

No. 10-1219

IN THE
Supreme Court of the United States

DAVID J. KAPPOS, UNDER SECRETARY OF COMMERCE
FOR INTELLECTUAL PROPERTY AND DIRECTOR,
UNITED STATES PATENT AND TRADEMARK OFFICE,
Petitioner,

v.

GILBERT P. HYATT,
Respondent.

**On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit**

BRIEF IN OPPOSITION FOR RESPONDENT

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QUESTIONS PRESENTED

1. Whether the Federal Circuit correctly decided that a patent applicant who files a “civil action” under 35 U.S.C. § 145, rather than an “appeal” under § 141, may generally introduce new evidence, in accordance with the Federal Rules of Civil Procedure and the Federal Rules of Evidence, to show that the “applicant is entitled to receive a patent.”

2. Whether the Federal Circuit correctly reaffirmed existing law holding that a district court in an action under § 145 adjudicates factual issues *de novo* in cases where an applicant introduces new evidence that was not before the Patent and Trademark Office, a standard that the government did not challenge before the court below.

TABLE OF CONTENTS

	Page
QUESTIONS PRESENTED	i
TABLE OF AUTHORITIES	iii
INTRODUCTION	1
STATEMENT OF THE CASE.....	3
REASONS FOR DENYING THE PETITION	11
I. THE FEDERAL CIRCUIT’S RULING THAT NEW EVIDENCE IS ADMISSI- BLE IN ACTIONS UNDER § 145 DOES NOT MERIT REVIEW.....	11
A. The Federal Circuit’s Ruling On Admission Of Evidence Is Correct.....	11
B. The Decision Below Is Of Limited Importance And Makes Policy Sense	23
II. THE FEDERAL CIRCUIT’S LIMITED RULING ON STANDARD OF REVIEW IS NOT BEFORE THE COURT AND IS PLAINLY CORRECT.....	28
A. The Government, Arguing Only Against Admission Of New Evidence, Did Not Contest Existing Federal Circuit Law Requiring <i>De Novo</i> Determination Where New Evidence Is Admitted	28
B. The Federal Circuit’s <i>De Novo</i> Stan- dard When New Evidence Is Admit- ted Is Correct.....	29
III. THE COURT SHOULD NOT HOLD THE PETITION	30
CONCLUSION.....	31

TABLE OF AUTHORITIES

	Page
CASES	
<i>Appert v. Brownsville Plate Glass Co.</i> , 144 F. 115 (C.C.W.D. Pa. 1904).....	17
<i>Armstrong v. De Forest</i> , 13 F.2d 438 (2d Cir. 1926).....	17
<i>Barrett Co. v. Koppers Co.</i> , 22 F.2d 395 (3d Cir. 1927).....	8, 21
<i>Bernardin v. Northall</i> , 77 F. 849 (C.C.D. Ind. 1897).....	17
<i>Berry v. Robertson</i> , 40 F.2d 915 (D. Md. 1930)	17
<i>Boucher Inventions v. Sola Elec. Co.</i> , 131 F.2d 225 (D.C. Cir. 1942).....	22
<i>Bragdon v. Abbott</i> , 524 U.S. 624 (1998)	18-19
<i>Butler v. Shaw</i> , 21 F. 321 (C.C.D. Mass. 1884)	17
<i>Butterworth v. United States ex rel. Hoe</i> , 112 U.S. 50 (1884)	16, 17
<i>California Research Corp. v. Ladd</i> , 356 F.2d 813 (D.C. Cir. 1966).....	23, 24
<i>Central Ry. Signal Co. v. Jackson</i> , 254 F. 103 (E.D. Pa. 1918).....	17
<i>Chandler v. Roudebush</i> , 425 U.S. 840 (1976)	11, 12
<i>Christie v. Seybold</i> , 55 F. 69 (6th Cir. 1893).....	17
<i>Citizens To Preserve Overton Park, Inc. v. Volpe</i> , 401 U.S. 402 (1971)	10, 13
<i>Consolo v. Federal Maritime Comm'n</i> , 383 U.S. 607 (1966)	13

<i>Curtiss Aeroplane & Motor Corp. v. Janin</i> , 278 F. 454 (2d Cir. 1921).....	17
<i>Custis v. United States</i> , 511 U.S. 485 (1994)	15
<i>DeSeversky v. Brenner</i> , 424 F.2d 857 (D.C. Cir. 1970).....	23, 24
<i>Dickinson v. Zurko</i> , 527 U.S. 150 (1999).....	1, 2, 13, 14, 18, 28, 29
<i>Dowling v. Jones</i> , 67 F.2d 537 (2d Cir. 1933)	22
<i>Florida Power & Light Co. v. Lorion</i> , 470 U.S. 729 (1985)	13
<i>Fregeau v. Mossinghoff</i> , 776 F.2d 1034 (Fed. Cir. 1985)	10, 28
<i>Gandy v. Marble</i> , 122 U.S. 432 (1887)	12, 17
<i>General Elec. Co. v. Steinberger</i> , 208 F. 699 (E.D.N.Y. 1913), <i>aff'd</i> , 214 F. 781 (2d Cir. 1914).....	17
<i>Globe-Union, Inc. v. Chicago Tel. Supply Co.</i> , 103 F.2d 722 (7th Cir. 1939)	22
<i>Greene v. Beidler</i> , 58 F.2d 207 (2d Cir. 1932)	22
<i>Hien, In re</i> , 166 U.S. 432 (1897)	17
<i>Hoover Co. v. Coe</i> , 325 U.S. 79 (1945)	19, 20
<i>Mazzari v. Rogan</i> , 323 F.3d 1000 (Fed. Cir. 2003).....	28
<i>McCarthy v. Madigan</i> , 503 U.S. 140 (1992).....	23
<i>McKart v. United States</i> , 395 U.S. 185 (1969)	23
<i>Merrill Lynch, Pierce, Fenner & Smith, Inc. v.</i> <i>Curran</i> , 456 U.S. 353 (1982)	19
<i>Minnesota Mining & Mfg. Co. v. Carborundum</i> <i>Co.</i> , 155 F.2d 746 (3d Cir. 1946)	21, 22

<i>Morgan v. Daniels</i> , 153 U.S. 120 (1894)....	17, 18, 29, 30
<i>NBC v. United States</i> , 319 U.S. 190 (1943)	13
<i>Nichols v. Minnesota Mining & Mfg. Co.</i> , 109 F.2d 162 (4th Cir. 1940)	22
<i>Schilling v. Schwitzer-Cummins Co.</i> , 142 F.2d 82 (D.C. Cir. 1944).....	21-22
<i>Sims v. Apfel</i> , 530 U.S. 103 (2000)	23
<i>Smith v. Prutton</i> , 127 F.2d 79 (6th Cir. 1942)	22
<i>Sosa v. Alvarez-Machain</i> , 542 U.S. 692 (2004).....	15
<i>Squire, In re</i> , 22 F. Cas. 1015 (C.C.E.D. Mo. 1877).....	17
<i>Tagg Bros. & Moorhead v. United States</i> , 280 U.S. 420 (1930)	13
<i>United States v. Carlo Bianchi & Co.</i> , 373 U.S. 709 (1963)	13
<i>United States v. United Foods, Inc.</i> , 533 U.S. 405 (2001)	29
<i>Western Elec. Co. v. Fowler</i> , 177 F. 224 (7th Cir. 1910).....	22

STATUTES, REGULATIONS, AND RULES

Act of Mar. 2, 1927, ch. 273, § 11, 44 Stat. 1335, 1336-37.....	18, 20
Act of July 19, 1952, ch. 950, 66 Stat. 792.....	20
Act of Dec. 12, 1980, Pub. L. No. 96-517, 94 Stat. 3015.....	20

Administrative Procedure Act, 5 U.S.C. § 701 <i>et seq.</i>	10, 13
Civil Rights Act of 1964, Title VII, 42 U.S.C. § 2000e <i>et seq.</i>	12
§ 706, 42 U.S.C. § 2000e-5.....	12
Hobbs Act, 28 U.S.C. § 2341 <i>et seq.</i>	13
Packers and Stockyards Act, § 316, 7 U.S.C. § 217	13
Patent Act (35 U.S.C.):	
35 U.S.C. § 141	1, 9, 11, 14, 24
35 U.S.C. § 144	14
35 U.S.C. § 145	1, 2, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 19, 20, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31
35 U.S.C. § 306	20
29 U.S.C. § 722(c)(5)(J)(i).....	14
42 U.S.C. § 300e-9(d)(3)	14
Rev. Stat.:	
§ 4911	16
§ 4915	9, 16, 18, 20, 22
37 C.F.R. § 1.114(e)(2)	25
Fed. R. Evid.:	
Rule 402	13
Rule 1101(b).....	13

LEGISLATIVE MATERIALS

H.R. Rep. No. 96-1307(I) (1980), <i>reprinted in</i> 1980 U.S.C.C.A.N. 6460	20
<i>Procedure in the Patent Office: Hearing Before</i> <i>the S. Comm. on Patents, 69th Cong. (1926)</i>	20
S. Rep. No. 82-1979 (1952)	20
<i>To Amend Section 52 of Judicial Code and</i> <i>Other Statutes Affecting Procedure in the</i> <i>Patent Office: Hearing Before the H. Comm.</i> <i>on Patents, 69th Cong. (1926)</i>	18, 19, 20

OTHER MATERIALS

Brief for the United States as Amicus Curiae Supporting Respondents, <i>Microsoft Corp. v.</i> <i>i4i L.P.</i> , No. 10-290 (U.S. filed Mar. 18, 2011).....	21
4 Donald S. Chisum, <i>Chisum on Patents</i> (2005).....	24
P.J. Federico, <i>Evolution of Patent Office Appeals</i> , 22 J. Pat. Off. Soc’y 838 (1940)	19
Manual of Patent Examining Procedure (8th ed. rev. 2008)	4
Giles S. Rich, <i>Outline of Patent Law and</i> <i>Procedure</i> , 3 J. Fed. Cir. Hist. Soc’y 61 (2009)	19
2A Norman J. Singer, <i>Statutes and Statutory</i> <i>Construction</i> (6th rev. ed. 2000).....	15
2 Thomas A. Street, <i>Federal Equity Practice</i> (1909)	16

INTRODUCTION

The government's petition seeks to present two questions for review. The first relates to the standard for the admission of new evidence in a civil action under 35 U.S.C. § 145; the second relates to the standard for district court fact-finding in cases under that provision after new evidence is admitted. Neither question warrants review in this case; the second question is not properly presented at all.

First, the Federal Circuit's determination that new evidence is generally admissible in actions under § 145 leaves the law where it has stood for 170 years. The language, structure, and history of the statute establish that Congress did not intend to confine plaintiffs to on-the-record review in actions under § 145, but instead provided for admission of new evidence and district court fact-finding – as this Court has recognized. *See Dickinson v. Zurko*, 527 U.S. 150, 163-64 (1999). Section 145, like its predecessors, provides an alternative to appellate review on the Patent and Trademark Office (“PTO”) record. To claim that differences between a “civil action” under § 145 and an “appeal” under § 141 create an “unjustified disparity,” Pet. 28, is to ignore the statute's clear language. Moreover, the government's concerns about potential abuses are not just speculative but implausible. The integrity of the PTO's application process is protected by built-in constraints on § 145 suits, including the patent applicant's statutory obligation to bear the expense of the civil action and the risk of a negative ruling from the district court.

Second, the question of the appropriate deference to afford to prior PTO findings where a patent applicant introduces new evidence was not argued below and therefore is not properly presented. The Federal

Circuit simply reaffirmed existing precedent governing standard of review in actions under § 145; the government did not challenge those prior Federal Circuit decisions below. In particular, the rule that district courts must find facts *de novo* where new evidence is introduced in an action under § 145 has been the law in the Federal Circuit since 1985. *See* App. 31a. That rule is hardly surprising; it simply reflects the fact that, when there is new evidence that the PTO has not evaluated, there is no prior determination on the record for the district court to review. *See Zurko*, 527 U.S. at 164 (“The presence of . . . new or different evidence makes a factfinder of the district judge.”). That determination does not mean that the district court disregards the proceedings before the PTO, as the Federal Circuit explained.

Third, there is no reason to hold the petition for the Court’s forthcoming decision in *Microsoft Corp. v. i4i L.P.*, No. 10-290 (argued Apr. 18, 2011). The government effectively concedes that *Microsoft* will have no impact on the first question, which is the only question properly before the Court. As to the second question, because *Microsoft* addresses the weight to be given to a final PTO determination in later infringement litigation between private parties, it cannot affect the Federal Circuit’s holding that a district court determines factual issues on a new factual record *de novo* in an action under § 145.

STATEMENT OF THE CASE

1. Plaintiff Gilbert Hyatt filed a patent application in June 1995 describing a data compression system for storing and processing image information. *See* C.A. App. A10402-89. As amended, the application has 117 independent and dependent claims covering both memory systems and a process of operating such systems.

On July 30, 1997, the examiner issued a final office action rejecting all claims for lack of written description and lack of enablement. *See id.* at A10638-56. All claims were also provisionally rejected for double patenting. *See id.* at A10656-60. In addition, numerous claims were rejected on anticipation and obviousness grounds. *See id.* at A10660-62.

For certain claim features, the examiner provided a brief explanation for the written-description rejections. In most cases, however, the examiner provided no explanation; instead, the examiner simply identified a claim feature and stated that the written description provided no support for that feature. For example, the examiner rejected multiple claims that included the feature “a vector processor responsive to an accessed block of video pixel image information and to vector information.” *Id.* at A10642. The rejection states without further elaboration that “[t]his feature of the claims is not supported by applicant[']s originally filed specification nor by [the] parent application.” *Id.* The examiner took the same approach with respect to nine other groups of claims. *See id.* at A10643-55.

2. Plaintiff appealed the rejection to the Board of Patent Appeals and Interferences (“Board”), filing a 129-page appeal brief. Plaintiff argued, first, that the examiner “has not provided the required objec-

tive reasons” in support of the written-description and enablement rejections. C.A. App. A10824.¹ Plaintiff noted that the specification included “detailed schematic diagrams showing actual commercially available electrical components . . . and even showing component pin designations and wire connections” but that the examiner failed to consider that disclosure as a whole. *Id.* at A10827. Next, plaintiff argued that “[v]arious claims stand rejected . . . based upon unclaimed subject matter” – that is, the examiner rejected claims because features *not* claimed were inadequately disclosed. *Id.* at A10828.

Plaintiff explained that the examiner’s rejection had failed to “evaluate[] the numerous occurrences of” the terminology that provided the basis for the rejections. *Id.* at A10830. “The experimental system embodiment described in the specification and shown in the figures represents a detailed disclosure of an actual reduced to practice system.” *Id.* “With the extensive memory disclosure (*e.g.*, Spec. at 99-135) and processor disclosure (*e.g.*, Spec. at 87-98, 214-36) . . . , it is unbelievable that the Examiner would object to the disclosure of memory and processor features.” *Id.* at A10831.

Plaintiff then provided a table (“Table-1”) that listed “representative terminology” related to the examiner’s written-description rejections, the number of occurrences, and “representative cites” to the

¹ Plaintiff relied on Section 706.03 of the Manual of Patent Examining Procedure (8th ed. rev. 2008), which states that rejections for “lack of proper disclosure . . . should be stated with a full development of the reasons rather than by a mere conclusion coupled with some stereotyped expression.” C.A. App. A10823.

specification. *Id.* at A10832. Table-1 was followed by notes elaborating on disclosure of several features.

3. The Board reversed much of the rejection but affirmed written-description and enablement rejections in part. *See* App. 200a-254a; *see also* App. 5a (“Mr. Hyatt prevailed on over 93% of the examiner’s rejections at the Board level.”).

The Board devoted the bulk of its opinion to the examiner’s written-description rejections.² In the case of each of the written-description rejections for which the examiner provided some explanation beyond a bare assertion that the feature did not appear in the disclosure, the Board reversed the rejection, either because the specification adequately disclosed the feature or because the examiner’s rejection was based on unclaimed subject matter. For the other written-description rejections, the Board affirmed while providing explanations absent from the examiner’s rejection.

For example, as noted above, the examiner did not explain what aspect of the feature “vector processor responsive to an accessed block of video pixel image information and to vector information” he found unsupported. *See* C.A. App. A10642 (¶ 13). By contrast, the Board devoted three pages to an explanation of its reasons for affirming. After finding that the written description did provide “support for a processor ‘coupled to the accessing circuit and coupled to the vector generator,’” as recited in the claim, the Board stated:

² The Board stated that it would “treat the enablement rejections as standing or falling together with the written description rejections.” App. 240a.

However, the limitation at issue requires that the processor perform the function of “generating two dimensional processed image information in response to . . . video pixel information . . . and in response to the two dimensional vector information generated by the vector generator.” This implies that the “generating” function operates on two kinds of input data: pixel information from memory and vector information. However, the specification describes graphics vectors being generated (strobed) into image memory (e.g. spec. at 11-12), *not* being generated and used by a processor together with accessed pixel data read out from the block image memory, which would require bypassing the block memory. That is, the disclosed processor only controls the vector generator, it does not receive data from it or operate “in response to” it. Since the vector information is stored into the block memory, we find no written description for a processor coupled to and performing the “generating” function “in response to” the vector information as well as “in response to” image information from the image memory.

App. 223a (ellipses in original); *see also* App. 229a-230a (cross-referencing prior discussion).

The Board concluded with a boilerplate notice that “[a]ny request for rehearing . . . is limited to points of fact and/or law which appellant believes were overlooked or misapprehended” and that “[n]ew arguments which were not presented . . . will *not* be considered.” App. 252a.

4. Plaintiff filed a rehearing request that provided detailed responses to the explanations the Board had newly offered. For example, in response

to the rejection quoted at length above, plaintiff explained the manner in which the claim limitation at issue read on the disclosure, concluding:

[B]ecause the vector generation function first accesses a block of image information from image memory and then overlays the block with the vector, the image information written into the image memory is generated in response to both (1) accessed blocks of image information and (2) vector information.

C.A. App. A11656; *see also id.* at A11656-57, A11667-72, A11677-81. Plaintiff provided comparable elaboration with regard to the Board's other new rationales. *See id.* at A11648-85.

The Board refused to consider the request, stating that plaintiff had added new arguments not contained in his prior briefing. The Board stated that “[t]he examiner’s final rejection specifically identified [l]imitations in the claims that were without written description support” and that plaintiff’s “only arguments were that words in the various limitations appear in the specification.” App. 257a. “Appellant now attacks our decision with extensive new arguments about how the disclosure can be interpreted to satisfy the claim limitations Since the final rejection expressly identified the limitations without written descriptive support, appellant could have presented the arguments earlier and cannot contend that he is merely responding to new rationale[s] in our opinion.” *Id.*

5. Plaintiff filed an action in the U.S. District Court for the District of Columbia against the Director of the PTO pursuant to 35 U.S.C. § 145. In opposition to the Director’s motion for summary judgment, plaintiff proffered a declaration explaining

that one of ordinary skill in the art would have found an adequate written description for each of the rejected claims. The district court held that plaintiff had provided no adequate explanation for failing to submit his declaration to the PTO during prosecution; that his failure was “negligent”; and that the evidence would be disregarded. App. 189a. Reviewing the Board’s finding on the record before the Board under a “deferential ‘substantial evidence’ standard,” the district court granted summary judgment against plaintiff. App. 189a-190a; *see* App. 190a-198a. Plaintiff’s request for reconsideration was denied. *See* C.A. App. A26-32.

6. A divided panel of the Federal Circuit affirmed. The decision held that the district court had properly disregarded plaintiff’s declaration because plaintiff had “willfully refused to provide evidence in his possession in response to a valid action by the examiner.” App. 139a. The panel majority stated that it was not resolving the question whether a district court could exclude evidence “on grounds other than the type of refusal at issue here and in [*Barrett Co. v. Koppers Co.*, 22 F.2d 395 (3d Cir. 1927)].” App. 140a n.31. Judge Moore dissented, stating that the majority opinion “takes away this patent applicant’s fundamental right to a ‘civil action to obtain [a] patent’ as granted by Congress in 35 U.S.C. § 145.” App. 149a (alteration in original).

7. The *en banc* Federal Circuit granted rehearing and reversed. The court noted that § 145 authorizes a “civil action,” without placing any special limitations on a plaintiff’s right to introduce evidence. App. 12a. Such an action “is distinct from an appeal, in which the applicant would be limited to the record before the Patent Office”; the “plain language” of the

statute provides that “this civil action does not merely afford judicial review of agency action” but “directs that the district court may ‘adjudge that such applicant is entitled to receive a patent for his invention . . . as the facts in the case may appear.’” *Id.* (ellipsis in original). The court found that the “lengthy legislative history of § 145 and its predecessor statute” confirms that “Congress intended to provide for a civil action in which an applicant would be free to introduce new evidence.” *Id.*

The court rejected the government’s argument 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.” App. 21a (internal quotation marks omitted). With respect to the government’s principal argument – namely, that the “bill in equity” authorized by Revised Statutes § 4915 (“R.S. § 4915”), the predecessor to § 145, was only a “bill of review” – the court held that a bill of review was strictly a mechanism for a court in equity to revisit *its own* prior decree. Such a characterization of the “bill in equity” authorized by R.S. § 4915 was contrary to not only basic rules of equity procedure but also Supreme Court and other federal court precedent. The court dismissed the government’s “policy considerations” as matters within Congress’s discretion. App. 32a-33a. Relying in part on *amicus* briefs filed by the leading associations of patent lawyers, the court specifically rejected the government’s claim that its holding would either encourage patent applicants to withhold evidence or push them to file actions under § 145 rather than on-the-record appeals under § 141. *See* App. 33a-34a.

The court held that “proceedings before the Patent Office remain relevant in a § 145 action.” App. 27a.

First, in the absence of new evidence, “the district court must apply the court/agency standard of review to [agency] fact finding.” *Id.* (citing *Fregeau v. Mossinghoff*, 776 F.2d 1034, 1038 (Fed. Cir. 1985)). Second, the Court noted that “*issues* (and evidence relating to new issues) that were not raised in the Patent Office proceedings generally may not be raised in a § 145 proceeding.” App. 28a (emphasis added). Third, while the court “reject[ed] the Director’s proposed restrictions on admissibility,” it noted that, under existing law, “the district court may consider the proceedings before and findings of the Patent Office in deciding what weight to afford an applicant’s newly-admitted evidence.” *Id.*

8. Judge Newman concurred in part and dissented in part; she would have held that the district court is required to make all determinations *de novo* – whether or not new evidence is introduced. App. 36a-43a.

Judge Dyk, joined by Judge Gajarsa, dissented; he would have held that an action under § 145 is no different from any other action for administrative review under the Administrative Procedure Act (“APA”) and “based on the agency record” unless “agency fact-finding procedures are inadequate.” App. 51a (quoting *Citizens To Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402, 415 (1971)). Acknowledging that this was not the government’s position, the dissent insisted that “there is little difference between the standard for the receipt of new evidence urged by the PTO and the standard I think is appropriate.” App. 52a n.4.

REASONS FOR DENYING THE PETITION**I. THE FEDERAL CIRCUIT’S RULING THAT
NEW EVIDENCE IS ADMISSIBLE IN AC-
TIONS UNDER § 145 DOES NOT MERIT
REVIEW****A. The Federal Circuit’s Ruling On Admission
Of Evidence Is Correct**

The Court should deny review with respect to the first question presented because the government provides no reason to doubt that the Federal Circuit’s resolution of the question is correct. The unique language of § 145, the unusual structure of the patent statute – which separately provides for on-the-record review (under § 141) and a civil action (under § 145) – and the history of the action that § 145 preserves compel the conclusion that a plaintiff in a civil action under § 145 may, consistent with ordinary procedural rules and the Federal Rules of Evidence, introduce new evidence to attempt to prove that he “is entitled to receive a patent for his invention.” 35 U.S.C. § 145.

1. a. The language of the statute indicates that Congress intended a *de novo* proceeding and not an action for on-the-record judicial review. The statute authorizes a dissatisfied patent applicant to bring a “civil action” in federal district court “against the Director [of the PTO]” in which the “court may adjudge that such applicant is entitled to receive a patent for his invention . . . as the facts in the case may appear.” 35 U.S.C. § 145. “The terminology employed by Congress,” *Chandler v. Roudebush*, 425 U.S. 840, 845 (1976), indicates that the district court is not restricted to review of the prior decision of the PTO. Congress expressly directs district courts to adjudicate whether the invention is patentable “as the facts

in the case may appear.” That language makes clear that the court is not restricted to evaluating the PTO’s decision on the facts that were before the PTO, but instead is to determine, for itself, whether the patent should issue.³ That language indicates that the “civil action” to which applicants “are entitled” under § 145 “is to be a trial *de novo*.” *Id.*⁴

The government argues that the civil action authorized under § 145 should presumptively be subject to limitations on the nature and scope of review generally associated with “judicial review of agency action.” Pet. 12. But that argument takes as its premise the claim that § 145 simply provides for judicial review of the PTO’s decision, rather than, as the language (and title) of the provision plainly indicate, a civil action *to obtain a patent*. In each of the cases that the government relies on as establishing the “background principles” of law (*id.*) that the Federal Circuit sup-

³ The government seeks to distinguish *Chandler* (upon which the Federal Circuit relied) on the basis that the right to a trial *de novo* for federal employees under Title VII of the Civil Rights Act of 1964 was the same as the right for private sector employees. But that has nothing to do with the Court’s analysis of the amended statutory language of § 706 of the Civil Rights Act, 42 U.S.C. § 2000e-5, which, the Court found, “reflects the *de novo* character of the private sector ‘civil action’ even more clearly than did the 1964 version.” 425 U.S. at 845.

⁴ This does not mean that the district court disregards the administrative record. By its terms, § 145 authorizes the district court to “adjudge that [the] applicant is entitled to receive a patent for his invention, *as specified in any of his claims involved in the decision of the Board*.” 35 U.S.C. § 145 (emphasis added). Thus, a § 145 “proceeding is, in fact and necessarily, a part of the application for the patent,” *Gandy v. Marble*, 122 U.S. 432, 439 (1887), in that the question is whether the plaintiff is entitled to a patent on the claims as presented in the application.

posedly disregarded, the statute expressly provides an action to review a prior administrative decision, rather than a civil action to obtain adjudication by the district court of underlying statutory rights.⁵ As this Court recognized in *Zurko*, § 145 provides for a fundamentally different remedy from agency-review remedies. *See* 527 U.S. at 164.

The language of § 145 thus is contrary to any general restriction on admission of new evidence. Rather, in a “civil action” under § 145, as in any civil action, the Federal Rules of Evidence govern the admissibility of new evidence. *See* Fed. R. Evid. 1101(b) (“[t]hese rules apply generally to civil actions”); *id.* 402 (“All relevant evidence is admissible, except as otherwise provided by the Constitution of the United States, by Act of Congress, by these rules, or

⁵ *See Florida Power & Light Co. v. Lorion*, 470 U.S. 729, 744 (1985) (Hobbs Act review in court of appeals); *Citizens To Preserve Overton Park*, 401 U.S. at 413-14 (APA review); *Consolo v. Federal Maritime Comm’n*, 383 U.S. 607, 613 (1966) (action brought in court of appeals pursuant to statute authorizing actions “to enjoin, set aside, suspend . . . or determine the validity of . . . final orders of the . . . Federal Maritime Board”) (third ellipsis in original); *United States v. Carlo Bianchi & Co.*, 373 U.S. 709, 714 (1963) (“the statute is designated as an Act ‘To permit review’ and . . . the reviewing function is one ordinarily limited to consideration of the decision of the agency or court below”); *NBC v. United States*, 319 U.S. 190, 193 (1943) (suit brought to enjoin enforcement of Federal Communications Commission regulation); *Tagg Bros. & Moorhead v. United States*, 280 U.S. 420 (1930) (proceeding under § 316 of the Packers and Stockyards Act, which deals with actions seeking to “suspend[] or restrain[] the enforcement, operation, or execution of, or the setting aside in whole or in part the orders” of, the Secretary of Agriculture, 7 U.S.C. § 217).

by other rules prescribed by the Supreme Court pursuant to statutory authority.”⁶

b. Congress’s authorization of a *de novo* proceeding in § 145 is particularly clear in light of other provisions of the statute, which authorize an “appeal” of a PTO decision to the Federal Circuit. 35 U.S.C. § 141. In such an appeal, Congress directed that the court “shall *review* the decision from which an appeal is taken *on the record*” before the PTO. *Id.* § 144 (emphases added). This language makes clear not only that Congress knew how to confine a reviewing court to the agency record, but also that Congress intended to draw a fundamental distinction between an action merely seeking *review* (*i.e.*, an appeal) and a *de novo* action where new evidence would be admitted and the merits of the applicant’s claims “adjudicat[ed]” by the district judge.

The government’s argument that allowing new evidence in an action under § 145 “creates an unjustified disparity between the two statutory avenues for judicial review,” Pet. 28, is nothing but a challenge to Congress’s determination to give a dissatisfied patent applicant two fundamentally different avenues for relief from an adverse decision: an appeal (on the record) and a civil action (with new evidence). *See Zurko*, 527 U.S. at 164 (rejecting the argument that review of district court fact-finding in an appeal of a

⁶ Section 145’s “civil action” language contrasts with the language of “civil action *for review*” of an administrative decision, 29 U.S.C. § 722(c)(5)(J)(i) (emphasis added). The latter, because of its “review” language, required Congress to add explicit authorization to introduce new evidence in court. No such direction is needed for § 145’s simple “civil action” language, without the “review” qualifier. *Cf. also, e.g.*, 42 U.S.C. § 300e-9(d)(3) (providing that “civil action brought to review” civil penalty shall be “a trial *de novo*”).

decision under § 145 would create an anomaly and noting that § 145 calls for “nonexpert judicial fact-finding”). To complain, as the government does, that one avenue allows a patent applicant to obtain a *de novo* adjudication while the other provides only for review on the record is to complain about the statutory scheme, which intentionally gives patent applicants that choice. See *Sosa v. Alvarez-Machain*, 542 U.S. 692, 711 n.9 (2004) (applying “the usual rule that ‘when the legislature uses certain language in one part of the statute and different language in another, the court assumes different meanings were intended’”) (quoting 2A Norman J. Singer, *Statutes and Statutory Construction* § 46:06, at 194 (6th rev. ed. 2000)); *Custis v. United States*, 511 U.S. 485, 492 (1994). The government must direct that complaint to Congress.

c. The long history of § 145 strongly reinforces the conclusion that the provision means what it plainly says. Section 145 is the current codification of a cause of action that dates back to 1839. From that date until 1952 (when Congress adopted the modern terminology “civil action”), the statute authorized a “bill in equity” that – like § 145 – required the court to “adjudge that such applicant is entitled” to a patent. Congress would have understood that such a bill would invoke the original – not appellate – jurisdiction of the federal court and that new evidence would consequently be admitted in such cases.⁷

⁷ The government notes in passing that new evidence was restricted in cases involving a “bill of review.” Pet. 19-20. But that was not the language of § 145’s “bill in equity” predecessors, and the government rightly no longer claims (as it argued below) that Congress would have understood a suit under those provisions to be, or to be analogous to, a bill of review. A “bill of review” was a particular form of action used for a purpose far

i. Courts have long recognized that the basic distinction between direct appeal and the “bill in equity” authorized by § 145’s predecessors was precisely that the latter allowed for introduction of new evidence and an adjudication of the patent applicant’s rights on the complete record. As this Court explained in its 1884 decision in *Butterworth v. United States ex rel. Hoe*, 112 U.S. 50 (1884), under the appeal provision – Section 4911 of the Revised Statutes – “the court act[s] only on the evidence adduced before [the Commissioner], and confin[es] its revision to the points set forth in the reasons of appeal.” *Id.* at 60. By contrast, the “bill in equity” – R.S. § 4915 (the predecessor of § 145) – “means a proceeding in a court of the United States having original equity jurisdiction under the patent laws, according to the ordinary course of equity practice and procedure.” *Id.* at 61. The Court went on:

It is not a technical appeal from the patent-office, like that authorized in section 4911, confined to the case as made in the record of that office, but is prepared and heard upon *all* competent evidence adduced, and *upon the whole merits*. Such has been the uniform and correct practice in the circuit courts.

Id. (emphases added).

afield from the present setting, namely, to obtain an equity court’s *reconsideration of its own ruling* (specifically, after the time to file a petition to rehear had passed). See 2 Thomas A. Street, *Federal Equity Practice* § 2117, at 1255 (1909) (“[T]he bill of review [is] in its nature only a more formal mode of obtaining a rehearing.”); *id.* § 2121, at 1257 (“The principle that *a bill of review will lie only in the court where the decree to be reversed was rendered* is subject to no exception whatever.”) (emphasis added). A bill of review was never used as a mechanism for obtaining judicial review of agency action.

This Court repeatedly confirmed this understanding. See *In re Hien*, 166 U.S. 432, 439 (1897) (“The bill in equity provided for by section 4915 is wholly different from the proceeding by appeal from the decision of the commissioner The one is in the exercise of original, the other of appellate, jurisdiction.”); *Morgan v. Daniels*, 153 U.S. 120, 124-25 (1894); *Gandy*, 122 U.S. at 439 (“the proceeding by bill in equity, under section 4915, on the refusal to grant an application for a patent, intends a suit according to the ordinary course of equity practice and procedure, and is not a technical appeal from the patent-office, nor confined to the case as made in the record of that office, but is prepared and heard upon all competent evidence adduced”).⁸

Morgan v. Daniels provides no support for the government’s position, because that case has nothing to do with the standard governing admission of evidence. After an interference proceeding (priority contest) in the Patent Office, the plaintiff filed an

⁸ Numerous lower court decisions – including decisions cited with approval by the Court in *Butterworth* – recognized and applied the same rule. See, e.g., *Armstrong v. De Forest*, 13 F.2d 438, 440 (2d Cir. 1926); *Curtiss Aeroplane & Motor Corp. v. Janin*, 278 F. 454, 458 (2d Cir. 1921); *Central Ry. Signal Co. v. Jackson*, 254 F. 103, 105 (E.D. Pa. 1918); *General Elec. Co. v. Steinberger*, 208 F. 699, 700 (E.D.N.Y. 1913), *aff’d*, 214 F. 781 (2d Cir. 1914); *Appert v. Brownsville Plate Glass Co.*, 144 F. 115, 117 (C.C.W.D. Pa. 1904); *Bernardin v. Northall*, 77 F. 849, 852 (C.C.D. Ind. 1897); *Christie v. Seybold*, 55 F. 69, 72 (6th Cir. 1893) (Taft, J.); *Butler v. Shaw*, 21 F. 321, 326-27 (C.C.D. Mass. 1884); *In re Squire*, 22 F. Cas. 1015, 1016 (C.C.E.D. Mo. 1877); see also *Berry v. Robertson*, 40 F.2d 915, 917 (D. Md. 1930) (“[t]he present proceeding is not in the nature of an appeal, but rather a trial de novo, with all the customary power of an equity court to hear the evidence fully and to make its own findings”).

action challenging the ruling for the defendant. The case was submitted to the trial court “without any additional testimony,” and the court ruled for the plaintiff. 153 U.S. at 122. *Morgan* thus stands for the proposition that, where a plaintiff chooses *not* to rely on new evidence in challenging the outcome of a PTO interference proceeding, the district court’s review of the PTO’s findings of fact is deferential. *See also Zurko*, 527 U.S. at 164 (noting that a court-agency standard of review might apply “insofar as the district judge does no more than review PTO fact-finding”). It does not announce any restrictions on the introduction of new evidence.

ii. It was against this backdrop of settled judicial interpretation of Section 4915 that Congress, in 1927, revised and recodified the provision. Until then, a dissatisfied patent applicant could file a bill in equity only after pursuing a direct appeal. Under the new statute, an applicant chooses between challenging the Patent Office decision on direct appeal or filing a bill in equity.⁹ The law otherwise preserved the existing provision for a bill in equity.

By re-enacting a provision for a “bill in equity” in light of decades of precedent interpreting that provision to allow for the introduction of new evidence in a *de novo* proceeding before a court of original jurisdiction, Congress incorporated that settled interpretation into the revised provision. *See Bragdon v.*

⁹ *See* Act of Mar. 2, 1927, ch. 273, § 11, 44 Stat. 1335, 1336-37 (amending R.S. § 4915). An initial draft of what became the 1927 statute would have eliminated the direct appeal altogether while preserving the bill in equity. *See To Amend Section 52 of Judicial Code and Other Statutes Affecting Procedure in the Patent Office: Hearing Before the H. Comm. on Patents*, 69th Cong. 7-8 (1926) (“House Hr’g”).

Abbott, 524 U.S. 624, 645 (1998) (when “judicial interpretations have settled the meaning of an existing statutory provision, repetition of the same language in a new statute indicates, as a general matter, the intent to incorporate its . . . judicial interpretations as well”); *Merrill Lynch, Pierce, Fenner & Smith, Inc. v. Curran*, 456 U.S. 353, 378-79 (1982). Congress thus must be understood to have continued to allow plaintiffs to introduce new evidence in accordance with ordinary equity practice.¹⁰ See *Hoover Co. v. Coe*, 325 U.S. 79, 87 (1945) (holding that the 1927 statute “sav[ed] to litigants the option of producing new evidence in a court, by retaining the equity procedure”).¹¹

¹⁰ The late Judge Giles Rich, meticulous even as a law student, wrote in his 1929 paper on patent procedure that the “obvious difference between the regular bill and this bill in equity [under the 1927 version of R.S. § 4915] is that in the former the case is heard on the record from the Patent Office, where in the latter new evidence may be introduced.” See Giles S. Rich, *Outline of Patent Law and Procedure*, 3 J. Fed. Cir. Hist. Soc’y 61, 78 (2009). Judge Rich was one of the principal drafters of the 1952 Act; P.J. Federico – who shared Judge Rich’s understanding of the scope of the bill in equity – was the other. See P.J. Federico, *Evolution of Patent Office Appeals*, 22 J. Pat. Off. Soc’y 838, 935 (1940).

¹¹ The legislative hearings that led up to the adoption of the 1927 revision further reinforce the point, reflecting the uniform understanding of the patent bar that an equity action under § 145 was a *de novo* proceeding complete with new evidence. Henry Huxley, a member of the ABA committee that had drafted the 1927 bill, explained that, in *ex parte* cases, a patent applicant could “start a suit in equity and have a real trial” to obtain a patent. House Hr’g at 9. Charles Howson, chairman of the ABA Committee on Patent Law Revision, testified that the bill in equity “enables the party in interest, desiring to obtain a patent to take evidence in a court or tribunal whose business it is to try issues of facts and make up a record in addition to that

iii. There is no dispute that the further recodification of R.S. § 4915 in 1952 at 35 U.S.C. § 145 – in a form close to the present one – made “no fundamental change” to the various mechanisms for obtaining relief from PTO rejections. Pet. 22 (quoting S. Rep. No. 82-1979, at 7 (1952)). The decision to preserve the existing remedy by trial *de novo* takes on additional significance because, prior to the adoption of the 1952 Act but after the 1927 Act, this Court had reconfirmed the nature of an action under R.S. § 4915. “It is evident that alternative rights of review are accorded an applicant, – one by appeal . . . , the other by bill in equity.” *Hoover*, 325 U.S. at 83. In the latter, “*a formal trial is afforded on proof which may include evidence not presented in the Patent Office.*” *Id.* (emphasis added).¹²

he has been enabled to furnish the examiners in the Patent Office, and therefore get before a court of competent jurisdiction everything connected with his rights and every fact connected with his patent.” *Id.* at 20-21. In the Senate hearing, testifying in support of the bill, Patent Commissioner Thomas Robertson testified that “a suit in equity under Section 4915 of the Revised Statutes” allowed a patent applicant to “start *de novo* and litigate the matter through the courts.” *Procedure in the Patent Office: Hearing Before the S. Comm. on Patents*, 69th Cong. 7 (1926); *see also* App. 14a-18a.

¹² When Congress extended § 145 to additional situations after 1952, it again stated its understanding that the remedy affords a *de novo* proceeding on all evidence. In 1980, Congress amended the patent laws to provide for the current reexamination procedure. *See* Act of Dec. 12, 1980, Pub. L. No. 96-517, 94 Stat. 3015. The Committee Report accompanying the legislation noted that, under that provision, “[a]dverse final decisions . . . could be appealed . . . or *de novo* review of the reexamination decision could be sought” in district court. H.R. Rep. No. 96-1307(I), at 8 (1980) (emphasis added), *reprinted in* 1980 U.S.C.C.A.N. 6460, 6467; *see* 35 U.S.C. § 306.

iv. The government argues that the Federal Circuit’s decision is inconsistent with pre-1952 circuit court decisions that “recognized limits on the admissibility of new evidence that the proponent could have presented to the PTO in the first instance.” Pet. 20-21. But the government does not and cannot claim that any supposed “limits” recognized in these cases resemble the general bar on new evidence that could have been presented to the PTO that the government proposes here.¹³ To the contrary, the cases that the government cites do not establish any limits on the introduction of evidence that are “different from a customary civil action.” App. 11a-12a. Those cases – for example, *Barrett* – at most stand for the proposition that an applicant may be subject to equitable estoppel if he seeks to introduce evidence contrary to positions taken before the PTO.¹⁴ Courts

¹³ The government’s reliance on those cases is particularly misplaced because, as the Federal Circuit noted, Congress could not have “implicitly adopted the different approaches various courts took with regard to an admissibility standard.” App. 19a; see U.S. Br. at 18 n.4, *Microsoft Corp. v. i4i L.P.*, No. 10-290 (U.S. filed Mar. 18, 2011) (“Congress’s inaction . . . raises no inference that it acquiesced in any particular standard . . . because there was no clear consensus among the courts of appeals.”).

¹⁴ The Third Circuit noted in *Barrett* that it was “anxious that no one should think that we hold that any evidence not [in the record] is inadmissible in an action under section 4915” because “[s]uch a notion would destroy the action given by section 4915.” 22 F.2d at 397; see also *Minnesota Mining & Mfg. Co. v. Carborundum Co.*, 155 F.2d 746, 748 (3d Cir. 1946) (“3M”) (rejecting the argument that evidence could be excluded simply because it was “available to the plaintiffs at the time of the proceedings in the Patent Office” as an effort “to rewrite the statute”).

In the other court of appeals cases the government cites – *Schilling v. Schwitzer-Cummins Co.*, 142 F.2d 82 (D.C. Cir.

of appeals repeatedly reconfirmed in the years leading up to the 1952 recodification that evidence could not be excluded in an action under R.S. § 4915 simply because it was available and not introduced before the PTO.¹⁵

2. There is no tension between Congress’s decision to authorize the introduction of new evidence under § 145 and principles of administrative exhaustion. The government does not dispute that plaintiff met the statute’s express exhaustion requirements. Plaintiff pursued his application for a patent through “the Board of Patent Appeals and Interferences in an appeal under section 134(a),” and he limits his § 145 suit to “claims involved in the decision of the Board.” 35 U.S.C. § 145.

1944); *Boucher Inventions v. Sola Electric Co.*, 131 F.2d 225 (D.C. Cir. 1942); *Globe-Union, Inc. v. Chicago Telephone Supply Co.*, 103 F.2d 722 (7th Cir. 1939); *Greene v. Beidler*, 58 F.2d 207 (2d Cir. 1932); and *Western Electric Co. v. Fowler*, 177 F. 224 (7th Cir. 1910) – the district court had admitted (or, in one case, considered without formally admitting) the evidence that the plaintiffs sought to introduce over objections by the defendants that such evidence had not been presented to the Patent Office, and therefore involve no holding that evidence could be excluded under any standard. *See also Smith v. Prutton*, 127 F.2d 79, 81 (6th Cir. 1942) (“[t]he statute . . . gives the litigants permission to present the case anew to the District Court after it has been finally closed in the Patent Office, and imposes upon the District Judge the obligation of hearing the evidence and determining the issue”).

¹⁵ *See, e.g., 3M*, 155 F.2d at 748 (to exclude evidence “available to the plaintiffs at the time of the proceedings in the Patent Office” “would be to change the nature of an R.S. Section 4915 proceedings and to rewrite the statute”); *Nichols v. Minnesota Mining & Mfg. Co.*, 109 F.2d 162, 166-67 (4th Cir. 1940); *Globe-Union*, 103 F.2d at 728; *Dowling v. Jones*, 67 F.2d 537, 538 (2d Cir. 1933) (L. Hand, J.).

The Federal Circuit also held that “issues (and evidence relating to new issues) that were not raised in the Patent Office proceedings generally may not be raised in a § 145 proceeding.” App. 28a. That principle of “issue exhaustion,” *Sims v. Apfel*, 530 U.S. 103, 110 (2000), does not apply to new *evidence*. Because plaintiff contested the examiner’s written-description rejections at every stage before the PTO, he satisfied any non-textual exhaustion requirement. None of the government’s cases supports the argument that principles of administrative exhaustion can be invoked to bar the introduction of *new evidence* relevant to issues that were raised and decided by the agency.¹⁶

B. The Decision Below Is Of Limited Importance And Makes Policy Sense

1. In the 35 years since the Federal Circuit was established with exclusive jurisdiction over appeals of actions under § 145, that court had no occasion to address the standard governing admission of evidence in such cases.¹⁷ The absence of controversy on

¹⁶ See *McKart v. United States*, 395 U.S. 185, 196-97 (1969) (rejecting government’s argument that exhaustion barred judicial review where “[w]e are not . . . faced with a premature resort to the courts” because “all administrative remedies are now closed to petitioner”); *McCarthy v. Madigan*, 503 U.S. 140, 145 (1992) (rejecting claim that prisoner was obligated to exhaust administrative remedies).

¹⁷ The government relies on *DeSeversky v. Brenner*, 424 F.2d 857 (D.C. Cir. 1970) (per curiam), and *California Research Corp. v. Ladd*, 356 F.2d 813 (D.C. Cir. 1966), to argue that, after 1952 but before the establishment of the Federal Circuit, some courts excluded evidence on bases other than those recognized below. Even if there were any inconsistency, that would not justify review, given the Federal Circuit’s exclusive jurisdiction. In any event, those cases do not support the government.

this issue undermines the government's claim that it is one of general significance in the administration of the patent statute.

It has been the understanding of the patent bar that new evidence is generally admissible in actions under § 145. The most-cited treatise advises that, “[u]nlike the ‘on-the-record’ review by direct appeal to the Federal Circuit, the civil action is a *de novo* proceeding. The PTO record is admissible evidence, but both the applicant and the PTO may offer additional evidence.”⁴ Donald S. Chisum, *Chisum on Patents* § 11.06[3][c][ii] (2005) (footnotes omitted). The leading associations of patent lawyers filed *amicus* briefs below agreeing that new evidence is admissible under § 145 whether or not it was available and introduced in the PTO. See AIPLA Br. 6 (given settled expectation that new evidence may be presented under § 145, decision “altering the judicial landscape would be counterproductive and harmful”); NYIPLA Br. 8-9; FICPI Br. 2-3.

Notwithstanding applicants' ability to proffer new evidence, actions under § 145 have been scarce, both in absolute number and relative to direct appeals under § 141. The government told the Federal Circuit that there were 46 actions filed under § 145 in a seven-year period, compared with more than 300 direct appeals under § 141 filed during the same

In *DeSeversky*, the D.C. Circuit recognized that an action under § 145 is “a trial *de novo*” in which the applicant “may introduce evidence not previously presented to the Patent Office,” but stated that the applicant “is precluded from presenting new issues.” 424 F.2d at 858 (second emphasis added). In *California Research*, the court reversed the exclusion of evidence by the district court, emphasizing that the proceeding under § 145 is “a trial *de novo*.” 356 F.2d at 818.

period. *See* Gov't En Banc Br. 40 n.11.¹⁸ Furthermore, the government conceded that evidence is frequently admitted in § 145 cases without objection by the PTO. There is simply no basis for the government's claim that the ruling below will have any broad impact.¹⁹

2. Congress's decision to afford patent applicants an opportunity to introduce new evidence in an action under § 145 is self-evidently within its power; it also sensibly reflects institutional considerations. To build a case for consideration by a non-expert district judge may require evidence that would be superfluous before the PTO. This case provides an illustration: because the examiner is expected to have ordinary skill in the relevant art, an applicant is not required to provide evidence to establish what the examiner should already know. The government's pervasive emphasis on the PTO's comparative expertise thus itself provides a central explanation for

¹⁸ While the government argues that the decision below may encourage additional cases under § 145, there is no reason to expect any such surge, given that the decision below confirmed the law as it had been understood. Even if there had been uncertainty, that does not explain why – if the possibility of introducing new evidence provided the sort of procedural advantage that the government claims – applicants had rarely tested the limits.

¹⁹ As the government concedes, where an application is denied because some additional evidence is required, an applicant can usually address that deficiency through a request for continued examination or a continuation application. *See* Pet. 3. Those remedies make district court litigation even more unlikely. Those remedies were not available to plaintiff, however, because his application was filed before June 8, 1995, claiming benefit of a 1984 application, *see* 37 C.F.R. § 1.114(e)(2), and because, if plaintiff had filed a continuation application, any issued patent would have expired in 2004.

§ 145's allowance of additional evidence when non-expert district courts must address patentability issues.

There are additional reasons that allowing new evidence is warranted. Particularly in *ex parte* proceedings (as opposed to interferences), the practical limits on the time the PTO can spend on each application may limit an applicant's ability to identify critical issues and present responsive evidence. Here, the Board invested substantial time in its review, but the examiner's rejection and his answering brief provided little guidance as to the basis for the written-description rejections. With respect to the rejections that were affirmed, the Board was the first to provide an articulation of reasons. When the plaintiff filed a request for rehearing addressing the Board's new rationales, the Board refused to consider it. Section 145 provides important protection against that type of procedural unfairness.

3. The government's suggestion that the decision below will encourage applicants to withhold evidence from the PTO is baseless. Irrespective of the opportunity to present additional evidence later, patent applicants always have an incentive to present their best case to the PTO: any appeal is expensive, and an action under § 145 is even more so because a plaintiff under § 145 must pay the costs of the proceeding – even if the plaintiff prevails. *See* 35 U.S.C. § 145. Expert witness testimony – which is rare before the PTO but often needed in district court – further inflates the applicant's financial burden. As *amici* explained below, it would be contrary to an applicant's interest to fail to put the best possible case before the PTO to overcome a rejection. *See* IPOA Br. 4 (“Understanding the interests of applicants

proceeding before the PTO and district court reveals that the panel's concern that patentees will 'game the system' by withholding evidence from the PTO is without basis."); NYIPLA Br. 10; *see also* FICPI Br. 3 (explaining potential burden on PTO if evidence were introduced solely for purposes of establishing record for appeal). A nearly unanimous Federal Circuit, including judges with long experience dealing with the patent system, rightly concluded that "[a]n applicant has every incentive to provide the Patent Office with the best evidence in its possession, to obtain a patent as quickly and inexpensively as possible." App. 33a.

Any supposed temptation that an applicant might otherwise have to withhold evidence before the PTO is further counterbalanced by the general risk that the district court will rule against the applicant. An applicant has every incentive to get a favorable decision from the PTO in the first instance and not to rely on § 145 litigation. Here, the evidence that plaintiff sought to introduce simply provided – in response to grounds given for the first time in the Board decision – further explanation of what was already before the PTO, that is, the patent disclosure. Plaintiff did his best to submit additional argument responding to the new grounds of decision articulated in the Board's decision, but the Board dismissed his request for rehearing. There can be no question of any sandbagging.

II. THE FEDERAL CIRCUIT'S LIMITED RULING ON STANDARD OF REVIEW IS NOT BEFORE THE COURT AND IS PLAINLY CORRECT

A. The Government, Arguing Only Against Admission Of New Evidence, Did Not Contest Existing Federal Circuit Law Requiring *De Novo* Determination Where New Evidence Is Admitted

The standard of review in a case under § 145 was settled by the Federal Circuit in 1985 and reconfirmed (after making appropriate adjustments in light of *Zurko*) in 2003. In *Fregeau v. Mossinghoff*, the court held that, where new evidence is introduced, “a *de novo* finding will be necessary to take such evidence into account together with the evidence before the board.” 776 F.2d at 1038. In *Mazzari v. Rogan*, 323 F.3d 1000 (Fed. Cir. 2003), the court confirmed that, if “parties choose to present additional evidence . . . , the district court would make *de novo* factual findings.” *Id.* at 1005. If, however, there is no new evidence, “the court reviews the case on the same record presented to the agency and the reviewing court must apply the APA’s substantial evidence standard.” App. 30a-31a; *see also Mazzari*, 323 F.3d at 1005; *Fregeau*, 776 F.2d at 1038. The Federal Circuit in this case simply restated existing law. *See* App. 30a-32a.

The government below argued for strict limitations on the *introduction of new evidence* in an action under § 145, but it did not challenge the Federal Circuit’s settled rules governing *standard of review*. *See* App. 31a (“The Director does not dispute that these standards of review apply in a § 145 action.”). The government cited *Fregeau* and *Mazzari* a dozen times

and did not suggest that any aspect of those cases was in error. At most, as the court of appeals noted, the government argued that “the principles of deference to agency fact finding . . . would tend to support more restrictions on the admissibility of evidence.” *Id.* Given the government’s failure to challenge the applicable standard of review, that question is not properly presented in its petition. *See United States v. United Foods, Inc.*, 533 U.S. 405, 416-17 (2001).²⁰

B. The Federal Circuit’s *De Novo* Standard When New Evidence Is Admitted Is Correct

In any event, the Federal Circuit’s holding that the district court rules on factual issues *de novo* when new evidence is admitted is correct. That holding simply reflects the fact that, when new evidence is admitted in court, there is no prior decision on that record for the district court to review. *See Zurko*, 527 U.S. at 164 (noting that, in an action under § 145, “[t]he presence of . . . new or different evidence makes a factfinder of the district judge”). That standard is consistent with the language of § 145, which authorizes the district court to rule on the plaintiff’s entitlement to receive a patent “as the facts in the case may appear.” 35 U.S.C. § 145.

That does not mean that the PTO proceedings and findings are irrelevant in a case under § 145. As

²⁰ The government asserted, in passing, that “no determination of the USPTO will be overturned based on evidence the agency never had the opportunity to consider unless that evidence ‘in character and amount carries thorough conviction’ that the agency’s decision was mistaken.” Gov’t En Banc Br. 29 (quoting *Morgan*, 153 U.S. at 125). Such a passing reference is no substitute for a direct request, let alone a developed argument, for overruling established precedents (that the government itself repeatedly cited).

the Federal Circuit made clear, under existing law, when new evidence is admitted, “the court must still consider the administrative record in making its fact findings.” App. 32a. “[T]he district court may consider the proceedings before and findings of the Patent Office in deciding what weight to afford an applicant’s newly-admitted evidence.” App. 28a. For example, “[s]hould the facts of a particular case cast suspicion on new evidence that an applicant failed to introduce before the Patent Office, the district court in a § 145 action would be within its discretion to give that evidence less weight.” App. 28a-29a.

The Federal Circuit’s reaffirmation of the *de novo* standard is not in tension with the Court’s decision in *Morgan*. The plaintiff in *Morgan* did not proffer any additional evidence; the Court therefore had no occasion to resolve the question of how to weigh new evidence against a prior PTO determination. See *supra* pp. 17-18. *Morgan*’s statements regarding the burden on a plaintiff (in an interference) seeking to overcome the outcome of a prior adversary proceeding before the PTO are not inconsistent with the holding that admission of new evidence, in any civil action challenging the denial of a patent, requires a *de novo* determination as held by the court below.

III. THE COURT SHOULD NOT HOLD THE PETITION

There is no justification for holding the petition for *Microsoft* because, as the United States effectively admits, *Microsoft* can have no relevance to the question whether new evidence may be admitted in an action under § 145. Pet. 31 (“[T]he first question presented . . . has no analogue in *Microsoft*.”). That is the only question properly before the Court in this case.

Moreover, any guidance that *Microsoft* provides concerning the evidentiary weight to be given to final PTO determinations in later infringement litigation will not affect the judgment of the Federal Circuit. The decision below provides that, where an applicant introduces new evidence in a civil action under § 145, the court decides factual issues *de novo* on a new factual record. Whatever the outcome in *Microsoft*, it would provide no basis for granting the petition, even for the purpose of a remand to the Federal Circuit.²¹

CONCLUSION

The petition for a writ of certiorari should be denied.

²¹ The basis of the government’s “hold” recommendation here appears to be that, if the Court affirms in *Microsoft*, its decision may be based on principles of deference to final PTO decision-making that would be relevant to the standards governing in a § 145 action. But the government argues for *affirmance* of existing Federal Circuit standards governing the defense of patent invalidity. Given that Federal Circuit standards in both areas have co-existed for decades, the government’s suggestion that a decision in *Microsoft* could undermine existing Federal Circuit law in this quite different context is particularly unfounded.

Respectfully submitted,

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