the IPR statute’s goal of improving patent quality is not absolute—it is balanced against competing goals of reducing litigation costs and encouraging settlements.

The PTO argues that “affirmatively issuing a certificate after completion of an IPR is quite different from terminating the proceedings and essentially leaving the patent in its *ex ante* condition.” PTO-Supp.Br. 31. While procedurally different, the practical effect is the same—in both scenarios, claims of questionable validity can survive an IPR. This outcome is consistent with district court practice, where claims often survive after an alleged infringer proffers a strong invalidity case, driving a settlement. Aqua-Supp.Br. 38. In fact, allowing an original claim to survive an IPR pursuant to a post-institution settlement is arguably *worse* for the

public than issuing an amended version of that claim since, in the latter scenario, at least the scope of the claim has been reduced.

The PTO's argument is further undermined by the IPR statute itself, which expressly encourages parties to use amended claims as a settlement tool. For example, a petitioner who infringes an original claim in an IPR may decline to challenge a proposed amended claim that it does not infringe, if the patent holder agrees to drop its infringement allegations. Congress codified this scenario—a product of the adversarial nature of IPR proceedings—in § 316(d)(2), which states that “[a]dditional 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 U.S.C. § 316(d)(2) (emphasis added). Notably, the mechanism for raising “[a]dditional motions to amend” in this provision is a “joint request of the petitioner and the patent owner,” which implies the motion to amend will not be challenged by the petitioner. Thus, the IPR statute provides a framework that *expressly envisions* unchallenged amended claims issuing in certificates as a means to encourage settlement.

The PTO also fails to appreciate that the “untested claim” scenario only occurs in a fraction of IPRs, i.e., only when a petitioner withdraws or decides not

to challenge the patentee’s proposed amended claims.⁵ The infrequency of this “untested claim” scenario undercuts the PTO’s argument that this particular policy concern is of such importance that it must override the clear, mandatory language of § 316(e).

2. No Claims—Original or Amended—Are Ever Examined During an IPR

The PTO argues that “[a]llowing untested claims to issue in an inter partes review would represent a sharp break from the American patent system’s historical practice of requiring examination of all patent claims.” PTO-Supp.Br. 33. But here, the PTO makes Aqua’s point. Namely, *no claim* in an IPR proceeding—amended or original—ever gets “examined.” As the PTO acknowledges, the Board is an adjudicatory body, *not* an examinational body. PTO-Supp.Br. 28. In its adjudicatory role, the Board does not—and *cannot*—substantively examine claims; instead, it makes patentability determinations based on evidence presented by opposing parties in an adversarial system. Nevertheless, the IPR statute expressly envisions that newly amended claims *can be issued* through this adjudicatory process, despite no substantive examination. *See* 35 U.S.C. § 316(d). So when the PTO complains of a “sharp break from the American patent system’s historical practice of requiring examination of all patent claims,” PTO-Supp.Br.

⁵ Although the petitioner in this case withdrew, it did so during appeal, *after* it challenged the amended claims at the PTO. Thus, the “untested claim” scenario did not occur in this case.

33, what it really complains of is the IPR statute itself. This “sharp break” was enacted by Congress, and the PTO must follow Congress’s clearly expressed intent—“sharp break” and all—which necessarily includes allowing amended claims to issue *despite never having been examined*.

The PTO also contends that the Board can only issue a certificate under § 318(b) for amended claims if those claims were “determined to be patentable.” PTO-Supp.Br. 27-28. According to the PTO, amended claims not challenged by the petitioner do not meet this standard because they “have never been evaluated for patentability.” *Id.* That is not so. In *every* instance, regardless of the quality of the evidence submitted by the parties (and even if one party presents no evidence), the Board determines whether an amended claim is patentable. If the petitioner offers no challenge to an amended claim, the Board has only the patent owner’s side of the argument, which means a decision in favor of the patentee would be appropriate in most cases, provided the patentee satisfied its initial burden under § 316(d). This constitutes a “determin[ation]” on patentability under § 318(b), just as surely as a default judgment in a district court is a “judgment.” *See* Fed. R. Civ. P. 55.

3. The PTO’s Other Policy Arguments Lack Merit

The PTO and its supporting *amici* raise a host of other alleged policy concerns, none of which constitutes legal grounds for ignoring the clear,

unambiguous, mandatory requirement of § 316(e) that “the petitioner *shall* have the burden of proving a proposition of unpatentability by a preponderance of the evidence.” 35 U.S.C. § 316(e) (emphasis added). “Whatever merits these and other policy arguments may have, it is not the province of this Court to rewrite the statute to accommodate them.” *Artuz v. Bennett*, 531 U.S. 4, 10 (2000); *accord Bankamerica Corp. v. United States*, 462 U.S. 122, 140 (1983) (“[W]e are not to rewrite the statute based on our notions of appropriate policy.”).

III. CONCLUSION

As explained above, this Court should reverse the Board’s interpretation of 35 U.S.C. § 316(e) and make clear that this provision requires petitioners to prove unpatentability for any proposed amended claim that satisfies the statutory requirements of 35 U.S.C. § 316(d)(3). The Court should also remand this case to the Board with instructions to include substitute claims 22-24 in a published certificate pursuant to 35 U.S.C. § 318(b).

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CERTIFICATE OF SERVICE

I certify that on November 10, 2016, this CORRECTED SUPPLEMENTAL REPLY BRIEF FOR APPELLANT AQUA PRODUCTS, INC. ON REHEARING EN BANC was filed electronically using the CM/ECF system and served via the CM/ECF system on counsel for the U.S. Patent and Trademark Office, as follows:

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