

No. 10-1219

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IN THE  
**Supreme Court of the United States**

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

v.

GILBERT P. HYATT,  
*Respondent.*

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

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**BRIEF FOR RESPONDENT**

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GREGORY L. ROTH  
5712 Parkwest Circle  
La Palma, California 90623  
(714) 723-6871

AARON M. PANNER  
*Counsel of Record*  
KELLOGG, HUBER, HANSEN,  
TODD, EVANS & FIGEL,  
P.L.L.C.  
1615 M Street, N.W.  
Suite 400  
Washington, D.C. 20036  
(202) 326-7900  
(apanner@khhte.com)

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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.

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## STATEMENT

1. Plaintiff Gilbert Hyatt filed a patent application in June 1995 describing a data compression system for storing and processing image information. JA9-259. As amended, the application has 117 independent and dependent claims covering both memory systems and a process of operating such systems. JA274-364.

The examiner found that plaintiff did not “point out the novelty of the amended and added claims” and had “failed to point out where in the specification support may be found for the amended and added claims.” C.A. App. A10493. In response, plaintiff filed a “Supplemental Amendment” that included “Remarks” identifying the distinguishing features of the claims over the art. *Id.* at A10504. Plaintiff also identified specific page numbers in the specification where there was antecedent basis for claim features, *id.* at A10504-05, and referred the examiner to the Table of Contents of the specification for additional antecedent basis, *id.* at A10505. Plaintiff noted that he “appreciate[d] th[e] opportunity to provide this support” and would “provide additional support as requested by the Examiner.” *Id.*

On July 30, 1997, the examiner issued a final office action rejecting all claims for lack of written description and lack of enablement. JA368-85. All claims were also provisionally rejected for double patenting. JA385-89. In addition, numerous claims were rejected on anticipation and obviousness grounds. JA389-91.

For certain claim features, the examiner provided a brief explanation for the written-description rejections. For example, the examiner rejected all claims because he read them to “cover *simultaneous* writing and reading of a block of graphic image data,” while

“[t]he specification describes a *sequential* write to and read from the block memory.” JA371 (emphases added). The examiner rejected several claims that he found were “weight related” (that is, related to the intensity to be assigned to the pixels of an image) because the specification “failed to describe an address generator which will generate weight addresses and . . . failed to describe an address generator which will apply the weight addresses . . . at the same time the intensity bits are being applied.” JA378-79; *see also* JA369, 376.

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.” JA372-73. 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.” JA373. The examiner took the same approach with respect to nine other groups of claims. JA373-84.

**2.** Plaintiff appealed the rejection to the Board of Patent Appeals and Interferences (“Board”),<sup>1</sup> filing a 129-page appeal brief. Plaintiff argued, first, that the examiner “has not provided the required objective reasons” in support of the written-description

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<sup>1</sup> Pursuant to the Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 3(j)(1), 125 Stat. 284, 290 (2011), the Board is now known as the “Patent Trial and Appeal Board.” Section 145 has been amended accordingly.

and enablement rejections. JA413.<sup>2</sup> 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. JA416. 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. JA417.

Plaintiff explained that the examiner’s rejection had failed to “evaluate[] the numerous occurrences of” the terminology that provided the basis for the rejections. JA419. “The experimental system embodiment described in the specification and shown in the figures represents a detailed disclosure of an actual reduced to practice system.” JA420. “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.” JA421.

Plaintiff then provided an annotated concordance of claim terms. “Table-1” listed “representative terminology” related to the examiner’s written-description rejections, the number of occurrences, and “representative cites” to the specification. JA421-22. Table-1 was followed by notes elaborating on disclosure of several features.

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<sup>2</sup> Plaintiff relied on § 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.” JA412 n.13.

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

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. In some of those cases, the Board concluded that certain rejected claims simply did not include the feature. App. 220a-221a, 230a-231a. In others, it concluded that the specification did adequately disclose the feature. App. 219a, 229a. Along the way, the Board criticized plaintiff for “[m]erely pointing to individual words of the limitation,” App. 218a,<sup>4</sup> but in at least one case (involving the “data compression” claim phrase) the Board found “support in the specification” at the very page to which Table-1 pointed the Board, App. 219a.

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

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<sup>3</sup> The Board stated that it would “treat the enablement rejections as standing or falling together with the written description rejections.” App. 240a.

<sup>4</sup> That is not an accurate characterization even of the annotated Table-1, much less of plaintiff’s appeal brief, which refers throughout to the specification. The specification itself is highly structured: it presents a top-level broad block diagram and detailed schematic diagrams; describes all of the relevant components and their interconnections and functions; and outlines this organized presentation in the Table of Contents and in the Brief Description of the Drawings.

accessed block of video pixel image information and to vector information” he found unsupported. JA372-73. By contrast, the Board devoted three pages to an explanation of its reasons for agreeing with the examiner’s unexplained conclusion. 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:

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). This was entirely new reasoning.

4. Plaintiff filed a 50-page rehearing request with 100 pages of exhibits 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.

JA689; *see also* JA688-90, 703-11, 716-26. Plaintiff provided comparable elaboration with regard to the Board's other new rationales. JA678-731.

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 Patent and Trademark Office (“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.<sup>5</sup> The 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 court granted summary judgment against plaintiff. App. 189a-190a; *see* App. 190a-198a. Plaintiff’s request for reconsideration was denied. 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

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<sup>5</sup> The Federal Circuit and its predecessor, the Court of Customs and Patent Appeals, have long held that the adequacy of written description is an issue of fact: that is, whether the specification “convey[s] clearly to those skilled in the art, . . . in any way, the information that appellants invented” the claimed invention. *Vas-Cath Inc. v. Mahurkar*, 935 F.2d 1555, 1561 (Fed. Cir. 1991) (Rich, J.) (quoting *In re Ruschig*, 379 F.2d 990, 996 (C.C.P.A. 1967) (Rich, J.)).

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” § 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 § 145 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 quotations 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 charac-

terization 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. App. 33a-34a.

The court held that “proceedings before the Patent Office remain relevant in a § 145 action.” App. 27a. First, the court observed that, 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. Third, while the court “reject[ed] the Director’s proposed restrictions on admissibility,” it stated 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. They would have held that an action under § 145 is no different from any other action for judicial 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.

## SUMMARY OF ARGUMENT

**I. Admission of Evidence.** The core procedural right afforded by the civil action under § 145 – confirmed by its text, structure, and history – is to “sav[e] to litigants the option of producing new evidence in a court.” *Hoover Co. v. Coe*, 325 U.S. 79, 87 (1945); *see also Dickinson v. Zurko*, 527 U.S. 150, 164 (1999) (noting that § 145 “permits the disappointed applicant to present to the court evidence that the applicant did not present to the PTO”); *Butterworth v. United States ex rel. Hoe*, 112 U.S. 50, 61 (1884) (district court rules on “all competent evidence adduced, and upon the whole merits”). The government is wrong to ask this Court to take away a right that Congress has so carefully preserved.

**A.** The language of § 145 establishes that a district court, in an action under that provision, has the power to receive evidence whether or not the evidence was, or could have been, introduced before the PTO. The wording of § 145 – which calls for a “civil action” in which the court “may adjudge that such applicant is entitled to receive a patent . . . as the facts in the case may appear” – is distinctive. That language indicates that the trial judge must determine factual issues for itself, not generally limit

itself to on-the-record review of the PTO's determination.

The conclusion that § 145 authorizes a *de novo* proceeding with new evidence is particularly clear when its language is contrasted with the language of other provisions of the statute. Section 141 authorizes an "appeal" of a PTO decision in the Federal Circuit, and § 144 directs that, in a § 141 "appeal," the court "shall *review* the decision from which an appeal is taken *on the record*" before the PTO (emphases added). Section 141 expressly states that its appellate-review path, which is subject to § 144, is an either-or alternative to a § 145 proceeding. Congress provided the civil action under § 145 as an alternative to § 141, drawing a fundamental distinction between an on-the-record appeal (§§ 141, 144) and a *de novo* action (§ 145) where new evidence would be admitted and the merits of the applicant's claims "adjudicat[ed]" by the district judge.

**B.** The long history of § 145 strongly reinforces the conclusion that plaintiffs, in supporting their claims under § 145, may present evidence that they could have presented to the PTO (but did not). 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.

Indeed, this Court long ago 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. *See Butterworth*, 112 U.S. at 61 (noting that such an action is not “confined to the case as made in the record of [the patent office], but is prepared and heard upon all competent evidence adduced, and upon the whole merits”). When Congress preserved the bill in equity in its 1927 recodification, it did so against the backdrop of that settled interpretation – thereby incorporating it. *See Bragdon v. Abbott*, 524 U.S. 624, 645 (1998). This Court adopted no limitations on the introduction of new evidence beyond those applicable in any equitable action prior to the enactment of § 145, in a form close to its present form, in 1952. *See Hoover*, 325 U.S. at 87.

Although the government argues otherwise, *Morgan v. Daniels*, 153 U.S. 120 (1894), cannot support any limitation on the introduction of evidence in actions under § 145. The plaintiff there did not seek to introduce new evidence, so the question was not even presented. Nor can *Morgan* be read, without pure anachronism, as treating the predecessor statute as a “judicial review” provision that incorporates “background principles” governing “judicial review of agency action” (Pet’r Br. 11); the modern concept of “judicial review” did not exist when the case was decided. Divergent post-1927 lower-court opinions likewise provide no basis for inferring that Congress, in 1952, intended to modify the accepted practice – reaffirmed by this Court in 1945 – of allowing applicants like plaintiff to introduce new evidence in district court even if the evidence could have been provided to the PTO; much less do those decisions

support the virtual prohibition on new evidence the government advocates.

C. Congress's decision to preserve the original action to obtain a patent sensibly reflects important institutional considerations. There is, indeed, a gap between the "without cause" standard the government endorses and the "could have presented" interpretation it tries to give that standard: an applicant can plainly have good cause for *not* presenting to the PTO every bit of evidence that the applicant *could* present, including evidence that should be presented in court for a sound adjudication. Specifically, to build a case for consideration by a non-expert district judge may require evidence that would be superfluous before the PTO with its technical experts. The government's pervasive emphasis on the PTO's comparative expertise thus itself provides a central explanation for § 145's allowance of additional evidence when non-expert district courts must address patentability issues. Furthermore, limiting a patent applicant to the record made before the PTO pressures applicants to submit any evidence of conceivable later relevance, further burdening an overburdened agency. See *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1289-90 (Fed. Cir. 2011) (en banc).

**II. Standard of Proof.** When a plaintiff under § 145 introduces new evidence, the district court must decide factual questions on the record before it "as the facts in the case may appear." 35 U.S.C. § 145; 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"). By its terms, the statute authorizes a new factual determination, not deferential review. The

government nevertheless argues that a plaintiff under § 145 bears a heightened standard of proof to establish entitlement to a patent. But there is no textual or historical support for imposing a standard of proof different from the preponderance-of-the-evidence standard that applies in other civil litigation, including *de novo* trials challenging agency action. See 5 U.S.C. § 706(2)(F).

*Morgan* does not provide any precedent for imposing a heightened burden in a case challenging an *ex parte* rejection under § 145 with new evidence. That case and its express ruling were limited to an effort (a) without new evidence (b) to deprive another private party of property – an issued patent – (c) after an adversarial adjudication resolving a priority dispute between the two purported inventors. Whatever the current status of *Morgan* for that context (addressed by § 146), it did not establish any heightened standard of proof for the present *ex parte* denial context of § 145.

The argument that there is an “irrational asymmetry” between the regime governing challenges to patent denials and the standard governing challenges to the validity of issued patents (Pet’r Br. 28) ignores the fundamental statutory difference between the two, based on the special solicitude Congress has long shown for inventors. Thus, when a patent is granted, as the PTO itself has repeatedly insisted, adversely affected interested persons (*e.g.*, those likely to be infringing) cannot obtain direct APA-type judicial review but instead generally challenge the correctness of patent grants in private litigation (to which the PTO is not even a party) where a clear-and-convincing-evidence standard applies. In contrast, Congress gave a person *denied* a patent two

separate avenues for relief – one by direct appellate review, the other by *de novo* adjudication in district court. The contrast in treatment of grants and denials in this distinctive patent-specific regime cannot properly be erased by the government’s proposed analogy to validity challenges in infringement suits.

### ARGUMENT

The government’s contention that § 145 generally does no more than authorize deferential review of a patent denial on the record before the PTO substitutes the government’s policy preference for the clear meaning of a venerable statute. For generations, § 145 has been understood to permit a patent applicant to bring an original action, complete with new evidence, to show that the PTO has wrongfully deprived the applicant of the intellectual property that a patent represents.

The government’s contrary arguments rest centrally on a background assumption that PTO-judicial interactions broadly and in general conform to the modern administrative law model. But that picture is fundamentally inaccurate. The PTO today is, as it has always been, an agency that falls largely outside the ordinary APA regime of judicial review. The reason is that, when the PTO *grants* a patent, a person aggrieved by that determination (*i.e.*, a potential infringer) can virtually never litigate the correctness of the PTO determination (*i.e.*, litigate patent validity) in an APA action for direct judicial review. Rather, except in the rare cases where the PTO engages in *inter partes* reexamination – from which a third-party challenger may seek Federal Circuit review – a potential infringer must challenge the validity of a patent through infringement litigation. In such litigation, the PTO is not a party, and the parties

are never limited to the PTO record. Such non-APA actions form by far the largest category of court cases involving PTO determinations.<sup>6</sup> Section 145 thus must be understood within a distinctive patent-law framework, in which patentability decisions are almost always made in court outside the APA regime and on a new and complete record.

**I. SECTION 145 BROADLY ALLOWS A PATENT APPLICANT TO CHALLENGE A REJECTION THROUGH THE INTRODUCTION OF NEW EVIDENCE**

**A. The Text of § 145, Reinforced by Context, Makes Clear That District Courts Are Authorized To Determine Patentability *De Novo* on a Complete Record**

1. The language of § 145 authorizes an original “civil action” seeking *de novo* adjudication of the merits of an applicant’s patent application; it does not support the imposition of limitations on new evidence associated with appellate-style on-the-record review. First, the statute authorizes a “civil action” in district court – *i.e.*, a court of original jurisdiction that customarily takes evidence. Second, the statute authorizes the district court to “adjudge that such applicant is entitled to receive a patent for his invention”; it does not limit the district court to evaluating

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<sup>6</sup> Patent *grants* are usually litigated in infringement suits – of which more than 2,500 are filed each year, with validity at issue in most. In comparison, patent *denials*, when litigated, go either to the Federal Circuit under § 141 – averaging 50-100 appeals each year – or to district court under § 145 – averaging fewer than 10 each year. See [patstats.org/Patstats3.html](http://patstats.org/Patstats3.html); Hyatt Br. in Opp. 24-25. PTO patent decisions thus get challenged in private validity litigation (without the PTO present and outside the APA) vastly more often than in litigation with the PTO.

the prior determination of the Board. Third, the statute authorizes the district court to make its determination “as the facts in the case may appear”; it does not limit the court to consideration of the record before the PTO. In *Chandler v. Roudebush*, 425 U.S. 840 (1976), this Court determined that the private-sector “civil action” authorized by the Civil Rights Act of 1964 (as amended) was “clearly” a “*de novo*” action, in part because of the requirement that the district court, itself, make “find[ings]” after a hearing. *Id.* at 845. The same conclusion applies to § 145’s “civil action” for district court “adjudication” based on all “the facts in the case.”

The government makes little effort to address the significance of the “terminology employed by Congress,” *Chandler*, 425 U.S. at 845, instead arguing that, because § 145 might be described as authorizing “judicial review,” § 145 must “incorporate background administrative-law principles,” including limitations on the introduction of new evidence, Pet’r Br. 19. But that argument builds an inference on language that is not even in § 145, and the provision’s actual language is to the contrary. Section 145 does not, by its terms, authorize the court to review the PTO’s determination but to “adjudicate” the underlying merits of the applicant’s entitlement to a patent on “the facts in the case.” Indeed, while Congress has enacted a variety of provisions authorizing judicial review, the wording of § 145 – in particular its instruction that the district court rule “as the facts in the case may appear” – is essentially unique in the United States Code, appearing only in that provision and two other intellectual-property provi-

sions modeled on it.<sup>7</sup> See 7 U.S.C. § 2462 (plant-variety protection); 15 U.S.C. § 1071(b) (trademark registration).<sup>8</sup> Likewise, the statutory authorization for a court to “adjudicate” a substantive issue in a “civil action” is distinctive – and it, too, elsewhere denotes a *de novo* proceeding, not limited on-the-record review (and nowhere is used to authorize limited on-the-record review). See, e.g., 35 U.S.C. § 291 (granting the “owner of an interfering patent” the right to bring a “civil action” in which “the court may adjudge the question of the validity of any of the interfering patents”).<sup>9</sup>

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<sup>7</sup> The government acknowledges that, where a court is directed to make its determination on “the record made before the court,” the court’s review is *de novo*. See Pet’r Br. 19 n.3 (citing 28 U.S.C. § 2640(a)). The statutory phrase “as the facts in the case may appear” likewise indicates that the district court should receive new evidence – *i.e.*, permit the parties to develop “the facts” – and not limit itself to the record developed before the PTO.

<sup>8</sup> While 7 U.S.C. § 2462 does not appear to have been judicially construed, 15 U.S.C. § 1071 – which authorizes a civil action to challenge a PTO determination involving registration of a trademark – has been uniformly interpreted to permit a plaintiff to introduce new evidence not before the agency. See, e.g., *Kellogg Co. v. Toucan Golf, Inc.*, 337 F.3d 616, 622-23 (6th Cir. 2003); *PHC, Inc. v. Pioneer Healthcare, Inc.*, 75 F.3d 75, 80 (1st Cir. 1996); *Redken Labs., Inc. v. Clairol, Inc.*, 501 F.2d 1403, 1404 (9th Cir. 1974); *American Heritage Life Ins. Co. v. Heritage Life Ins. Co.*, 494 F.2d 3, 9 (5th Cir. 1974); *Spraying Sys. Co. v. Delavan, Inc.*, 762 F. Supp. 772, 775 (N.D. Ill. 1991), *aff’d*, 975 F.2d 387 (7th Cir. 1992); see also AIPLA Br. 18-20.

<sup>9</sup> Although the government cites (at 19 n.3) statutes that expressly provide for the introduction of evidence, those statutes shed little light on the proper construction of § 145 – which has its own distinctive language – particularly because each of the statutes was enacted when on-the-record review of agency action was the established norm. Those statutes do, however,

The government relies on *Consolo v. Federal Maritime Commission*, 383 U.S. 607 (1966), and *United States v. Carlo Bianchi & Co.*, 373 U.S. 709 (1963), but the provisions at issue there were sharply different from § 145. Neither statute authorized the court to adjudicate the merits of the underlying legal question. *Consolo* involved a provision authorizing an action *in the court of appeals* “to enjoin, set aside, suspend . . . , or to determine the validity of . . . final orders of the . . . Federal Maritime Board.” 383 U.S. at 613 (third ellipsis in original) (quoting Administrative Orders Review Act § 2, 5 U.S.C. § 1032 (1964)). Because courts of appeals have no procedures for taking evidence, and because the scope of review is expressly limited to the “validity” of an agency’s order and refers to the action as a “direct review proceeding,” *see id.* (emphasis added), the statute cannot be read to authorize a *de novo* civil action. *Carlo Bianchi* involved a provision (the Wunderlich Act) that preserves “judicial review” of certain executive branch decisions under “‘disputes’ clause[s]” of federal contracts, allowing the court to intervene only if the agency’s decision was “‘fraudulent or capricious or arbitrary or so grossly erroneous as necessarily to imply bad faith, or . . . not supported by substantial evidence.’” 373 U.S. at 714 (quoting 41 U.S.C. § 321). This Court held that, in light of the statute’s express authorization of “review” and its use of language that is “consistently . . . associated with a review limited to the administrative record,” the language Congress enacted indicated that the “reviewing court” should determine “the reasonable-

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show that, while on-the-record review of agency action is the norm, it is not the exclusive means by which Congress provides for judicial review.

ness of what the agency did *on the basis of the evidence before it.*” *Id.* at 715. The language of § 145 is not compatible with such a limited function.

This does not mean that the proceedings before the PTO have no bearing on the nature of the action under § 145 or 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.

Furthermore, this case does not present any question concerning the scope of the remedy in a case where a district court determines that an applicant is “entitled to receive a patent.” The government’s contention that “[t]he court’s role is . . . to review the PTO’s conclusions and to set them aside if they are erroneous,” Pet’r Br. 16, however, contradicts the express terms of the statute. The statute directs the district court to “adjudge that [the] applicant is entitled to receive a patent for his invention” and then to “authorize the Director to issue such patent *on compliance with the requirements of law.*” 35 U.S.C. § 145 (emphasis added). That language has been understood to indicate that the PTO (not the district court) must issue any patent and to permit the PTO to consider additional objections to patentability not at issue in the civil action before doing so. *See Gould v. Quigg*, 822 F.2d 1074, 1079 (Fed. Cir. 1987). But the procedure that governs *after* the district court

adjudication does not change the fact that the district court is required to adjudicate the merits of the claims presented to the PTO, and not simply to review a prior administrative determination.

2. The contrast between the trial-court procedure under § 145 and the appellate review provided under §§ 141-144 reinforces the conclusion that § 145 authorizes a *de novo* civil action. Section 141 expressly authorizes an “appeal” to the Federal Circuit and declares that this is (now) an either-or alternative to the procedure under § 145. Section 144 directs the Federal Circuit to “review the decision . . . on the record before the [PTO]” (emphases added). These restrictions on the scope of appellate review of PTO determinations are the very restrictions that the government argues should be imported into § 145. That is, § 141 designates an appellate court (which ordinarily does not consider new evidence) as the venue for an “appeal,” and § 144 limits the appellate court to review of the PTO’s decision – as opposed to adjudication of the underlying merits – on the administrative record. To read § 145 to provide equivalent relief – at least in most cases – violates the principle that effect must be given to the use of divergent language in closely related statutory provisions. *See, e.g., 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’s argument that § 145 has a “distinct role[.]” so long as a plaintiff “may introduce

evidence that he had no reasonable opportunity to present to the PTO” (Pet’r Br. 19) fails to respect the sharp difference in statutory language. As a practical matter, the government does not explain what sort of evidence would fall into the “no reasonable opportunity” category. The government would not concede that an applicant lacked the opportunity to introduce “published prior art” (at 43) during patent prosecution. And, while an applicant cannot introduce “oral testimony” in the PTO (at 44), the *content* of any such oral testimony could be submitted in writing.<sup>10</sup> Thus, the government’s standard would at most permit a change in the form of testimony, not its substance. While it is possible to conceive of a case in which a change in the form of testimony will matter in the *ex parte* application cases that § 145 governs, the government’s position reduces § 145 to virtually nothing. *Cf.* IPOA Br. 9 & n.4.

The question is not whether the government’s reading would render § 145 complete surplusage but whether it makes sense to read the statute as creating two essentially equivalent avenues for relief. In the usual case – where a patent applicant cannot show that the evidence that the applicant seeks to introduce could not have been introduced before the PTO – there is no longer any distinction between § 141 and § 145, except that the latter provides for a stop at the district court before review by the Federal Circuit, with the patent applicant bearing the cost of

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<sup>10</sup> To cover this very case, the government must be insisting that the content of proposed oral testimony generally have been submitted in writing to the PTO. Plaintiff’s proffered declaration at summary judgment, like summary-judgment declarations generally, was a proffer of what his oral testimony would be at trial, yet the government argued that it could not be considered.

an additional proceeding. *See* 35 U.S.C. § 145 (“All the expenses of the proceedings shall be paid by the applicant.”). The government’s construction would thus eliminate § 145 as a meaningful alternative for nearly all patent applicants.

3. Because § 145 is a *de novo* civil action, the admissibility of evidence is governed by the Federal Rules of Evidence and Civil Procedure. *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 by other rules prescribed by the Supreme Court pursuant to statutory authority.”); *cf. id.* 1101(e) (noting that Federal Rules of Evidence apply in proceedings for “review of agency actions when the facts are subject to trial *de novo* under [5 U.S.C. §] 706(2)(F)”).

The government argues that otherwise-admissible evidence that an applicant failed to introduce before the PTO may be excluded under principles of administrative exhaustion, but that argument conflicts with the statutory remedy that § 145 provides. Plaintiff here met the statute’s express exhaustion requirement by pursuing his application for a patent through “the [Board] 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; *cf. Lucke v. Coe*, 69 F.2d 379, 382 (D.C. Cir. 1934) (“[W]hile section 4915 authorizes the introduction of new evidence, it does not authorize the filing of additional claims.”). Moreover, because plaintiff contested the examiner’s written-description rejections at every stage before the PTO, he satisfied any non-textual “issue exhaustion” requirement as well. *Sims v. Apfel*, 530 U.S. 103, 110 (2000). Beyond

claims for relief and issues, if administrative-exhaustion doctrine ever focuses on the supporting evidence presented to the agency, it cannot be so extended unless the statutory scheme so contemplates. Here, it plainly does not. General exhaustion principles could not be stretched to effect the exclusion of evidence the government seeks – barring all evidence that could reasonably have been presented to the PTO – without effectively destroying the remedy that Congress preserved.

**B. The History of § 145 Confirms That a Plaintiff Under That Provision Is Entitled To Introduce New Evidence in Accordance with Ordinary Rules of Equity Practice**

From the time that the predecessor to § 145 was enacted in 1839 until today, courts, including this Court, have construed the provision to require a trial court to adjudicate a patent applicant’s rights based on “all competent evidence adduced, and upon the whole merits,” and “according to the ordinary course of equity practice and procedure.” *Butterworth*, 112 U.S. at 61. Congress’s “failure to disturb a consistent judicial interpretation of a statute” by this Court indicates that “Congress at least acquiesces in, and apparently affirms, that [interpretation].” *Monessen S.W. Ry. Co. v. Morgan*, 486 U.S. 330, 338 (1988) (quoting *Cannon v. University of Chicago*, 441 U.S. 677, 703 (1979)) (alteration in original). That principle applies with particular force where, as here, “Congress has amended the [statute] on several occasions,” but “has never attempted to amend” the settled judicial interpretation. *Id.* at 338-39; see also *Merrill Lynch, Pierce, Fenner & Smith, Inc. v. Curran*, 456 U.S. 353, 382 n.66 (1982). Because the nature of the action provided under § 145 has had

“an established meaning traceable to the mid-19th century,” *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238, 2248 n.7 (2011), the Court should reject the government’s plea to depart from that prior understanding.

1. Under the Patent Act of 1836, ch. 357, 5 Stat. 117 (“1836 Act”), Congress eliminated the system of patent registration that had been in place since 1793, in favor of a system of patent examinations.<sup>11</sup> In 1839, Congress expanded the remedy of a bill in equity – which had previously been limited to certain cases involving interferences – to cover all cases in which patents were refused.<sup>12</sup> From 1839 until 1927, an aggrieved patent applicant was required first to pursue an appeal of the Patent Office decision – that is, direct, on-the-record review. If the appeal was unsuccessful, the applicant could initiate a suit in federal court with original equity jurisdiction. “This form of review” – that is, the bill in equity – “was thus . . . given the scope which has been maintained to the present day.”<sup>13</sup>

This Court understood that the basic distinction between direct appeal and the bill in equity was 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, under the appeal provision – Revised Statutes § 4911 – “the court act[s] only on the evidence adduced before [the Commissioner], and confin[es] its revision

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<sup>11</sup> See P.J. Federico, *Evolution of Patent Office Appeals*, 22 J. Pat. Off. Soc’y 838, 838 (1940).

<sup>12</sup> See Patent Act of 1839, ch. 88, § 10, 5 Stat. 353, 354; see also 1836 Act § 16, 5 Stat. 123-24.

<sup>13</sup> Federico, 22 J. Pat. Off. Soc’y at 935.

to the points set forth in the reasons of appeal.” *Butterworth*, 112 U.S. at 60. By contrast, the “bill in equity” – § 4915 – “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 continued:

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.* In addition, the lower-court cases cited in *Butterworth* make clear that new evidence was admissible without restriction. See *In re Squire*, 22 F. Cas. 1015, 1016 (C.C.E.D. Mo. 1877) (No. 13,269) (“[T]he hearing is altogether independent of that before the commissioner, and takes place on such testimony as the parties may see fit to produce agreeably to the rules and practice of a court of equity.”) (internal quotations omitted); *Butler v. Shaw*, 21 F. 321, 327 (C.C.D. Mass. 1884) (“[T]he court may receive new evidence, and has the same powers as in other cases in equity.”).

This Court has 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.”); *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”). Section 4915 was applied in numerous cases by the lower federal courts, all of which recognized that such suits invoked the courts’ original equity jurisdiction, “with all the customary power of an equity court to hear the evidence fully and to make its own findings.” *Berry v. Robertson*, 40 F.2d 915, 917 (D. Md. 1930).<sup>14</sup>

The authorization of a *de novo* action as a remedy for the unlawful action of the Patent Office was, moreover, consistent with contemporary understanding of the judicial role vis-à-vis executive action. “[I]n the nineteenth century, either a court had authority to review administrative action or not, and

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<sup>14</sup> See, e.g., *Armstrong v. De Forest*, 13 F.2d 438, 440 (2d Cir. 1926) (“That the suit is also a new and independent proceeding to obtain a patent, and not an appeal from an antecedent decision, is well settled.”); *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) (“[A]lthough [the] purpose [of a proceeding under § 4915] is to secure the issue of a patent, the issue of which has been refused, it does not seek that issue through a reversal of the ruling first made, but through an independent finding that the applicant is entitled upon the merits of his application to a patent.”); *General Elec. Co. v. Steinberger*, 208 F. 699, 700 (E.D.N.Y. 1913), *aff’d*, 214 F. 781 (2d Cir. 1914); *Greenwood v. Dover*, 194 F. 91, 92 (1st Cir. 1911); *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) (“[t]he trial in the circuit court is in the strictest sense a judicial hearing by original bill, with all the powers of a court of equity”); *Christie v. Seybold*, 55 F. 69, 72 (6th Cir. 1893) (Taft, J.).

if it did, it decided the whole case.”<sup>15</sup> “In all cases, . . . the court based its decision on the record produced in court. That might include the record generated by the agency, but it could include supplemental evidence as well.”<sup>16</sup> The idea that a court in equity would be constrained in its consideration of any legal or factual issues in an original action that properly invoked the court’s authority would have been alien to contemporary lawyers.

To read appellate-type constraints into § 4915 would have been particularly untenable, because a plaintiff complaining of an *ex parte* denial under that provision would *already* have pursued a direct appeal under § 4911. Prior to 1927, an unsuccessful patent applicant was required to appeal a rejection twice within the Patent Office – to the Board of Examiners-in-Chief and then to the Commissioner of Patents – and then to the Court of Appeals of the District of Columbia. Only once those appeals were exhausted could the applicant file a suit in equity.<sup>17</sup> If the suit in equity were generally limited to the Patent Office record, such further proceeding would generally be barred by *res judicata*. But that was plainly not so. Because the appellate court decided the appeal “on

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<sup>15</sup> Thomas W. Merrill, *Article III, Agency Adjudication, and the Origins of the Appellate Review Model of Administrative Law*, 111 Colum. L. Rev. 939, 952 (2011). During that period, non-ministerial executive action was broadly considered unreviewable by courts; the remedy for an invasion of rights by an executive official was a common-law action against that official. See Jerry L. Mashaw, *Administration and “The Democracy”: Administrative Law from Jackson to Lincoln, 1829-1861*, 117 Yale L.J. 1568, 1669-84 (2008); 1 Richard J. Pierce, Jr., *Administrative Law Treatise* § 1.4, at 11 (5th ed. 2010).

<sup>16</sup> Merrill, 111 Colum. L. Rev. at 952.

<sup>17</sup> See Federico, 22 J. Pat. Off. Soc’y at 941.

the record made up in that office, while the circuit court hear[d] the case upon a bill in equity in due course of judicial procedure, not only on the evidence heard by the commissioner of patents and the court of appeals, but upon such additional evidence as either party to the suit may choose to present,” “the doctrine of res adjudicata . . . ha[d] no application.” *Bernardin*, 77 F. at 852; see also *Rouso v. First Nat’l Bank*, 37 F.2d 281, 283 (6th Cir. 1930); Emerson Stringham, *Patent Interference Equity Suits* § 7951, at 76-77 (1930).

2. *Morgan* has nothing to do with the standard governing admission of evidence in an action under § 145. No party sought to introduce new evidence, so the issue did not arise. To the contrary, the specific mention by the Court that no additional testimony was introduced suggests that such testimony was commonly admitted. And the Court cited and relied on *Butler*, which specifically holds (on the page cited by *Morgan*) that, in an action under § 4915, “the statute contains no provision requiring the case to be heard upon the evidence produced before the commissioner”; “the court may receive new evidence.” 21 F. at 327. Nor can *Morgan* be read to adopt a modern judicial review model under § 4915 because that model would not emerge until more than a decade later.<sup>18</sup>

The claim that *Morgan* supports any limitation on the introduction of new evidence in an action under § 145 is particularly untenable because that case was an action between private parties following an interference – and not an action by a disappointed *ex parte* applicant against the Patent Office. Accord-

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<sup>18</sup> See Merrill, 111 Colum. L. Rev. at 953.

ingly, the action was analogous to a modern action under § 146, not § 145. Section 146 – which the government ignores – expressly provides that, while the record before the PTO is admissible, it is “without prejudice to the right of the parties to take further testimony.” 35 U.S.C. § 146.<sup>19</sup> It makes no sense to argue that *Morgan* was understood by Congress to suggest any limitation on the introduction of new evidence – because, if it was so understood (and there is no evidence of it), Congress expressly overruled any such limitation in 1927.

3. It was against this backdrop of settled judicial interpretation of § 4915 that Congress, in 1927, recodified the provision for a bill in equity to challenge a patent rejection. Under the new statute, an applicant was given a choice between challenging the Patent Office decision on direct appeal or filing a bill in equity.<sup>20</sup> The law otherwise preserved the existing provision for a bill in equity in *ex parte* rejections.

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 jurisdic-

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<sup>19</sup> The wording of § 146, which was added to R.S. § 4915 in 1927, *see infra* n.20, reflects the uncertainty that existed prior to 1927 concerning the admissibility of the record before the Patent Office in a suit between private parties. Congress also clarified that parties were nevertheless free to introduce new evidence in such an action.

<sup>20</sup> *See* Act of Mar. 2, 1927, ch. 273, § 11, 44 Stat. 1335, 1336-37 (amending § 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”).

tion, Congress incorporated that settled interpretation into the revised provision. See *Forest Grove Sch. Dist. v. T.A.*, 129 S. Ct. 2484, 2492 (2009) (“Congress is presumed to be aware of . . . judicial interpretation of a statute and to adopt that interpretation when it re-enacts a statute without change.”) (quoting *Lorillard v. Pons*, 434 U.S. 575, 580 (1978)); *Bragdon v. 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*, 456 U.S. at 378-79. Congress thus must be understood to have intended to continue to allow plaintiffs under this provision to introduce new evidence in accordance with ordinary equity practice. See *Hoover*, 325 U.S. at 87 (holding that 1927 statute “sav[ed] to litigants the option of producing new evidence in a court, by retaining the equity procedure”).

The legislative hearings that led up to the adoption of the 1927 revision drive the point home. Henry Huxley, a member of the American Bar Association (“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.<sup>21</sup> Charles Howson, the chairman of the ABA Committee on Patent Law Revision, testified:

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<sup>21</sup> House Hr’g 9; see also *id.* at 13 (“Mr. Barnett: Will you point out how, in the original suit, the inventor would be allowed to strengthen his case? Mr. Huxley: He could take testimony and bring out all the facts pertinent and have an absolutely full hearing in the matter, and if he does not get justice from the Patent Office he could get it from the courts.”).

Section 4915 has always been regarded by the patent bar, or those experienced in patent practice, as the final check on the Patent Office to enable a deserving inventor to get his just deserts if everything else fails. The advantage of section 4915 is that it 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 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[.]<sup>22</sup>

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.”<sup>23</sup>

4. The 1952 Act, though it substitutes the modern term “civil action” for the term “bill in equity,” otherwise preserves the critical language from the

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<sup>22</sup> House Hr’g 20-21; *see also id.* at 32 (testimony of Otto Barnett, American Patent Law Ass’n President: under § 4915, patent applicant “demonstrates to the court by the production of evidence . . . in such a way that an appeal on the same record that was in the Patent Office would not permit”).

<sup>23</sup> *Procedure in the Patent Office: Hearing Before the S. Comm. on Patents*, 69th Cong. 7 (1926). Contemporary treatises clearly expressed the same understanding. *See* Albert H. Walker, *The Law of Patents* § 134, at 159 (5th ed. 1917) (“[i]n order to decide the issues of such a bill in equity [under § 4915], the court . . . will take testimony, and any other admissible evidence, according to the course of courts in equity”); 2 William C. Robinson, *The Law of Patents* § 571, at 188-89 & n.2 (1890).

1927 statute, indicating that (as the Senate Report noted) the recodification made “no fundamental change” in the available remedy.<sup>24</sup> S. Rep. No. 82-1979, at 7 (1952).<sup>25</sup> Nevertheless, the government argues (at 34-37) that the cases decided under § 4915 between 1927 and 1952 sharply restricted the introduction of new evidence in such cases and that Congress intended to incorporate that new understanding. But the only case of this Court under § 4915 decided between 1927 and 1952 – which, like this case, involved a direct challenge to an *ex parte* denial

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<sup>24</sup> 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 § 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 Federico, 22 J. Pat. Off. Soc’y at 935. Cf. *Microsoft*, 131 S. Ct. at 2243 (citing views of Judge Rich, “a principal drafter of the 1952 Act”).

<sup>25</sup> The government argues (at 38-39) that the enactment of the APA several years before the 1952 recodification somehow suggests that Congress understood the pre-1952 rule regarding introduction of new evidence to be consistent with the APA standard. In fact, as the then-Commissioner of Patents observed, Patent Office adjudications were understood from the beginning to be exempt from § 5 of the new APA precisely because those adjudications were “subject to subsequent trial of the law and the facts *de novo* in . . . court” – this is, under § 4915. Casper W. Ooms, *The United States Patent Office and the Administrative Procedure Act*, 38 Trademark Rep. 149, 150 (1948) (internal quotations omitted). With particular reference to judicial review under the APA, Commissioner Ooms observed that “[a]n optional trial *de novo* is available under the Patent statute for each final adjudication refusing a patent.” *Id.* at 159.

on written-description grounds in a suit against the head of the Patent Office, a suit in which substantial new evidence was admitted – reaffirmed *Butterworth* without qualification, noting that § 4915 affords “a formal trial . . . on proof which may include evidence not presented in the Patent Office.” *Hoover*, 325 U.S. at 83. If the 1952 Congress that enacted the Patent Act was looking anywhere, it had to look at that authoritative 1945 decision of this Court. Moreover, none of the lower-court cases decided prior to 1952 articulated or applied the government’s “no reasonable opportunity” standard or, indeed, any uniform standard restricting the introduction of new evidence – as the government admits. See Pet’r Br. 35 n.8 (conceding that the “consensus” was “not unanimous”). 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.”).

In most of the cases that the government cites, the courts admitted and considered (or, in one case, considered without formally admitting) proffered evidence.<sup>26</sup> *Barrett Co. v. Koppers Co.*, 22 F.2d 395 (3d

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<sup>26</sup> See *Schilling v. Schwitzer-Cummins Co.*, 142 F.2d 82, 85 (D.C. Cir. 1944) (affirming district court “after a careful examination of the record – including the disputed evidence”); *Boucher Inventions v. Sola Elec. Co.*, 131 F.2d 225, 227 (D.C. Cir. 1942); see also *id.* at 229 (Stephens, J., dissenting) (noting that, where plaintiff had acted without any “intention of concealment,” district court properly admitted new evidence, and that “[p]roceedings under [§] 4915 are de novo”); *Globe-Union, Inc. v. Chicago Tel. Supply Co.*, 103 F.2d 722, 728 (7th Cir. 1939)

Cir. 1927), represents the furthest that any court of appeals went in sanctioning the exclusion of evidence not proffered to the Patent Office, and it based its holding squarely on traditional notions of equitable estoppel. *See id.* at 396.<sup>27</sup> Later courts properly read *Barrett* to hold narrowly that it was the deliberate suppression of evidence and the attempt to maintain a factual position in a subsequent action different from the position before the PTO that gave rise to an estoppel.<sup>28</sup> The Third Circuit itself rejected attempts

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(rejecting defendant’s argument that “additional evidence taken in the district court should have been disregarded on the ground that it was available to the Patent Office”); *Greene v. Beidler*, 58 F.2d 207, 208-09 (2d Cir. 1932) (finding admitted evidence to be incredible in light of discrepancies between trial testimony and prior testimony before Patent Office).

<sup>27</sup> In *Barrett*, the plaintiff had, during the interference proceeding before the Patent Office, “expressly refused to disclose and to allow [its] witnesses to answer questions which would disclose subsequent commercial practices.” 22 F.2d at 396. In court, the plaintiff sought to introduce “evidence of commercial practices to show actual reduction to practice through the year 1917 following the laboratory experiments of 1916 and for a year before [the defendant’s] claimed date, *the very subject-matter concerning which, at the interference hearings, witnesses for the [plaintiff’s] application were asked questions and the [plaintiff] forbade them to answer.*” *Id.* (emphasis added). The district court held that the Barrett Company was “estopped to present this evidence,” and the court of appeals affirmed. *Id.*

<sup>28</sup> *See Nichols v. Minnesota Mining & Mfg. Co.*, 109 F.2d 162, 166-67 (4th Cir. 1940) (reading *Barrett* to hold that “a party may estop himself from offering testimony in a suit instituted under R.S. § 4915 by intentionally withholding it in the proceedings in the Patent Office”); *Globe-Union*, 103 F.2d at 728 (“The Barrett case stands on facts clearly showing intentional withholding of evidence. . . . We must always be conscious of the distinction between a de novo trial, where the case is tried a second time and the record is made up in the district court, and [the] court’s review of findings of an administrative body, where

to over-read *Barrett*, holding that to exclude evidence simply because it was “available to the plaintiffs at the time of the proceedings in the Patent Office” “would be to change the nature of a[] [§] 4915 proceeding and to rewrite the statute.” *Minnesota Mining & Mfg. Co. v. Carborundum Co.*, 155 F.2d 746, 748 (3d Cir. 1946).<sup>29</sup> Pre-1952, pre-*Hoover* lower-

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the record is solely that of the administrative body. The instant case falls in the former class.”); *Dowling v. Jones*, 67 F.2d 537, 538 (2d Cir. 1933) (L. Hand, J.) (noting that *Barrett* involved evidence “which the inventor had *deliberately suppressed*” and that “it does not follow that it would have extended the doctrine to evidence not *suppressed*, but merely *neglected* through the plaintiff’s slackness in preparation”) (emphases added); *Wright v. Runge*, 31 F. Supp. 844, 845 (D.D.C. 1939) (“It may well be that the plaintiff might be estopped from offering testimony here that he had suppressed in the Patent Office, but the mere failure to exercise the highest degree of diligence in producing evidence before the Patent Office would not . . . prevent its introduction here.”); *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”).

<sup>29</sup> The government cites a single district court case in which the court ruled evidence inadmissible on the stated ground that “there was no showing that the evidence sought to be introduced was not available to the plaintiffs at the time of taking testimony in the Patent Office in the interference proceedings.” *Etten v. Kauffman*, 32 F. Supp. 186, 187 (W.D. Pa. 1940), *aff’d*, 121 F.2d 137 (3d Cir. 1941); *see also Schering Corp. v. Marzall*, 101 F. Supp. 571, 573 (D.D.C. 1951) (considering proffered evidence and ruling “it is clearly insufficient”); *O’Donnell v. United Shoe Mach. Corp.*, 2 F. Supp. 178, 181 (D. Mass. 1933) (new evidence admitted). An isolated district court decision provides no basis for inferring that Congress intended to modify the longstanding understanding of the remedy provided under § 145’s predecessors. *See, e.g., Rodriguez v. Compass Shipping*

court cases thus cannot support the government's view of § 145.<sup>30</sup>

**C. The Introduction of Evidence Under § 145 Is Supported by Important Institutional Considerations**

1. Congress's determination to retain the civil action to obtain a patent under § 145 – as an alternative to an APA-type on-the-record appeal, *see* 35 U.S.C. §§ 141-144, *Zurko*, 527 U.S. at 154 – reflects a sensible accommodation of the distinct institutional attributes of the PTO and generalist courts. As explained below, non-technical judges require evidence to provide background knowledge that an expert PTO examiner already has; submission of unnecessary evidence puts a burden on an already overburdened PTO; and the PTO often articulates new grounds of decision at a point when the applicant lacks a fair opportunity to respond – as it did here.

*First*, patent examiners are expected to have expertise in their particular fields, while district courts lack such background technical knowledge. To permit informed fact-finding by a district court therefore requires presentation of evidence concerning the subject matter of the application and (for example)

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*Co.*, 451 U.S. 596, 615-16 & n.36 (1981); *United States v. Welden*, 377 U.S. 95, 102 n.12 (1964).

<sup>30</sup> When Congress amended the patent laws in 1980 to provide for the current *ex parte* reexamination procedure codified in 35 U.S.C. § 306, *see* Act of Dec. 12, 1980, Pub. L. No. 96-517, § 1, 94 Stat. 3015, 3016, it “grant[ed] a patent owner the right to pursue the same appeal routes available to patent applicants.” H.R. Rep. No. 96-1307(I), at 7 (1980). 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. *Id.* at 8 (emphasis added).

the knowledge of a person of ordinary skill in the relevant art – a matter that would be relevant to factual and legal issues bearing on patentability, including obviousness and (as in this case) written description. This case provides an illustration: the principal purpose of plaintiff’s declaration was to establish the factual basis for arguments that a person of ordinary skill in the art would have found a description of the claimed invention in the specification.<sup>31</sup> Plaintiff could reasonably have judged that such detailed exposition would not be necessary in the PTO and that pointing the patent examiner (and the Board) to the relevant portions of the disclosure – in a highly structured specification, *see supra* n.4 – would suffice. Even if plaintiff “could” have presented this exposition to the PTO, he acted quite reasonably – he was anything but “without cause” (to use one of the government’s standards, Pet’r Br. 34) – in not doing so.

*Second*, as a result of the nearly overwhelming volume of applications filed each year, patent examiners are constrained to devote relatively little time to the examination of each application. *See generally* Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 Nw. U. L. Rev. 1495, 1500 (2001). A rule

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<sup>31</sup> One group of *amici* argues that the written-description requirement is an issue of law and that the substance of plaintiff’s declaration should have been considered by the district court as legal argument. *See Verizon et al.* Br. 4-17. The court reviews legal issues *de novo* – without deference to the PTO’s interpretation of the statute’s patentability requirements. *See, e.g., Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996). Accordingly, that argument would, if accepted by this Court, require affirmance of the judgment below and a remand to the district court for consideration of the written-description issue under the correct standard.

that requires applicants to submit all evidence that might later prove to be relevant would place unfair burdens on patent applicants who would face an obligation to develop and to submit evidence in the PTO directed at later district court proceedings, not at the reasonable needs of the PTO itself. And the rule would further over-burden patent examiners, who would be confronted with evidentiary submissions that would “strain[] the agency’s examining resources and directly contribute[] to the backlog” in patent applications. *Therasense*, 649 F.3d at 1289-90 (quoting ABA white paper); *see* IPOA Br. 12.

*Third*, because of the necessarily limited time that an examiner can devote to each application, office actions (as examiner’s decisions are called) may do only a poor job of identifying the reasons of a rejection, making a focused response difficult. *See* IEEE-USA Br. 11. This case again provides an illustration: the examiner identified broad features of the patent claims for which written description was said to be lacking (among many other supposed defects, all of which the Board subsequently reversed). After the Board provided the explanation for the written-description rejections that the examiner failed to provide, plaintiff tried to respond, but the Board refused to consider his rehearing request, directed at the new explanation provided in the Board opinion. While this action was itself improper and would have provided a basis for reversal of the Board on appeal,<sup>32</sup> plaintiff could not, in an appeal, obtain an adjudication on new evidence. Section 145 – which

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<sup>32</sup> *See In re Stepan Co.*, No. 2010-1261, 2011 WL 4582488 (Fed. Cir. Oct. 5, 2011); *In re Leithem*, No. 2011-1030, 2011 WL 4351585 (Fed. Cir. Sept. 19, 2011); *In re Kumar*, 418 F.3d 1361 (Fed. Cir. 2005).

Congress enacted and maintained precisely to afford applicants an opportunity to present evidence not before the Board – should provide a remedy.<sup>33</sup>

2. There is no realistic basis for the argument that a rule allowing new evidence under § 145 will encourage applicants to withhold evidence from the PTO in the hope of a more favorable forum in court. *Cf.* Pet’r Br. 29-30. Irrespective of the opportunity to present additional evidence later, 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.<sup>34</sup> Expert witness testimony – which is rare before the PTO but often needed in district court – further inflates the applicant’s financial burden. As *amici* explain, 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*

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<sup>33</sup> As the Federal Circuit recently observed in explaining the importance of additional evidence in a proceeding under § 146, a district court also has an advantage over the Board because of the “inherent limits to [the Board’s] fact finding function that arise from the sterile nature of a proceeding that is limited to documentary and declaration or deposition evidence.” *Streck, Inc. v. Research & Diagnostic Sys., Inc.*, No. 2011-1045, 2011 WL 4978510, at \*4 (Fed. Cir. Oct. 20, 2011). The fact-finding procedures in *ex parte* proceedings are even more restricted.

<sup>34</sup> Furthermore, an applicant may frequently be able to address any evidentiary 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.

AIPLA Br. 23-25; IPOA Br. 10-11; NYIPLA Br. 22. 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, in terms more understandable to the non-technical district court. 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.<sup>35</sup> There can be no question of any sandbagging.

It has long been the understanding of the patent bar that new evidence is generally admissible in actions under § 145. *See* AIPLA Br. 15 (explaining that adopting government’s position would “disrupt the settled expectations of the inventing community”)

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<sup>35</sup> Moreover, plaintiff’s opportunity to introduce affidavit or declaration evidence to the PTO was limited, both before and after a final action, and did not include the opportunity to submit such evidence in response to the written-description rejections now on appeal. *See* 37 C.F.R. § 1.132 (1997) (limiting grounds for submission of affidavits and declarations).

(quoting *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 739 (2002)). 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). Yet the government points to no recent cases – and few of any vintage – in which an applicant attempted to withhold evidence in the way that the government claims the statute invites. That is sufficient reason to reject the government’s purported concern.

## II. THE DISTRICT COURT DETERMINES FACTUAL ISSUES ON A NEW RECORD BY A PREPONDERANCE OF THE EVIDENCE

A. When new evidence is admitted in an action under § 145, the “presence of such new or different evidence makes a factfinder of the district judge.” *Zurko*, 527 U.S. at 164. The text and history of the statute make clear that such district court “factfinding” is *de novo* in the sense that the district court does not evaluate whether the PTO’s decision is supported by substantial evidence, but instead decides factual issues “upon the whole merits” based on the new record. *Butterworth*, 112 U.S. at 61. The Federal Circuit has consistently held that, when new evidence is introduced, PTO factual determinations are not entitled to deference. *See Fregeau*, 776 F.2d at 1038; *see also* AIPLA Br. 30-31. And the burden that the plaintiff bears is the preponderance-of-the-evidence standard that applies in any civil litigation in the absence of a clear basis – in the statute or in

established common-law practice – for a different, heightened standard.

The government does not (and cannot, in light of this Court’s statement in *Zurko*) argue that the APA “substantial evidence” standard applies to such factual issues. That concession reflects the fact that, in circumstances where new evidence is admitted the district court is necessarily ruling on a new evidentiary record. Instead, the government urges the Court to adopt, under § 145, a heightened standard of proof – which the government dubs the “thorough conviction” standard (Pet’r Br. 44-45) – analogous to the burden that applies in litigation between private parties, where the *invalidity* of an issued patent must be established by clear and convincing evidence. *See Microsoft*, 131 S. Ct. at 2247. But this Court’s construction of 35 U.S.C. § 282’s “presumed valid” language in *Microsoft* was based on the Court’s “authoritative” pre-1952 precedent recognizing that an infringer was required at common law to meet a heightened standard of proof to demonstrate patent invalidity. *See* 131 S. Ct. at 2245-51. That rationale does not apply here, because there is no such authoritative precedent, and no basis in the text, for a heightened standard under § 145. In particular, this Court’s decision in *Morgan* – which involved a challenge, without new evidence, to an issued patent following an adjudication in the defendant’s favor by the Patent Office – does not support any departure from the ordinary preponderance-of-the-evidence standard for a challenge, with new evidence, to the denial of an *ex parte* application.

1. As discussed above, the language of § 145 is inconsistent with the claim that Congress intended to require deference to the prior fact-finding of the

PTO. *See supra* pp. 16-18. The statute requires the district court to adjudicate the applicant's entitlement to a patent "as the facts in the case may appear," without affording any special weight to the PTO's prior finding. The text includes no language suggesting departure from the default preponderance standard that applies to factual issues in civil actions. This Court has made clear that, at least in civil litigation between private parties, in the absence of a clear contrary indication, Congress does not intend to impose any "special, heightened standard of proof." *Grogan v. Garner*, 498 U.S. 279, 286 (1991). And lower courts have consistently applied the preponderance standard under statutes that provide for review of agency action through a *de novo* trial where new evidence is introduced. *See, e.g., St. Paul Fire & Marine Ins. Co. v. United States*, 6 F.3d 763, 769 (Fed. Cir. 1993); *Warren v. United States*, 932 F.2d 582, 586 (6th Cir. 1991); *Ibrahim v. United States*, 834 F.2d 52, 53-54 (2d Cir. 1987).

The preponderance standard is also consistent with the APA, which does not impose any heightened evidentiary burden in cases where the "reviewing court" takes new evidence and determines factual issues anew. Section 706(2)(F) requires a court to set aside agency findings that are "unwarranted by the facts" where "the facts are subject to trial *de novo*." 5 U.S.C. § 706(2)(F).<sup>36</sup> We have located no case suggesting that the standard of proof under § 706(2)(F) is anything but preponderance-of-the-evidence. If the APA supplies the standard in a case under § 145

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<sup>36</sup> As noted above, the Commissioner of Patents, shortly after the adoption of the 1946 APA, reaffirmed the understanding that the action that would become an action under § 145 was a trial *de novo*. *See supra* n.25.

– as it does in cases under §§ 141-144, *see Zurko*, 527 U.S. at 154 – the government must “clear[ly]” establish any departure from that preponderance-of-the-evidence standard. *Id.* at 155. As discussed below, it cannot do so here.

2. This Court’s conclusion in *Microsoft* that § 282 imposes a heightened standard of proof on accused infringers challenging the validity of an issued patent does not support the government. The *Microsoft* holding, of course, does not apply: that case involved the application of the statutory presumption of validity of an issued patent in infringement litigation; this case involves a civil action under § 145 following the PTO’s denial of plaintiff’s application.

Furthermore, this Court’s interpretation of § 282 was based on a “presumption of patent validity” that “had long been a fixture of the common law” with a “settled meaning.” *Microsoft*, 131 S. Ct. at 2246. The statutory text, referring to patents’ being “presumed valid,” adopted a common-law term that provided the clear meaning that the statutory text, read in isolation, did not supply. Here, by contrast, the statutory provision is one that has existed, more or less in present form, for 175 years. That text contains no standard-elevating language. It authorizes the court to decide matters of fact “as the facts in the case may appear,” and there is no common-law basis for giving that text (or any other) a meaning that departs from the background rule that facts are to be proven by a preponderance of the evidence.

To the contrary, precedent under § 4915 contradicts the “thorough conviction” standard that the government advocates. As noted, the Court in *Butterworth* explained that the district court rules “upon the whole merits,” 112 U.S. at 61, which implies fact-

finding by a preponderance of the evidence, not deference. Moreover, there is no indication in any pre-1952 cases involving challenges to *ex parte* denials of patent applications that the courts applied any heightened standard of proof. See, e.g., *Lucke*, 69 F.2d at 383 (reversing findings of Patent Office without any suggestion that heightened standard of proof applied); *Ingersoll v. Holt*, 104 F. 682, 684 (C.C.N.D. Cal. 1900) (“[T]he plaintiff now stands in the position of one applying for an original patent, subject to the ordinary rules of equity practice and procedure.”); see also *supra* pp. 25-27 & n.14 (cases establishing that ordinary rules of equity practice and procedure applied in actions under § 4915).<sup>37</sup>

*Morgan* does not support (much less provide “clear” support for) a heightened evidentiary standard in cases under § 145 at all, let alone in cases involving new evidence. Not only did that case involve no new evidence, but it did not involve the *ex parte* denial situation of § 145. Rather, it followed an interference proceeding – that is, an *inter partes* proceeding to determine priority – and involved a challenge to the validity of the defendant’s issued patent. See also *Zurko*, 527 U.S. at 158. The Court’s holding was expressly limited to that interference situation: the “rule” that the Court “laid down” was that, “where the question decided in the patent office is one between contesting parties as to priority of invention, the decision there made must be accepted as control-

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<sup>37</sup> We have located a single pre-1952 case in which a court invoked the *Morgan* standard in a case involving an *ex parte* rejection, and that court made clear that it understood the required heightened standard of proof to reflect the fact that the Patent Office finding had already been reviewed in court on direct appeal. See *In re Griswold*, 9 App. D.C. 496 (D.C. Cir. 1896).

ling upon that question of fact in any subsequent suit between the same parties, unless the contrary is established by testimony which in character and amount carries thorough conviction.” 153 U.S. at 125 (emphasis added). A civil action under § 145 does not involve any prior adjudication of a dispute between private parties, nor does it involve any challenge to an award of priority or the validity of an issued patent.

The Court’s reasoning, like its express ruling, was squarely premised on the fact that the plaintiff was challenging the validity of another’s patent. *Id.* at 123. Citing *Coffin v. Ogden*, 85 U.S. (18 Wall.) 120 (1874), and *Cantrell v. Wallick*, 117 U.S. 689 (1886), the Court noted that, in an infringement action, a party seeking to challenge a patent’s validity not only would bear “the burden of proof to make good this defense . . . , but it has been held that every reasonable doubt should be resolved against him.” *Morgan*, 153 U.S. at 123 (internal quotations omitted). The Court concluded that “[t]hese two cases are closely in point,” and it explained why: “[t]he plaintiff in this case, like the defendant in those cases, is challenging the priority awarded by the patent office, and should, we think, be held to as strict proof.” *Id.*<sup>38</sup>

The Court further relied on the fact that the suit in question sought to deprive the defendant of property already granted after an adversarial proceeding between two claimants. The Court noted that the Patent Office “determination gave to the defendant

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<sup>38</sup> This Court in turn relied on *Morgan* when it adopted its “authoritative” formulation of the clear-and-convincing standard for invalidity defenses in *Radio Corp. of America v. Radio Engineering Laboratories, Inc.*, 293 U.S. 1, 5-6, 8 (1934). *Microsoft*, 131 S. Ct. at 2245.

the exclusive rights of a patentee” and that the plaintiff was seeking to take “the rights there awarded to the defendant.” *Id.* at 124. The Court thus found the case to be comparable to one involving “a contest between two claimants for land patented by the United States to one of them,” in which agency fact-finding would be presumptively final and unreviewable. *Id.* at 124-25. It was for that reason – *i.e.*, that a “special tribunal” had already adjudicated “a controversy between two individuals” resulting in the award of property to one of them – that the suit was treated as “something in the nature of a suit to set aside a judgment” in the defendant’s favor. *Id.* at 124.<sup>39</sup>

Neither the “rule” of *Morgan* nor its rationale applies in a case where the PTO has merely denied a patent. In a case under § 145, there is no challenge to the validity of an issued patent, and there is no opposing party defending a property right gained through an adversarial adjudication before the PTO. Still less did *Morgan*, which involved no new evidence and did not invoke any general principle of deference to agency expertise, establish precedent for departing from the ordinary preponderance-of-the-evidence standard in a § 145 case involving new evidence. To the contrary, the Court’s solicitude for property rights weighs against imposing any special burdens on a plaintiff under § 145.

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<sup>39</sup> The Court then cited the page of *Butler v. Shaw* that distinguishes the interference context from the *ex parte* context. *See* 21 F. at 327. Even in the former context, *Butler* emphasizes the plenary nature of the equity court’s authority to take new evidence and resolve factual issues anew to decide the question of “the right[s] of . . . the parties to the suit.” *Id.*

**B.** Because the district court refused to consider plaintiff's proffered declaration, there has been no occasion in this case to consider what weight a district court should afford to a prior PTO finding of fact when new evidence is introduced. That issue will necessarily be case-specific. In this case, the PTO's conclusion that plaintiff's claims lacked written-description support is entitled to no weight.

*First*, 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. Even if the government were correct that plaintiff is required to meet a heightened standard of proof under § 145, the fact that new evidence is introduced that was not considered by the PTO would reduce plaintiff's burden. "Simply put, if the PTO did not have all material facts before it, its considered judgment may lose significant force." *Microsoft*, 131 S. Ct. at 2251.

*Second*, plaintiff did make *available* to the PTO, in his request for rehearing and in response to the new grounds for rejection articulated by the Board, the substance of the evidence proffered in the district court. The PTO's insistence on adhering to its prior decision without even considering plaintiff's responsive submission renders that decision especially suspect. As this Court has held in the judicial-review context, an agency acts arbitrarily when it "fail[s] to consider an important aspect" of the issue before it. *Motor Vehicle Mfrs. Ass'n of United States, Inc. v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 43 (1983); *see also In re Carter-Mondale Reelection Comm., Inc.*, 642 F.2d 538, 550 (D.C. Cir. 1980) (agency should not "blind itself to materials available to the agency") (Wald, J., concurring in decision to affirm). The Board's refusal to consider plaintiff's

request for rehearing further undermines any argument that its conclusion is entitled to weight.

C. This case does not present the question whether, in cases under § 145 where no new evidence is presented, the district court is limited to reviewing PTO fact-finding under the substantial-evidence standard that applies under § 141. The Federal Circuit has so held, *see Mazzari v. Rogan*, 323 F.3d 1000, 1004 (Fed. Cir. 2003); *see also Fregeau*, 776 F.2d at 1038; and this Court has noted that “an anomaly might exist insofar as [a] district judge does no more than review PTO factfinding” in an action under § 145 if the standard of review were different from the standard that applies in an appeal, *Zurko*, 527 U.S. at 164. Plaintiff has not challenged (and has had no reason in this case to challenge) that rule.<sup>40</sup>

The possibility, however, that a district court might have to apply different standards of proof depending on the evidence submitted with respect to a particular issue poses nothing like the practical problems of judicial administration that the Court noted in *Microsoft*. *See* 131 S. Ct. at 2250. Because an action under § 145 is tried to the court and not to a jury, the difficulties of instructing a lay jury in “a standard of proof that would rise and fall with the facts of each case” would not arise. *Id.* A district judge would likely have no difficulty in separating the factual issues as to which new evidence is relevant and those

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<sup>40</sup> At the same time, the statutory language would suggest that all issues are reviewed *de novo* (which would not preclude the reviewing court from affording substantial weight to well-supported factual conclusions of the PTO reached on an identical record). *See* App. 36a-43a (Newman, J., concurring in part and dissenting in part); IEEE-USA Br. 4; IPOA Br. 16.

issues that the plaintiff is raising simply on the record below.

**D.** Any supposed “asymmetry” (Pet’r Br. 28) between the remedies that the statute provides to disappointed patent applicants and those accused of infringing validly issued patents reflects deliberate asymmetry in the statutory scheme. Substantively, the statute provides that an inventor “shall be entitled to a patent unless” certain disqualifying conditions are met, 35 U.S.C. § 102; that statutory provision has been understood to place the burden on the PTO to show that a patent should *not* issue on a duly filed application; where an examiner fails to make out a prima facie case of unpatentability, the patent should issue for that reason. *See In re Oetiker*, 977 F.2d 1443, 1445 (Fed. Cir. 1992). Furthermore, once issued, a patent enjoys a statutory presumption of validity (§ 282), which is reinforced by a heightened standard of proof where validity is challenged, *see Microsoft*. These statutory presumptions reflect a judgment that “the Progress of Science and useful Arts” would be harmed if inventors are denied “the exclusive Right to their respective . . . Discoveries.” U.S. Const. art. I, § 8, cl. 8.

The statute’s procedures for challenging PTO actions in court reflect a similar “asymmetry” in favor of the inventor. In 2010, the PTO granted more than 200,000 patents;<sup>41</sup> for parties “aggrieved” by such issuance – that is, potential infringers – the statute has long been read, at the government’s urging, not to permit APA judicial review, but to remit such parties to validity challenges in the context of later infringement litigation (or to the

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<sup>41</sup> *See* PTO, *Performance and Accountability Report: Fiscal Year 2010*, at 129 (2010) (“PTO Report”).

rarely used *inter partes* reexamination proceeding, which may be followed by Federal Circuit review, 35 U.S.C. § 315(b).<sup>42</sup> By contrast, the Board affirmed or affirmed-in-part rejections of fewer than 5,000 applications in fiscal year 2010.<sup>43</sup> For those applicants, the statute provides two distinct judicial remedies. Moreover, the statute provided those remedies from the earliest years of the patent examination system, in an era when comparable executive action was considered unreviewable by the courts. To preserve the character of the civil action under § 145 is thus the only course consistent with the will of Congress as expressed in the statute.

### CONCLUSION

The judgment of the court of appeals should be affirmed.

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<sup>42</sup> See Mem. in Support of Def. PTO's Mot. for J. on the Pleadings and in Opp. to Pls.' Mot. for Summ. J. at 3-4, *Association for Molecular Pathology v. USPTO*, No. 09 Civ. 4515 (RWS) (S.D.N.Y. filed Dec. 24, 2009), 2009 WL 5785024 (citing *Syntex (U.S.A.), Inc. v. USPTO*, 882 F.2d 1570, 1572-74 (Fed. Cir. 1989)).

<sup>43</sup> See PTO Report at 138.

Respectfully submitted,

GREGORY L. ROTH  
5712 Parkwest Circle  
La Palma, California 90623  
(714) 723-6871

AARON M. PANNER  
*Counsel of Record*  
KELLOGG, HUBER, HANSEN,  
TODD, EVANS & FIGEL,  
P.L.L.C.  
1615 M Street, N.W.  
Suite 400  
Washington, D.C. 20036  
(202) 326-7900  
(apanner@khhte.com)

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