Patent Law Update: Hyatt v. Kappos

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Hyatt v. Kappos: Patent Applicant Rights Preserved

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On April 18, 2012, the Supreme Court upheld the right of patent applicants to seek full district court review of Patent Office rejections pursuant to 35 U.S.C. § 145, before taking an appeal to the Federal Circuit.

The rights of patent applicants in a civil action filed against the Director of the PTO include the submission of new evidence and that evidence will be reviewed by the district court in making its determination as to whether a patent should be granted or not. Such evidence will then be part of the record should an appeal at the Federal Circuit be necessary.

Background

Mr. Gilbert Hyatt filed a patent application that included 117 claims directed to different aspects of his invention of a “computerized display system for processing image information.” Mr. Hyatt filed the subject patent application in 1995, claiming priority back to an application filed in 1975. During prosecution of the patent application, the patent examiner denied all of the pending claims under Section 112 of the Patent Act, rejecting the priority of each claim to the 1975 application for lack of an “adequate written description.”

Patent Appeal & Court Cases

Mr. Hyatt filed an appeal with the Board of Patent Appeals and Interferences (BPAI) and the BPAI approved some of the claims but denied others. In addition, the Board tried to force Mr. Hyatt to present other evidence, but he declined to do so. Following the Board decision, Mr. Hyatt had two choices under the Patent Act, (1) a direct appeal to the Court of Appeals for the Federal Circuit; or (2) the filing of a civil action in the District Court for the District of Columbia, under 35 U.S.C. § 145 in which additional evidence could be presented to the court, and a de novo review of the evidence would be made to determine if Mr. Hyatt was entitled to the rejected claims in his patent application.

Pursuant to Section 145, Mr. Hyatt filed a civil action, naming as the defendant the Director of the USPTO, Mr. David Kappos. During this civil action, the district court declined to consider Mr. Hyatt's newly proffered evidence regarding the adequacy of his written description, and accordingly limited its de novo review to the administrative record in the USPTO. The court then granted summary judgment to the Director.

Mr. Hyatt then filed an appeal in the Federal Circuit. That court ultimately vacated the judgment of the lower court (en banc), holding that patent applicants can introduce new evidence in Section 145 proceedings, subject only to the limitations in the Federal Rules of Evidence and the Federal Rules of Civil Procedure. It also reaffirmed its precedent that when new, conflicting evidence is introduced, the district court must make de novo findings to take such evidence into account.

Supreme Court Review

The PTO sought review by the Supreme Court and certiorari was granted. The Director challenged both aspects of the Federal Circuit's decision as follows:

1. The Director argued that a district court should admit new evidence in a §145 action only if the proponent of the evidence had no reasonable opportunity to present it to the PTO in the first instance; and
2. The Director contended that, when new evidence is introduced, the district court should overturn the PTO's factual findings only if the new evidence clearly establishes that the agency erred.

Both of these arguments were based on the PTO's position that Section 145 cases are a "special proceeding" – distinct from a typical civil suit filed in federal district court and, as such, these cases should be governed by a different set of procedural rules.

In addition, the Director warned the court that allowing the District Court to consider all admissible evidence and to make de novo findings would encourage patent applicants to withhold evidence from the PTO, intentionally with the goal of presenting that evidence for the first time to a non-expert judge.

Supreme Court Decision

On April 18, 2012, in a unanimous decision, the Supreme Court rejected the PTO's special interpretation of Section 145, and held that:

1. there are no limitations on a patent applicant's ability to introduce new evidence in a Section 145 proceeding beyond those already present in the Federal Rules of Evidence and the Federal Rules of Civil Procedure; and
2. if new evidence is presented on a disputed question of fact, the district court must make de novo factual findings that take account of both the new evidence and the administrative record before the PTO.

As stated by the Court, Section 145, by its express terms, neither imposes unique evidentiary limits in district court proceedings nor establishes a heightened standard of review for PTO factual findings.

While the Court rejected the Director's proposal for a stricter evidentiary rule and an elevated standard of review in Section 145 proceedings, the Court did agree with the Federal Circuit that the district court may, in its discretion, "consider the proceedings before and findings of the Patent Office in deciding what weight to afford an applicant's newly admitted evidence." The Court recognized that while the PTO has special expertise in evaluating patent applications, a district court cannot meaningfully defer to the PTO's factual findings where the PTO considered a different set of facts.

As for the warning about withholding evidence during patent prosecution, the Court found that scenario to be "unlikely." The Court stated that a patent applicant who pursues such a strategy would be "intentionally undermining his claims" on the speculative chance that he will gain some advantage in a Section 145 proceeding by presenting new evidence to the district court judge.

The Court further stated that the Federal Circuit was correct to vacate the judgment of the district court, which had excluded newly presented evidence under the view that it "need not consider

evidence negligently submitted after the end of administrative proceedings.”

Accordingly, the judgment of the Federal Circuit was affirmed, and the case was remanded to that court for further proceedings consistent with the opinion.

Please click here to view the Supreme Court decision.

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