

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

*ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT*

REPLY BRIEF FOR THE PETITIONER

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The court of appeals held that an unsuccessful patent applicant may challenge the considered decision of the United States Patent and Trademark Office (PTO) based on evidence that the applicant could have presented to the PTO, and that the applicant may thereby obtain de novo review of any issues to which the new evidence pertains. As the government's opening brief explains, that regime disregards fundamental principles of administrative law, and it undermines the PTO's ability to exercise its expert judgment in determining whether patents should issue.

In defending the Federal Circuit's approach, respondent argues that a Section 145 suit is not an action for judicial review of the PTO's decision. Respondent further con-

tends that, because Section 145 does not wholly preclude the introduction of new evidence, the plaintiff in such a suit may introduce evidence that it failed without cause to present to the agency. When the new evidence “bears directly on the issue that the PTO purported to resolve,” respondent asserts that the PTO’s decision is “entitled to no weight.” Br. 49.

Respondent advocates a striking departure from administrative-review principles that would permit applicants to bypass the PTO in favor of a *de novo* patentability determination by a non-expert judge. There is no reason to think that Congress, in providing alternate avenues of review of the PTO’s decision in Sections 141 and 145, would have provided a choice between deferential on-the-record review and a *de novo* determination made on new evidence. Respondent’s reading of Section 145 would, moreover, create an incentive for applicants to withhold evidence from the PTO, especially when the potential invention is commercially significant. Even when applicants do not intentionally withhold evidence, respondent’s approach would reduce the incentive to develop relevant evidence at the administrative stage. And once the PTO has denied the patent, applicants will have every reason to develop new evidence in order to obtain *de novo* review.

Respondent’s proposed textual and historical justifications for this perverse regime lack merit. This Court recognized long ago that actions under Section 145’s statutory predecessor, Rev. Stat. § 4915 (1878) (R.S. 4915), involved judicial review of agency determinations. See *Morgan v. Daniels*, 153 U.S. 120, 124 (1894). The extent to which new evidence is admissible in a Section 145 suit, and the standard of review under which the PTO’s decision should be evaluated, therefore should be determined in light of the background principles that govern review of agency action.

That conclusion is reinforced by courts' early twentieth-century practice of limiting new evidence and applying deferential review in R.S. 4915 suits. When Congress reenacted R.S. 4915 as Section 145 in the 1952 Patent Act, it adopted the predominant judicial understanding that Section 145 should be construed in light of administrative-review principles.

I. CONSISTENT WITH ESTABLISHED PRINCIPLES OF ADMINISTRATIVE LAW, SECTION 145 IS PROPERLY CONSTRUED TO LIMIT THE CIRCUMSTANCES UNDER WHICH THE COURT MAY CONSIDER EVIDENCE NOT PRESENTED TO THE PTO, AND TO PROVIDE FOR DEFERENTIAL REVIEW OF THE AGENCY'S DECISION

A. A Section 145 Suit Is A Proceeding For Judicial Review Of Agency Action

The Patent Act provides two “alternative rights of review” by which to challenge the PTO’s decision to deny a patent: a civil action under Section 145, and a direct appeal under Section 141. *Hoover Co. v. Coe*, 325 U.S. 79, 83 (1945). While an appeal under Section 141 is limited to the administrative record, 35 U.S.C. 144, Section 145 permits the applicant to “present to the court evidence that the applicant did not present to the PTO.” *Dickinson v. Zurko*, 527 U.S. 150, 164 (1999). As respondent acknowledges (Br. 23), however, Section 145 does not specify *when* new evidence may be admitted in a Section 145 action. Respondent argues that a Section 145 suit is an independent action to obtain a judicial ruling that a patent should issue, rather than an action for judicial review of the PTO’s administrative decision, and that the statute therefore places *no* limits on the admission of new evidence. That characterization of Section 145 is foreclosed by the statutory text and by this Court’s decision in *Morgan*.

1. Respondent contends that three aspects of Section 145's text—namely, its references to a “civil action” in which the district court “adjudge[s]” the plaintiff's entitlement to a patent “as the facts in the case may appear” (Br. 16-17)—demonstrate that Section 145 establishes an independent proceeding to obtain a patent. Those textual features will not bear the weight that respondent places on them. The phrase “civil action” without more does not denote an independent proceeding, since that term encompasses all non-criminal suits brought in district court, including suits to review final agency action under the Administrative Procedure Act (APA), 5 U.S.C. 701 *et seq.* See Fed. R. Civ. P. 2; Gov't Br. 19-21. The fact that the court “adjudicate[s]” the plaintiff's challenge (Resp. Br. 18) does not indicate the nature of the adjudication. And even if the court's authority to decide the matter “as the facts in the case may appear” is taken to suggest that the court may sometimes receive additional evidence, it does not shed light on the *extent* to which new evidence is admissible.

Respondent's argument also ignores the strong textual indications that a Section 145 suit is a judicial-review proceeding. The provision appears in the chapter of the Patent Act governing “Review of Patent and Trademark Office Decisions,” and it provides a patent applicant who is “dissatisfied with the [PTO's] decision” a “remedy by civil action against the Director” in district court. 35 U.S.C. 145. The “remedy” takes the form of a decision “authoriz[ing] the Director to issue such patent on compliance with the requirements of law”—in effect, a remand to the agency to determine whether the patent should issue. *Ibid.*; Gov't Br. 14-16.

2. Respondent's argument is in any event foreclosed by *Morgan*. There, this Court construed R.S. 4915, which, in language materially identical to current Section 145, autho-

rized a “bill in equity” to have the district court “adjudge that such applicant is entitled * * * to receive a patent * * * as the facts in the case may appear.” The Court explained that, because the plaintiff’s suit was “an application to the court to set aside the action of one of the executive departments of the government,” raising “a question of fact which has once been settled by a special tribunal, entrusted with full power in the premises,” the plaintiff was required to prove Patent Office error by more than “a mere preponderance.” *Morgan*, 153 U.S. at 124-125. The Court thus made clear that R.S. 4915 provided for judicial review of agency action, and it concluded on that basis that the court in such a suit must give deference to prior agency findings.

Respondent argues that the Court in *Morgan* could not have adopted a “modern judicial review model” because that model did not develop until the early twentieth century. Br. 29. That argument cannot be reconciled with *Morgan*’s express reliance on the Patent Office’s delegated authority and expertise as justifying a deferential standard of review. Whenever the modern administrative-review framework may be said to have taken firm root, *Morgan*’s reasoning establishes the decision as an early example of that model. Indeed, this Court highlighted *Morgan*’s administrative-review underpinnings in *Zurko*, 527 U.S. at 159-160, where it relied on *Morgan*’s adoption of a “court/agency review standard” in holding that direct appeals of PTO decisions under Section 141 should be governed by the APA’s deferential standards of review.

B. New Evidence Should Be Admissible In A Section 145 Suit Only If The Plaintiff Had No Reasonable Opportunity To Present The Evidence To The PTO

1. Because a Section 145 suit is a proceeding for judicial review of agency action, administrative exhaustion principles should govern the extent to which new evidence is admissible. To be sure, Section 145 does not categorically foreclose new evidence, and it thus reflects a limited exception to the usual rule that judicial review of agency action is limited to the administrative record. Nevertheless, the core justifications for the exhaustion requirement—the recognition that agencies should be afforded an adequate opportunity to consider the full range of relevant evidence and to correct their own errors before judicial review occurs—apply with full force to evidence that a Section 145 plaintiff had a reasonable opportunity to present to the PTO.¹ See Gov’t Br. 21-24.

Respondent argues (Br. 21-24) that construing Section 145 to limit new evidence would be inconsistent with the Patent Act’s structure because it would render Sections 141 and 145 “essentially equivalent avenues of relief.” Respondent is incorrect. The structural inference that Section 145

¹ Respondent suggests (Br. 23-24) that, under background administrative-law rules, exhaustion requirements do not limit the introduction of new *evidence* in court so long as the plaintiff presented his substantive *claim* to the agency. But the general rule that review of agency decisions is limited to the administrative record is in substance an exhaustion requirement, and this Court has emphasized that exhaustion principles are particularly important in the context of evidence not presented to the agency. *Tagg Bros. & Moorhead v. United States*, 280 U.S. 420, 444-445 (1930). Nor would any sensible purpose be served by requiring Section 145 plaintiffs to pursue administrative appeals as a precondition to judicial review, while allowing them to reserve for court proceedings evidence that ostensibly supports their claims.

sometimes permits the introduction of new evidence (Gov't Br. 18) does not suggest that Section 145 permits such evidence to be introduced *without limitation*. Respondent's argument reflects the implausible premise that Congress provided disappointed applicants with a choice between deferential on-the-record review and an entirely independent action involving a de novo determination made on new evidence by a non-expert court. Construing Section 145 as a safety-valve proceeding that allows new evidence when consistent with administrative-exhaustion principles (*i.e.*, when the evidence could not reasonably have been presented to the agency) therefore best harmonizes Sections 141 and 145. That approach gives effect to both provisions while ensuring that, as alternate avenues for judicial review of the same PTO action, they retain a familial resemblance.²

Contrary to respondent's suggestion (Br. 22-23), this approach would give meaningful practical effect to Congress's decision to permit new evidence in Section 145 actions. Some types of evidence, such as oral testimony, cannot be presented to the PTO. 37 C.F.R. 1.2. Section 145 would ordinarily allow a disappointed patent applicant to present oral testimony in order to expand on affidavits that were before the PTO, or to respond to the PTO's credibility determinations. See, *e.g.*, *Fregeau v. Mossinghoff*, 602 F. Supp. 484, 488 (D.D.C. 1984), *aff'd*, 776 F.2d 1034 (Fed. Cir.

² Respondent argues (Br. 18 n.8) that courts have admitted new evidence in challenges to the PTO's decisions concerning trademark registration under 15 U.S.C. 1071 (2006 & Supp. IV 2010), but these decisions did not consider the existence of limits on admitting new evidence. The statutory framework governing trademarks, moreover, differs from the patent framework in a number of respects. For example, trademark registration provides only prima facie evidence of validity, and in "any action involving a registered mark," the court may order cancellation or restoration of the mark. 15 U.S.C. 1057(b) and 1119.

1985); *Pintarelli v. Brogan*, 65 F. Supp. 281, 283-284 (D.R.I. 1946). In addition, Section 145 permits new evidence—such as experiments, data, or studies—that came into existence after the record before the PTO had closed. The provision also provides a backstop when applicants are reasonably unaware of or unable to obtain evidence during the examination process. See, e.g., *Takeda Pharm. Co. v. Dudas*, 511 F. Supp. 2d 81, 86-87 (D.D.C. 2007) (expert testimony on later-discovered patents), vacated on other grounds, 561 F.3d 1372 (Fed. Cir. 2009); *Lemelson v. Mossinghoff*, No. 83-0217, 1985 WL 1787, at *1 (D.D.C. Mar. 26, 1985) (sales evidence).

In applying this standard, the district court is well-positioned to determine whether the applicant lacked a reasonable opportunity to present the evidence in question during the PTO's proceedings. Indeed, district courts have long been doing just that. The D.C. Circuit employed the reasonable-opportunity standard when it heard appeals in Section 145 actions before the Federal Circuit's creation, *DeSeversky v. Brenner*, 424 F.2d 857, 858-859 & n.5 (D.C. Cir. 1970), and district courts have continued to limit new evidence, primarily employing the reasonable-opportunity standard.³ See, e.g., *Hyatt v. Dudas*, No. 03-0901, 2006 WL 4606037, at *1-*3 (D.D.C. Sept. 30, 2006). And although respondent's amicus suggests that limiting new evidence in this manner will occasion protracted collateral litigation into the reasonableness of the applicant's conduct, American Intellectual Prop. L. Ass'n Amicus Br. 12-14 (AILPA), that has not been the case in practice. See, e.g., *Hyatt, supra*; Pet. App. 180a-189a.

³ Amicus AIPLA is therefore incorrect in arguing (Br. 15-18) that the government's proposed rule would disrupt settled expectations. See 4 Donald S. Chisum, *Chisum on Patents* § 11.06[3][c][iii], at 11-625 to 11-627 (2005).

3. Respondent contends (Br. 37-42) that “institutional considerations” support a rule that new evidence may be admitted without limitation in Section 145 proceedings. Respondent is incorrect.

First, the possibility that a disappointed applicant may wish to introduce background materials for the benefit of a non-expert judge (Resp. Br. 37-38) does not justify respondent’s proposed rule, which permits introduction of *all* new evidence that is material to patentability. This case is a prime example. Although respondent now attempts to characterize his declaration as nothing more than a background document for the judge’s benefit, the examiner was unable to find support for the claims despite his expertise, and respondent’s declaration would have been directly relevant to the examiner’s concerns.

Second, respondent argues (Br. 39-40) that requiring applicants to submit all relevant evidence to the PTO would overburden applicants and examiners. It is a basic principle of administrative law, however, that applicants before an agency may ordinarily be expected to present to the agency all relevant evidence that they would later want a reviewing court to consider. To the extent that the applicant is reasonably unable to present such evidence, Section 145 provides an opportunity, not available in other administrative contexts, to have the reviewing court consider the evidence. The possibility that particular evidence could be useful to a court but unhelpful to the examiner cannot justify denying the examiner the opportunity to determine in the first instance what information he considers probative, and the PTO is in any event in a better position than respondent to assess that institutional concern.

Third, respondent contends (Br. 38-39) that the examiner’s rejection in this case did not adequately explain the examiner’s rationale, and that the Board’s decision con-

tained additional reasoning that respondent could rebut only by introducing new evidence. Respondent was on notice, however, that the examiner was unable to find support for the claims, and that PTO rules required respondent to explain on appeal how the specification “[d]escribe[d] the subject matter defined by each of the rejected claims.” 37 C.F.R. 1.192(c)(8)(i)(A) (1998). More generally, applicants have multiple opportunities during the examination process to present additional evidence in response to the examiner’s concerns. Gov’t Br. 42-43 & n.13. And when the Board’s decision is based on a “new ground of rejection,” 37 C.F.R. 41.50(b), PTO rules allow the applicant to reopen prosecution and submit new evidence, 37 C.F.R. 41.50(b)(1).⁴

Finally, respondent argues that applicants already have ample incentive to present all their evidence to the PTO in order to maximize their chances of success and avoid the expense of a Section 145 action. Br. 40-42; see AIPLA Am. Br. 23-25. The existence of such incentives does not distinguish disappointed patent applicants from plaintiffs who challenge other types of agency action, yet those incentives are routinely supplemented by rules requiring exhaustion and timely presentation of evidence. In any event, applicants would have the strongest incentive to withhold evidence in those “cases where the patent is commercially significant and the costs of a separate proceeding can be justified”—yet those are the cases in which “PTO review is most important.” Pet. App. 79a-80a (Dyk, J., joined by

⁴ Respondent suggests (Br. 1-7) that he diligently prosecuted his application. In denying respondent’s rehearing request, however, the Board determined that respondent had failed without cause to comply with the PTO’s evidence-presentation rules. Pet. App. 256a-258a. The district court agreed. *Id.* at 182a-190a; see 138a-141a. The PTO was entitled to enforce its rules to ensure the orderly conduct of its examination process.

Gajarsa, J., dissenting). And once the PTO has denied a patent, *all* applicants—even those who did not purposefully withhold evidence—would have every reason to develop new evidence to obtain de novo review and increase the likelihood of overturning the PTO’s decision.⁵

C. Under Background Principles Of Administrative Law, The PTO’s Decision Should Be Reviewed Deferentially In All Section 145 Cases

Respondent contends that when “the evidence that plaintiff seeks to introduce was not considered by the PTO and bears directly on the issue that the PTO purported to resolve,” the agency’s determination is “entitled to no weight.” Br. 49. That startling proposition is contrary to well-established administrative-law principles counseling judicial deference to agency authority and expertise. Gov’t Br. 25-30.

1. Respondent argues (Br. 43-44) that Section 145’s text—in particular, its directive that the court should decide the suit “as the facts in the case may appear”—establishes that the court reviews the PTO’s decision de novo when new evidence is introduced. In *Morgan*, however, this Court considered R.S. 4915’s materially identical language and held that the Patent Office’s decision could be overturned only if the plaintiff established error “by testimony which in character and amount carries thorough con-

⁵ Amicus Intellectual Prop. Owners Ass’n (IPOA) argues (Br. 10-12) that limiting new evidence is unnecessary because PTO rules impose a duty of candor. See 37 C.F.R. 1.56. That duty applies only to evidence that an invention is *not* patentable. Contrary to IPOA’s argument, the doctrine of inequitable conduct, which bars patent enforcement when the applicant has intentionally withheld from the PTO material evidence that the invention is not patentable, creates no incentive to present evidence that the invention *is* patentable. See *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1289-1290 (Fed. Cir. 2011).

viction.” 153 U.S. at 125. *Morgan* thus forecloses any argument that the statutory text imposes de novo review in all cases, and there is no basis in the text for a bifurcated standard. See p. 13, *infra*.

Respondent argues (Br. 46-47) that the rule announced in *Morgan* applied only to R.S. 4915 actions challenging Patent Office priority determinations, which are now reviewable under 35 U.S.C. 146. When *Morgan* was decided, however, R.S. 4915 encompassed challenges to both ex parte patent denials and priority decisions, and the Court did not suggest that its requirement of deferential review was limited to the latter context. Rather, in explaining why a deferential standard should apply, the Court emphasized that the plaintiff in a R.S. 4915 action seeks to overturn the decision of an agency, made within its delegated authority and expertise. *Morgan*, 153 U.S. at 124. That rationale is equally implicated by suits challenging ex parte patent denials. And, contrary to respondent’s assertion (Br. 46), courts applied *Morgan*’s deferential standard in ex parte cases as well as interferences. See, e.g., *Standard Cap & Seal Corp. v. Coe*, 124 F.2d 278, 282 & n.16 (D.C. Cir. 1941); *Robertson v. Cooper*, 46 F.2d 766, 768 (4th Cir. 1931).

Respondent also argues that, in the absence of a clear textual directive to apply a deferential standard, courts should not impose a heightened burden on Section 145 plaintiffs. Br. 44 (citing *Grogan v. Garner*, 498 U.S. 279 (1991)). Respondent thus urges the Court to apply the default preponderance standard that typically applies when the plaintiff does not challenge an agency’s decision. That default rule is not relevant here, because Section 145 has long been understood to authorize judicial review of agency action. Cf. *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238, 2244-2245 (2011). Nor does Section 706(2)(F) of the

APA, which provides that the reviewing court may set aside agency action that is “unwarranted by the facts to the extent that the facts are subject to trial de novo by the reviewing court,” provide any guidance. 5 U.S.C. 706(2)(F). The “extent” to which “the facts are subject to trial de novo” is the disputed question here.

Finally, respondent’s discussion (Br. 50-51) of the appropriate standard of review when a Section 145 plaintiff does *not* present new evidence further demonstrates the weakness in his position. When a Section 145 plaintiff presents no new evidence, *Morgan*—which concerned an R.S. 4915 action with no new evidence—requires deferential review. 153 U.S. at 125. The Federal Circuit accordingly held (and respondent previously agreed, see Br. in Opp. 18) that the court in such a suit reviews PTO factfindings under the APA’s “substantial evidence” standard. Pet. App. 23a; see *Zurko*, 527 U.S. at 164. Under that view, however, Section 145 provides for sharply different standards depending on whether new evidence is admitted, even though the text provides no basis for a variable standard. Respondent has now changed tack, suggesting that Section 145 is best viewed to mandate that “all issues are reviewed de novo” even when no new evidence is presented. Br. 50 & n.40. Such an approach would be inconsistent with *Morgan* and would reflect a striking departure from administrative-law principles. There is no evident policy justification, moreover, for giving applicants who wish to challenge the PTO’s decision on the administrative record a choice between traditional substantial evidence review under Section 141 and de novo review under Section 145.

2. As the government explained in its opening brief (at 28), reviewing de novo all issues on which new evidence is introduced would create an unjustified disparity between judicial review of patent grants and review of patent deni-

als. This Court held in *Microsoft* that when a party challenging a patent's validity in the context of an infringement suit relies on evidence not considered by the PTO, the statutory presumption that a patent is valid remains in effect, but the new evidence “may carry more weight” in the analysis. 131 S. Ct. at 2244-2251 (citation omitted); 35 U.S.C. 282. A parallel approach should apply in Section 145 suits challenging patent denials, see Gov't Br. 44, but the court of appeals' decision instead produces asymmetrical treatment of the two types of challenges.

Respondent argues (Br. 45) that *Microsoft* is inapposite because the presumption of validity has no application when the PTO has denied a patent. But the statutory presumption codified a judge-made rule that was grounded in “the basic proposition that a government agency * * * was presumed to do its job”—a rationale that applies equally to the PTO's decision to deny a patent. *Microsoft*, 131 S. Ct. at 2243 (citation omitted). When the Court first formalized the presumption of validity and its application to evidence that had not been before the PTO, moreover, it drew on the deferential standard of review used in R.S. 4915 actions, stating that *Morgan*'s “thorough conviction” requirement was “little more than another form of words” for the requirement of “clear and satisfactory” evidence to overcome the presumption of validity. *Radio Corp. of Am. v. Radio Eng'g Labs., Inc.*, 293 U.S. 1, 9 (1934). The *Morgan* Court likewise recognized that the two types of challenges were “closely” related. 153 U.S. at 123. There is consequently no justification for allowing the presentation of new evidence to vitiate administrative-deference principles in a Section 145 suit.

Respondent is also wrong in arguing (Br. 51) that any discrepancy in treatment is justified by patent law's “deliberate asymmetry” in favor of issued patents—namely, the

presumption of validity, and the statute's placement of the initial burden on the PTO to demonstrate that a patent should not be granted. See, *e.g.*, 35 U.S.C. 102. Even assuming that the PTO's examination procedures are weighted in favor of patent issuance, that fact simply reinforces the need for deference when the examiner and the Board have agreed that an application nevertheless should be denied. And the fact that an issued patent is presumed valid simply underscores the importance of maintaining primary responsibility for patent issuance in the hands of the expert agency.

As respondent observes (Br. 51), the issuance of a patent gives rise to reliance interests that provide an additional reason for requiring a high degree of confidence before the patent may be invalidated. But important interests likewise are served by requiring the court in a Section 145 suit to sustain the PTO's patent denial absent a "thorough conviction" that the agency has erred. Allowing the presence of new evidence to vitiate any deference to the PTO's conclusions would reward applicants for withholding or belatedly creating evidence, and would transfer responsibility for determining patentability to non-expert judges. According new evidence more weight in the analysis, making the "thorough conviction" standard easier to satisfy, avoids these consequences while accounting for the fact that the PTO did not consider the evidence in question.

II. CONGRESS'S REENACTMENT OF SECTION 145 IN THE 1952 PATENT ACT SHOULD BE UNDERSTOOD TO INCORPORATE THE PREVAILING JUDICIAL PRACTICE OF LIMITING NEW EVIDENCE AND APPLYING A DEFERENTIAL STANDARD OF REVIEW

Respondent argues (Br. 24-37) that, when Congress reenacted and recodified R.S. 4915 as Section 145 of the 1952 Patent Act, it ratified prior understandings that a disappointed applicant could introduce new evidence without limitation in an R.S. 4915 proceeding, and that the court would resolve de novo all issues to which that evidence pertained. As evidence of those supposed understandings, respondent relies on dicta in this Court's decisions stating that new evidence was admissible in R.S. 4915 actions, and equivocal witness statements in the hearings that preceded the 1927 reenactment of the Patent Act. Respondent's characterization of pre-1952 law is inconsistent with *Morgan*'s recognition of the need for deferential judicial review, and with appellate courts' subsequent practice of limiting evidence not presented to the agency and reviewing the PTO's decision deferentially even when new evidence was presented. See Gov't Br. 34-37. When Congress reenacted Section 145 with "no fundamental change," S. Rep. No. 1979, 82d Cong., 2d Sess. 7 (1952), it ratified that prevailing understanding, not the contrary (and anomalous) regime that respondent posits.

A. This Court recognized in *Morgan* that the "bill in equity" authorized under R.S. 4915 was "something more than a mere appeal"; it was an action for judicial review that was "something in the nature of a suit to set aside a judgment." 153 U.S. at 121, 124. Consistent with that characterization of the cause of action created by R.S. 4915, appellate courts subsequently invoked administrative-law

principles to limit new evidence, and they applied *Morgan's* “thorough conviction” standard of review even when new evidence was introduced. See, e.g., *Globe-Union, Inc. v. Chicago Tel. Supply Co.*, 103 F.2d 722, 727-728 (7th Cir. 1939); *Schilling v. Schwitzer-Cummins Co.*, 142 F.2d 82, 84-85 (D.C. Cir. 1944); *Nichols v. Minnesota Mining & Mfg. Co.*, 109 F.2d 162, 163, 166 (4th Cir. 1940).

Respondent argues (Br. 29) that, because the parties in *Morgan* did not introduce new evidence, the decision “has nothing to do with the standard governing admission of evidence” in R.S. 4915 proceedings. But the Court’s characterization of the proceeding as one for judicial review of agency action spoke directly to that issue. As the lower courts subsequently recognized, this Court’s identification of the Patent Office as the primary decisionmaker, and the courts as deferential reviewers, highlighted the need to present to the agency all evidence necessary to determine patentability. See *Barrett Co. v. Koppers Co.*, 22 F.2d 395, 397 (3d Cir. 1927). The Court’s description of the action as “something in the nature of a suit to set aside a judgment,” *Morgan*, 153 U.S. at 124—an allusion to the equity pleading known as a bill of review—reinforced that understanding. See Gov’t Br. 31-32.

Respondent also argues (Br. 29-30) that because *Morgan* concerned an interference proceeding, the decision did not affect the admissibility of evidence in challenges to ex parte patent denials. Respondent observes (Br. 30 & n.19) that, as amended in 1927, R.S. 4915 made the administrative record underlying a Patent Office priority decision admissible in a subsequent judicial challenge “without prejudice * * * to the right of the parties to take further testimony.” Act of Mar. 2, 1927, ch. 273, § 11, 44 Stat. 1336-1337; 35 U.S.C. 146. Respondent’s reliance on that language is misplaced. Rather than authorizing the introduc-

tion of new evidence without limitation, that language accompanied Congress's elimination of equity-rule barriers to introducing the administrative record in R.S. 4915 proceedings, and it was deemed necessary to clarify that admitting the record did not preclude introducing new evidence. See *Velsicol Chem. Corp. v. Monsanto Co.*, 579 F.2d 1038, 1045 (7th Cir. 1978). Although the 1927 amendment made clear that new evidence was not altogether precluded when an R.S. 4915 plaintiff challenged a Patent Office priority determination, it did not address the circumstances in which such evidence was admissible.

Respondent also suggests (Br. 28-29) that constraints on new evidence could not have applied in R.S. 4915 actions because such actions followed the District of Columbia courts' review of the Patent Office's decision, Gov't Br. 5, and *res judicata* would have warranted dismissal in the absence of new evidence. That argument proves too much. Like many other cases decided under R.S. 4915, *Morgan* involved no new evidence, but the Court did not invoke *res judicata* as a ground for dismissing the plaintiff's claims. See also, *e.g.*, *Austin v. Coe*, 69 F.2d 832 (D.C. Cir. 1934).

2. Respondent dismisses (Br. 33-34) the significance of the pre-1952 appellate decisions cited by the government, arguing that courts excluded only evidence that had been intentionally withheld from the Patent Office. But while the courts applied varying verbal formulations to describe the limitations they placed on the admissibility of evidence not presented to the Patent Office (Gov't Br. 34-36), some courts framed the standard as excluding evidence that was reasonably available during the PTO proceedings.⁶ See,

⁶ The fact that courts often admitted new evidence under the admissibility standard they announced (Resp. Br. 34 & n.26) is irrelevant. The salient point is that courts admitted the evidence only after concluding that it satisfied applicable limitations.

e.g., *Boucher Inventions, Ltd. v. Sola Elec. Co.*, 131 F.2d 225, 227 (D.C. Cir. 1942) (“Section 4915 * * * contemplates a full disclosure to [the Patent Office], so far as is reasonably possible.”), cert. denied, 318 U.S. 770 (1943); *Globe-Union*, 103 F.2d at 728 (new evidence “which previously had not been procurable or which had become known after” PTO proceedings was admissible). Others stated that evidence “withheld” from the Patent Office should be excluded. See *Barrett*, 22 F.2d at 397; *Schilling*, 142 F.2d at 84-85. Despite those varying formulations, however, the courts grounded the exclusion of new evidence in a common source: the administrative-law principle that the agency should have the opportunity to consider relevant evidence in the first instance. See, *e.g.*, *Barrett*, 22 F.2d at 397-398; *Globe-Union*, 103 F.2d at 728.

To be sure, the variations among the different courts’ admissibility standards undermines any suggestion that Congress adopted one particular formulation when it enacted the 1952 Patent Act. The most natural inference therefore is that Congress adopted the prevailing understanding that R.S. 4915 was governed by administrative-review principles—including limitations on presenting new evidence in court, and a deferential standard of review. In giving effect to that intent, this Court should adopt the standard that best comports both with the administrative-law rules that prevailed in 1952, and with the rule that prevails today—namely, that new evidence is not admissible in judicial-review proceedings if the applicant had a reasonable opportunity to present it to the agency.

3. Respondent also relies (Br. 25-27) on dicta in this Court’s decisions stating that R.S. 4915 permitted introduction of evidence not contained in the administrative record. These decisions did not concern the nature of an R.S. 4915 action, however, and the Court had no occasion to address

the circumstances under which new evidence would be admissible.

In *Butterworth v. United States ex rel. Hoe*, 112 U.S. 50 (1884), the Court considered whether the Secretary of the Interior had statutory authority to review a decision made by the Commissioner of Patents in an interference proceeding. *Id.* at 52, 55. The Court held that the Secretary lacked such authority because Congress had provided “express appeals from the [Commissioner’s] decision”—*i.e.*, the direct appeal provided in Rev. Stat. § 4911 (1878)—and, “in cases where technical appeals are not given, other modes of review by judicial process”—*i.e.*, an action under R.S. 4915. *Butterworth*, 112 U.S. at 63. In passing, the Court described an R.S. 4915 proceeding as being “heard upon all competent evidence adduced, and upon the whole merits,” *id.* at 61; but the Court had no occasion to discuss the circumstances in which new evidence would be admissible in such a case.

In *Gandy v. Marble*, 122 U.S. 432 (1887), the Court held that an R.S. 4915 action was a stage in “the application for the patent,” and therefore was subject to a statutory timeliness rule governing applications not prosecuted for two years. *Id.* at 439-440. The Court reiterated *Butterworth*’s description of the R.S. 4915 proceeding, but only to explain that an R.S. 4915 suit remained part of the application process even though it was an original action. *Ibid.*

In re Hien, 166 U.S. 432 (1897), is even further afield, as it did not involve a proceeding under R.S. 4915. In holding that direct appeals of Patent Office decisions under R.S. 4911 could be subject to a 45-day time limit, the Court emphasized that “[t]he one [R.S. 4915] is in the exercise of original, the other [R.S. 4911] of appellate, jurisdiction.” *Id.* at 439. Again in dicta, the Court quoted *Butterworth*’s description of R.S. 4915.

In *Hoover, supra*, the Court held that R.S. 4915 was available to anyone denied a patent, regardless of the ground of rejection. 325 U.S. at 83. The Court's statement that an R.S. 4915 proceeding "may include evidence not presented in the Patent Office," *ibid.*, did not address the circumstances in which such evidence is admissible.

In sum, although this Court's pre-1952 decisions recognized that new evidence could *sometimes* be introduced in R.S. 4915 proceedings, they did not meaningfully clarify the circumstances under which such evidence could be admitted, much less suggest that such evidence was admissible *without limitation*. Any inference that the 1952 Congress intended to ratify a purported rule of unlimited admissibility is particularly unlikely given *Morgan's* characterization of R.S. 4915 actions as suits to "set aside" administrative determinations, 153 U.S. at 124, and given the many intervening appellate decisions that had limited the introduction of new evidence and had applied a deferential standard of review.

4. Finally, respondent relies (Br. 31-32) on statements made during the congressional hearings preceding the Patent Act's 1927 reenactment. Respondent views those statements as establishing that Congress understood R.S. 4915 to authorize a "de novo" proceeding. Even if witness statements could shed meaningful light on Congress's intent or its pre-APA understanding of the term "de novo," see Gov't Br. 39-40, the testimony on which respondent relies does not help him. Several witnesses simply stated that R.S. 4915 permitted new evidence, and others expressed an understanding of R.S. 4915 that supports the government's position. See *To Amend Section 52 of the Judicial Code and Other Statutes Affecting Procedure in Patent Office: Hearing on H.R. 6252 and H.R. 7087 Before the House Comm. on Patents, 69th Cong., 1st Sess. 21 (1926)* (state-

ment of Charles Howson) (R.S. 4915 permitted applicant to “make up a record in addition to that he *has been enabled to furnish* the examiners in the Patent Office.”) (emphasis added).

CONCLUSION

For the foregoing reasons and those stated in our opening brief, the judgment of the court of appeals should be vacated and the case remanded for further proceedings.

Respectfully submitted.

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