

December 23, 2019

Via email: MTABurden2019@uspto.gov

Mail Stop Patent Board
Director of the U.S. Patent and Trademark Office
P. O. Box 1450
Alexandria, VA 22313-1450

Attn: Lead Administrative Patent Judge Christopher L. Crumbley
Lead Administrative Patent Judge Susan L. C. Mitchell

Re: **Notice of Proposed Rulemaking on Rules of Practice to Allocate the Burden of Persuasion on Motions to Amend in Trial Proceedings Before the Patent Trial and Appeal Board**

Introductory Comments

United States Manufacturers Association for Development and Enterprise (“US MADE”) is an organization comprised of companies that manufacture innovative goods in the United States. As such, our members both rely on and are subject to the US patent system. While we appreciate the recent efforts of the U.S. Patent and Trademark Office (“USPTO”) to increase the quality of patent examination, we also understand that patents which never should have issued slip through the cracks in the system. These erroneously granted patents are often asserted in expensive litigation or cease and desist threat letters and can slow, instead of promote, the progress of science and the useful arts. Thus, it is critical that the USPTO has a procedure in place to take another look at issued patents. The post-issuance review proceedings of the America Invents Act (“AIA”) have served this purpose fairly and well.

The USPTO has published proposed rules relating to patent claim amendments during these post-issuance review proceedings. Notice of Proposed Rules of Practice To Allocate the Burden of Persuasion on Motions To Amend in Trial Proceedings Before the Patent Trial and Appeal Board, PTO-P-2019-0011, 84 Fed. Reg. 56401 (Oct. 22, 2019) (“Notice”). US MADE appreciates the opportunity to comment. US MADE posits that where a patent owner seeks amended claims during a post-issuance review proceeding, it should bear the burden of showing

that all of the patent requirements are met. During examination, a patent applicant bears the burden of justifying amended claims and the same should hold true during a post-issuance review proceeding. A petitioner in a post-issuance review proceeding is not a proper stand-in for the USPTO's own administration of its duties. Put simply, there is no incentive for a manufacturer to challenge amendments that do not affect its business. The manufacturer has no business justification to take upon itself the goal of advancing the public good by evaluating the validity of the amendment. It is unfair to the public if their interests are not protected. The USPTO policy existing prior to the Federal Circuit's decision in *Aqua Products* did not have this flaw and recognized the fact that the petitioner does not always have the incentive to evaluate amendments in the public interest. Thus, the USPTO placed the burden of showing an amendment made during a post-issuance review proceeding was patentable on the patent owner. These facts have not disappeared and remain compelling. Accordingly, US MADE urges the USPTO to reconsider its current proposed rules and specifically, to use this rulemaking as an opportunity to return the burden of establishing patentability to the patent owner. We further urge the USPTO to reconsider altering its current practice of reviewing the entirety of the record to determine validity. *Lectrosonics, Inc. v. Zaxcom, Inc.*, Case IPR2018-01129, 01130 (PTAB February 25, 2019) (Paper 15), designated as precedential.

Comments on Proposed Rules

A. The burden of persuasion as to an amendment's patentability should fall on the patent owner, not the original petitioner.

i. *Proposed Rulemaking*

US MADE urges the USPTO to return the burden of persuasion to the patent owner by changing Proposed Rule 42.221(d)(2) as follows:

Proposed 42.221(d)(2) "A ~~petitioner~~ patent owner bears the burden of persuasion to show, by a preponderance of the evidence, that any proposed substitute claims are ~~un~~patentable over the known prior art."

ii. The public suffers if petitioners bear the burden of persuasion.

“The USPTO fosters innovation, competitiveness and job growth in the United States by conducting high quality and timely patent [] examination and review proceedings in order to produce reliable and predictable intellectual property rights . . . The issuance of patents [] are inherently governmental functions, so there are no private sector alternatives to carrying out these activities.” 2020 USPTO Congressional Budget Justification at 3, *available at* <https://www.uspto.gov/about-us/performance-and-planning/budget-and-financial-information> (contrasting examination and administrative functions). Yet the currently proposed rules seek to outsource precisely this “inherently governmental function” to a “private sector alternative” by placing the burden of showing any proposed substitute claims to be unpatentable onto the petitioner during a post-issuance review proceeding.

US manufacturers, too, foster innovation, competitiveness and job growth in the United States, but **not** by conducting high quality and timely patent examination. US manufacturers do not have the expertise or incentives to take on this public responsibility.

Given this reality, placing the burden of showing unpatentability on the private sector does not serve the USPTO’s mission of “produc[ing] reliable and predictable intellectual property rights.” There are many circumstances where the petitioner will not have a strong incentive to oppose the motion to amend, despite the amendment being properly unpatentable. For example, when a proposed claim amendment creates a non-infringement argument that serves the petitioner’s own business interests, there is little incentive to oppose the motion to amend and prevent the claim amendment. Or, for example, a commercial agreement between the petitioner and patent owner might be reached to resolve the issue. The proposed rule would unduly burden US manufacturers and undermine the USPTO’s mission.

iii. The burden of persuasion on the patent owner is proper as they have the incentive to obtain an amended claim.

US MADE believes that the USPTO should allocate the burden of persuasion regarding patentability to the *moving* party. General legal principles allocate burdens of persuasion to a

moving party because it is the party seeking to establish its entitlement to relief. As already discussed, depending upon the particular situation, a petitioner may or may not have a strong incentive to challenge the amended claims. As between the patent owner and the petitioner, only the patent owner has a consistent interest in the patentability of its amended claims.

Moreover, this allocation is consistent with the rule that the USPTO followed prior to the *Aqua Products en banc* decision. *Contrast Aqua Prods. Inc. v Matal*, 872 F.3d 1290 (Fed. Cir. 2017) with *Idle Free Systems, Inc. v. Bergstrom, Inc.*, IPR2012-00027, 2013 WL 5947697 (PTAB June 11, 2013). *Aqua Products* does not foreclose a return to this rule but rather states that “unless and until the Director engages in notice and comment rulemaking” the USPTO cannot place the burden of persuasion on the patent owner.¹ The current rulemaking presents such an opportunity.

B. The USPTO’s practice of reviewing the evidence of record should not be made optional by rulemaking – in this case, through the catch-all provision of Proposed Rule 42.221(d)(3).

i. *Proposed Rulemaking*

Regardless of the form Proposed Rule 42.221(d)(2) takes, US MADE urges the USPTO to either eliminate Proposed Rule 42.221(d)(3), or retain in 42.221(d)(3) the USPTO’s current practice of reviewing the evidence of record when considering an amendment. The amended proposed rule would recite as follows:

Proposed 42.221(d)(3) “~~Irrespective of paragraphs (d)(1) and (2) of this section, the Board may, in the interests of justice, exercise its discretion to grant or deny a motion to amend for any reason supported by the evidence of record~~–The Board may grant a motion to amend only if (i) the patent owner meets its burden under paragraph (d)(1), and (ii) the Board determines, based on the parties’ submissions and its review of the evidence of record, that the preponderance of the evidence demonstrates the patentability of the proposed substitute claim. Prior to making a determination based, in whole or in

¹ See *Aqua Prods., Inc. v. Matal*, 872 F.3d 1290, 1328 (Fed. Cir. 2017) (“*Aqua Products*”) (“The Board must follow this same practice in all pending IPRs unless and until the Director engages in notice and comment rulemaking. At that point, the court will be tasked with determining whether any practice so adopted is valid.”)

part, on its review of evidence of record not present in a party's submissions, the Board shall grant the parties an opportunity to respond and shall consider such response."

ii. Failure to review the record is against the public interest.

When considering amendments in the context of a post-issuance review proceeding, the USPTO should provide an independent assessment and not rely exclusively on the issues raised or identified by the parties. To do otherwise outsources the "inherently governmental function" of claim examination, with the same drawbacks as those discussed previously in section 1(A)(ii) of these comments. Amendments could issue – complete with a presumption of validity in District Court – that the USPTO had only passingly reviewed, if at all, due to a low-quality (or no) opposition from a petitioner.

However, regardless of where the burden of proof is placed, discretionary review of the record by the Board would create arbitrary and unfair outcomes – which undermines the reliable and predictable intellectual property rights the USPTO strives to produce. Consider, for example, a motion to amend, or opposition thereto, that appears well-founded except for a failure to consider an issue that is well-addressed elsewhere in the record. Whether the Board chooses to independently review the record may then be dispositive to resolution of the motion to amend. Given the USPTO's expectation that the Board would exercise its discretion to review the record under paragraph (d)(3) "only in rare circumstances" (84 Fed. Reg. 56401, 56404), the resulting harm could be pervasive.

Every time a claim amendment issued that would not have issued had the USPTO independently examined the claim, the public would be harmed. Patent owners would be able to assert claims against US manufacturers for use of technology that rightfully should be in the public domain. Conversely, every time an amendment did not issue due to the USPTO's failure to review the underlying record, the patent owner would be harmed.

iii. Due process concerns exist with the rule as drafted.

In addition to the substantial concerns noted above, US MADE is concerned that due process rights could be unprotected if the Board exercises its discretion to grant or deny a motion

to amend for any reason without notice. Even if the decision is based on “evidence of record,” the reasoning for the decision may not have been raised by the parties and thus, no opportunity to be heard on a dispositive issue with respect to the proposed substitute claims. US MADE suggests that paragraph (d)(3) of the Proposed Rules, on its own, does not provide adequate specific procedural safeguards to ensure compliance with the due process requirements governing post-issuance review proceedings.

Conclusion

US MADE appreciates this opportunity to provide feedback on the Proposed Rules, and hopes that the comments can lead to a better implementation of proposed new rules.

Respectfully Submitted,

Beau Phillips

Beau Phillips

Executive Director

U.S. Manufacturers Association for Development and Enterprise (US MADE)

