

## Supreme Court Clarifies Scope of 35 USC 145 Proceedings

On April 18, 2012, the United States Supreme Court issued a unanimous decision in *Kappos v. Hyatt*, affirming the Federal Circuit's *en banc* decision and holding that evidence not submitted to the Patent and Trademark Office (PTO) during prosecution is admissible in a civil action brought against the Director of the PTO under 35 U.S.C. § 145 subject only to the limitations imposed by the Federal Rules of Evidence and the Federal Rules of Civil Procedure. The Court further held that the district court hearing a § 145 action must make a *de novo* finding "when the new evidence is presented on a disputed question of fact." Justice Thomas wrote the opinion for the Court. Justice Sotomayor, joined by Justice Breyer, concurred.

A patent applicant who appeals an examiner's denial to the Board of Patent Appeals and Interferences under 35 U.S.C. § 134(a) and is "dissatisfied with the decision" of the Board may either appeal to the Federal Circuit under 35 U.S.C. § 141 or bring a civil action against the Director of the PTO in the District Court for the Eastern District of Virginia under § 145. The Federal Circuit's review in a § 141 appeal is expressly limited to the record before the Board. Section 145 includes no such express limitation.

The circumstances that brought Mr. Hyatt to file a § 145 action were unusual. Mr. Hyatt filed his patent application in 1995, prior to implementation of the GATT Uruguay Round changes to United States patent laws. The examiner rejected all 117 amended claims for lack of an adequate written description under 35 U.S.C. § 112. Mr. Hyatt appealed to the Board, which approved 39 claims and overturned 93% of the examiners objections, but sustained the examiner's written description rejections of the remaining 79 claims. Mr. Hyatt then filed a Request for Rehearing, which the Board dismissed on the grounds that he raised new arguments that could have been presented earlier in the prosecution or to the Board. In order to preserve his pre-GATT 17-year patent term, Mr. Hyatt filed a civil action against the Director under § 145, rather than continuing prosecution using available PTO procedures. Mr. Hyatt submitted a written declaration identifying portions of the specification that supported the claims that the Board held lacked written description. Mr. Hyatt's declaration was the only new evidence before the district court.

In its decision, the Supreme Court held that § 145 creates a *sui generis* statutory review regime that is distinct from review under other provisions of law. The Court rejected the PTO's argument that a § 145 action should be treated as an administrative review under the Administrative Procedure Act (APA) and that therefore district courts should be limited to the record before the PTO and give deference to findings of fact made by the PTO as an executive agency. The Court reasoned that it makes little sense for a district court to defer to factual findings by the PTO when faced with new evidence because "[t]he [PTO], no matter how great its authority or expertise, cannot account for evidence that it has never seen." Instead, the Court held that a § 145 action is not a technical appeal of the Board's decision and therefore not subject to the rules of evidence that limit an appellate court's review to the record below. In reaching its holding, the Court relied on the evidentiary and procedural rules in effect when Congress passed the statute that originated the language of § 145 in 1870 and the 1884 Supreme Court decision in *Butterworth v. United States ex rel. Hoe*, each of which permitted the district court to consider evidence not previously presented to the PTO.

The Court recognized, but rightly dismissed, the concern that allowing new evidence and *de novo* findings in § 145 actions would encourage applicants to "withhold evidence from the PTO intentionally with the goal of presenting that evidence for the first time to a nonexpert judge." Such a withholding would be against the applicant's interest. As Justice Thomas explained: "An applicant who pursues such a strategy would be intentionally undermining his claims before the PTO on the speculative chance that he will gain some advantage in the 35 U.S.C. § 145 proceeding by presenting new evidence to a district court judge."

Concurring, Justice Sotomayor suggested that nothing in the majority's opinion would prevent a district court from using its discretion to exclude evidence deliberately suppressed or withheld in bad faith.

The decision is unlikely to increase the minimal number of § 145 actions. The circumstances that brought Mr. Hyatt to file an action under § 145—a 1995 filing date, a pre-GATT 17-year patent term and an application that claimed building blocks of the modern computer—were unique. Most applicants faced with the problem of needing to submit new evidence at a late stage of prosecution can easily do so through a Request for Continued Examination (RCE) at the PTO. An RCE is significantly faster and less costly than litigation in a district court. Additionally, as older applications age out of the application pool, particularly those filed before the implementation of the GATT Uruguay Round changes to United States patent laws, § 145 proceedings will become an even less desirable recourse for applicants who need to submit new evidence.

This decision likewise will have minimal impact on patent litigation. It provides little insight into the Court's standard of deference to PTO determinations. As the Court recognized, an action under § 145 is separate and distinct from judicial review under other provisions of law. Furthermore, the decision is consistent with the Court's decision last term in *Microsoft v. i4i*, in which the Court acknowledged that if the PTO did not have the opportunity to consider a piece of evidence relevant to an invalidity defense, the PTO's judgment may "lose significant force" and the presumption of validity may be "weakened" or "dissipated." Similarly, the Court here acknowledged that a decision by the PTO in the absence of a material piece of evidence may be given less weight than it would otherwise be accorded by a reviewing district court. In neither case, however, does the standard of review alter the established burden of proof. Finally, because the decision in *Kappos* is limited to a rarely-used statutory cause of action, it is unlikely to have broader implications for litigants.

To find out how the Supreme Court's decision in *Kappos* affects your interests, please contact your usual Ropes & Gray attorney or one of the following Ropes & Gray attorneys:

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