Client Alert.

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Supreme Court to Consider: Patent Office Decisions Given Enough Weight?

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On Monday, June 27, the United States Supreme Court granted *certiorari* in a case that could have a significant impact on district court appeals of decisions of the United States Patent and Trademark Office ("PTO"). The Court will review the *en banc* Federal Circuit decision, *Hyatt v. Kappos*, 625 F.3d 1320 (Fed. Cir. 2010), which gave district courts broad power to consider new evidence in cases challenging PTO decisions. The case has the potential to provide important limits on the ability of patent applicants to use district court proceedings to challenge decisions of the PTO.

BACKGROUND

Under 35 U.S.C. §§ 145 and 146, a patent applicant or a party to a patent interference dissatisfied with a decision of the Board of Patent Appeals and Interferences ("the Board") can choose two avenues of review. First, the applicant or party may appeal to the Court of Appeals for the Federal Circuit, which will review the Board's decision based only on the record submitted to the PTO. In that case, the Federal Circuit reviews the Board's decision under a deferential standard set forth in the Administrative Procedure Act.

Alternatively, a dissatisfied applicant or party may seek review by filing a civil action in district court. This avenue of review has often been referred to as a "hybrid" appeal / trial *de novo*. Although it has long been established that the district court "may" allow new evidence not previously submitted to the PTO in such an action, there has been much uncertainty regarding when a district court should allow such new evidence to be admitted. Many practitioners believed that there were inherent limits on proffering new evidence not previously submitted to the PTO. After all, the parties and the PTO itself had already spent significant time, money, and resources to resolve the underlying issues. In addition, the PTO has general expertise in reviewing patent applications and adjudicating interference proceedings. As a result, many practitioners believed that PTO decisions should be according some deference on appeal to district court.

THE FEDERAL CIRCUIT'S DECISION IN HYATT

The Federal Circuit's *en banc* decision in *Hyatt v. Kappos*, 625 F.3d 1320 (Fed. Cir. 2010) sought to resolve many of these questions. The Federal Circuit determined that in district court actions to review a PTO decision (1) there were essentially no limits on new evidence other than the ordinary rules of evidence and civil procedure, and (2) when new evidence has been admitted, the decision of the PTO was to be reviewed *de novo*.

Hyatt had filed a patent application relating to a computerized display system for processing image information. The examiner rejected his claims, in part, because they lacked a sufficient written disclosure in the specification and figures. The PTO Board ultimately affirmed the examiner's rejection on appeal. Hyatt then sought review of the Board's decision by filing a civil action in the United States District Court for the District of Columbia under 35 U.S.C. § 145. The Director of the PTO then moved for summary judgment of invalidity for failure to meet the written description requirement. In opposition to that motion, Mr. Hyatt submitted a written declaration where he identified various portions of the specification

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allegedly providing adequate disclosure for the claims. The Director argued that Mr. Hyatt's declaration should be stricken because he had failed to submit it before the Board. The district court agreed and declined to consider the newly-submitted evidence because it could have been submitted to the Board in the first instance.

On appeal to the Federal Circuit, Mr. Hyatt argued that the district court erred by failing to consider his declaration because under Section 145, a party could introduce new evidence when seeking review before the district court. The Director contended "that [an] applicant is only allowed to introduce new evidence that the applicant could not reasonably have provided to the agency in the first instance." *Id*. at 1331. That is, only evidence that could not have been discovered with reasonable care or diligence could be considered by a district court.

The Federal Circuit disagreed, effectively opening the door to all new evidence regardless of whether or not it could have been presented earlier to the PTO: "we hold that 35 U.S.C. § 145 imposes no limitation on an applicant's right to introduce new evidence before the district court, apart from the evidentiary limitations applicable to all civil actions contained in the Federal Rules of Evidence and Federal Rules of Civil Procedure." *Id*. at 1323. (The only limitation is that the new evidence must relate to issues that were considered by the PTO.)

Moreover, the Federal Circuit applied a *de novo* standard of review in cases where new evidence has been admitted. "[I]f no new evidence is introduced, the district court reviews the action on the administrative record, subject to the court/agency standard of review." *Id*. at 1322. Where new evidence is introduced, however, "the district court reviews that issue *de novo*." *Id*. Thus, as long as the new evidence being presented related to an "issue" that was presented to the Board, it should be considered by the district court, and reviewed *de novo*. The Federal Circuit also noted that it saw "no rationale" for treating appeals of patent interferences differently from appeals of PTO decisions under section 145. *Id*. at 1330 n.2.

The United States then filed a petition for writ of *certiorari*, arguing that the Federal Circuit decision "disregards fundamental principles of administrative law" and diverges from the traditional understanding of the statutes. In particular, the government asked the Supreme Court to hold that: (1) the plaintiff in a Section 145 action may not introduce new evidence that could have been presented to the PTO in the first place and (2) when new evidence is introduced, the district court should still give deference to the prior decisions of the PTO.

THE SUPREME COURT'S GRANT OF CERTIORARI

On Monday June 27, 2011, the Supreme Court granted the government's petition, presenting the following questions:

(1) whether a patent applicant who files a Section 145 civil action has a right to present new evidence to the Federal District Court that could have been (but was not) presented during the proceedings before the USPTO; and

(2) when new evidence is presented, whether the court may decide the related factual questions de novo and without deference to prior PTO findings.

IMPLICATIONS FOR BOARD APPEALS

The *Hyatt* case could have a significant impact on *ex parte* and interference appeals from PTO determinations, and the overall standard of review applied to PTO decisions generally. If the Federal Circuit's opinion stands, dissatisfied parties could potentially have an attractive avenue in district court to challenge PTO determinations with new evidence evaluated under a *de novo* standard of review. But if the Supreme Court vacates or otherwise alters the Federal Circuit's reasoning,

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that avenue may be significantly curtailed with substantial deference being afforded to the PTO in the first instance. Parties may therefore be less inclined to pursue review in district court as opposed to the Federal Circuit directly.

Argument will be set for the upcoming 2011 term, beginning in October.

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