

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, 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 OF AMICUS CURIAE  
IEEE-USA  
IN SUPPORT OF NEITHER PARTY**

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## QUESTIONS PRESENTED

When the United States Patent and Trademark Office (PTO) denies an application for a patent, the applicant may seek judicial review of the agency's final action through either of two avenues. The applicant may obtain direct review of the agency's determination in the Federal Circuit under 35 U.S.C. § 141. Alternatively, the applicant may commence a civil action against the Director of the PTO in federal district court under 35 U.S.C. § 145. In a § 145 action, the applicant may in certain circumstances introduce evidence of patentability that was not presented to the agency. The questions presented are as follows:

1. Whether the plaintiff in a Section 145 action may introduce new evidence that could have been presented to the agency in the first instance.
2. Whether, when new evidence is introduced under Section 145, the district court may decide *de novo* the factual questions to which the evidence pertains, without giving deference to the prior decision of the PTO.

**TABLE OF CONTENTS**

QUESTIONS PRESENTED ..... i

TABLE OF CONTENTS ..... ii

TABLE OF AUTHORITIES ..... iv

STATEMENT OF INTEREST OF *AMICUS CURIAE* ..... 1

SUMMARY OF ARGUMENT ..... 3

ARGUMENT ..... 5

    I. The Proper Construction of Patent Act § 145 Permits an Inventor to Introduce New Evidence During a Civil Action and its *De Novo* Judicial Review. .... 5

        A. Statutory Construction of § 145 ..... 7

        B. Intra-PTO Procedures Do Not Follow the APA Adjudicatory Model, so Some Recourse to *De Novo* Review on an Open Record is Necessary ..... 11

        C. Well-Established Canons of Statutory Construction Require that the term “Civil Action” Must Be Afforded a Single, Uniform Meaning Throughout the Patent Act ..... 13

        D. The Government’s Interpretation of “Civil Action” Would Reduce § 145 to a Superfluity ..... 17

II. The APA Itself Exempts § 145 “Special Statutory Review” From Closed-Record, Deferential Review . . . . .	19
A. The Judicial Review Chapter of the APA Carves § 145 Out of the APA Closed-Record, Deferential Review Scheme . . .	20
B. The APA Cannot Restrict an Inventor’s Civil Action, Because the Board’s Procedures Place the Board within the APA’s Exceptions to § 706 . . . . .	21
III. The PTO and the Patent System Will Both be Harmed by a Restrictive and Narrow Interpretation of § 145 Limiting Scope and Nature of Review . . . . .	22
CONCLUSION . . . . .	28

## TABLE OF AUTHORITIES

### CASES

<i>Atlantic Cleaners &amp; Dyers, Inc. v. United States</i> , 286 U.S. 427, 52 S.Ct. 607, 76 L.Ed. 1204(1932) .....	15
<i>Bilski v. Kappos</i> , 130 S.Ct. 3218 (2010) .....	2, 17
<i>Brooke Group Ltd. v. Brown &amp; Williamson Tobacco Corp.</i> , 509 U.S. 209, 113 S.Ct. 2578, 125 L.Ed.2d 168 (1993) .....	16
<i>Butterworth v. Hoe</i> , 112 U.S. 50 (1884) .....	10
<i>Coffin v. Ogden</i> , 85 U.S. 120, 18 Wall. 120 (1874) .....	14
<i>Corley v. United States</i> , 556 U. S. ___, ___ (2009) .....	17
<i>Department of Revenue of Ore. v. ACF Industries, Inc.</i> , 510 U.S. 332, 114 S.Ct. 843, 127 L.Ed.2d 165 (1994) .....	15
<i>Dickinson v. Zurko</i> , 527 U.S. 150 (1999) .....	10, 19, 20, 21, 27
<i>Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.</i> , 535 U.S. 722 (2002) .....	2
<i>Gayler v. Wilder</i> , 10 How. 496 (1850) .....	14

<i>Graham v. John Deere Co. of Kansas City</i> , 383 U.S. 1 (1952) .....	5
<i>Hague v. Committee for Industrial Organization</i> , 307 U.S. 496 (1939) .....	17
<i>Helvering v. Stockholms Enskilda Bank</i> , 293 U.S. 84 (1934) .....	15
<i>Hoover v. Coe</i> , 325 U.S. 79 (1945) .....	10
<i>Hyatt v. Doll</i> , 576 F.3d 146 1274 (Fed. Cir. 2009) .....	18, 23
<i>Hyatt v. Kappos</i> , 625 F.3d 1320 (Fed. Cir. 2010) .....	4, 6, 27
<i>In re Portola Packaging Inc</i> , 110 F.3d 786 (Fed. Cir. 1997) .....	24
<i>In re Ruschig</i> , 379 F.2d 990 (CCPA 1967) .....	12
<i>Koki v. Dudas</i> , 556 F. Supp. 2d 41 (D.D.C. 2008) .....	18
<i>Mazzari v. Rogan</i> , 323 F.3d 1000 (Fed. Cir. 2003) .....	10
<i>MGM Studios, Inc. v. Grokster, Ltd.</i> , 545 U.S. 913 (2005) .....	2
<i>Morgan v. Daniels</i> , 153 U.S. 120 (1894) .....	8

<i>Peyton v. Rowe</i> , 391 U.S. 54 (1968) .....	11
<i>Ramaprakash v. Federal Aviation Admin.</i> , 346 F.3d 1121 (D.C. Cir. 2003) .....	13
<i>SEC v. Chenery Corp.</i> , 318 U.S. 80 (1943) .....	9
<i>Stanford v. Roche Molecular Systems, Inc.</i> , 131 S.Ct. 2188 (2011) .....	2
<i>Sullivan v. Stroop</i> , 496 U.S. 478 (1990) .....	16
<i>Universal Camera Corp. v. Labor Bd.</i> , 340 U.S. 474 (1951) .....	27
<b>CONSTITUTION</b>	
U. S. Const., Art. I, § 8, cl. 8 .....	5
<b>STATUTES</b>	
5 U.S.C. §§ 555, 556, and 557 .....	13
5 U.S.C. § 703 .....	4, 19, 20
5 U.S.C. § 706 .....	<i>passim</i>
35 U.S.C. § 1, <i>et seq.</i> .....	5
35 U.S.C. § 2(b)(2)(d) .....	23
35 U.S.C. § 102 .....	5

35 U.S.C. § 103	5
35 U.S.C. § 112	5
35 U.S.C. § 131	5
35 U.S.C. § 141	<i>passim</i>
35 U.S.C. §§ 141-144	8, 9
35 U.S.C. § 143	8, 9
35 U.S.C. § 144	9
35 U.S.C. § 145	<i>passim</i>
35 U.S.C. § 154	14
35 U.S.C. § 281	14, 16
35 U.S.C. § 291	14
35 U.S.C. § 297	14, 16
35 U.S.C. § 302	23
35 U.S.C. § 303	25
35 U.S.C. § 317	15
35 U.S.C. § 559	20, 21
Act of July 4, 1836, ch. 357, § 16, 5 Stat. 117	6
Act of March 2, 1861, ch. 88, § 2, 12 Stat. 246	6

**LEGISLATIVE MATERIALS**

H.R. 1249, 112<sup>th</sup> Cong. § 9 (2011) . . . . . 11, 21

S. 23, 112<sup>th</sup> Cong. § 8 (2011) . . . . . 11, 21

**REGULATIONS**

37 C.F.R. § 1.56 (1992) . . . . . 22

37 C.F.R. § 41.50(b) . . . . . 12

**RULES**

Sup. Ct. R. 37.6 . . . . . 1

PTO Rule 56 . . . . . 23

**OTHER AUTHORITIES**

- Br. for the Director of the United States Patent and Trademark Office on Rehearing en Banc* 2010 WL 2625006 \*40 n.11 (C.A. Fed.) (May 3, 2010) . . . . . 26
- Br. of Amicus Curiae Fédération Internationale Des Conseils En Propriété Industrielle in Support of Neither Party on Rehearing en Banc*, 2010 WL 2625004 at \*10 (C.A.Fed.) (Apr. 7, 2010) . . . . . 25
- [http://www.uspto.gov/ip/boards/bpai/procedures/rules/memorandum\\_roundtable\\_two\\_week\\_follow\\_up\\_030510.pdf](http://www.uspto.gov/ip/boards/bpai/procedures/rules/memorandum_roundtable_two_week_follow_up_030510.pdf) . . . . . 26
- Industrial Property Law N° 9279/96 OF 14th MAY 1996 (Published on 15th May, 1996) (Brazil) . . . . . 6
- U.S. Patent and Trademark Office: Operations and Fiscal Year Year 2003 Budget: Before the H. Judiciary Subcomm. On Courts, the Internet, and Intellectual Property, 107<sup>th</sup> Cong. 7 (2002) (prepared statement of the Under Secretary of Commerce and Director of the USPTO) . . . . . 26
- USPTO ANNUAL PERFORMANCE AND ACCOUNTABILITY REPORT: FISCAL YEAR 2010, [http://www.uspto.gov/ip/boards/bpai/procedure\\_s/rules/memorandum\\_roundtable\\_two\\_week\\_follow\\_up\\_030510.pdf](http://www.uspto.gov/ip/boards/bpai/procedure_s/rules/memorandum_roundtable_two_week_follow_up_030510.pdf) . . . . . 26
- WEBSTER'S NEW INTERNATIONAL DICTIONARY OF THE ENGLISH LANGUAGE 492 (G. & C. Merriam Co.) (2d ed. 1948) . . . . . 6, 10

Whitmer and Crall, *Is A § 145 Action More A  
“Trial” in the District Court or an Appeal in a  
Circuit Court?* The Federal Circuit Answers in  
Favor of Trial, INTELL. 23 PROP. & TECH. L.J. 15,  
18 (2011) . . . . . 23

**STATEMENT OF INTEREST OF  
*AMICUS CURIAE*<sup>1</sup>**

IEEE-USA is an organizational unit of The Institute of Electrical and Electronics Engineers, Inc. (IEEE), a New York-based not-for-profit, which is the world's leading educational and scientific association for the advancement of technology. IEEE-USA supports the nation's prosperity and competitiveness by fostering technological innovation for the benefit of all, including more than 200,000 engineers, scientists, and allied professionals who are U.S. members of the IEEE.

As part of its mission, IEEE-USA seeks to ensure that U.S. patent and copyright law serves to promote the progress of science and the useful arts consistent with the principles set forth by our Nation's Founders. IEEE's U.S. members serve on the "front line" of the United States copyright and patent system. Our membership includes inventors and software authors who create and use cutting-edge technology, who research and publish professional articles and journals, and who develop published standards that form the bases of widely adopted and critical technologies. In addition, IEEE-USA members are more than merely scientists and research engineers,

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<sup>1</sup> Pursuant to Supreme Court Rule 37.6, counsel listed on the cover states that this brief was authored by *amicus curiae* and reviewed by counsel, and that counsel for a party did not author this brief in whole or in part. Nor did counsel for a party make a monetary contribution intended to fund the preparation or submission of the brief. In addition, all parties have consented to the filing of this *amicus* brief, and their consent letters are on file with the Clerk's office.

they are also entrepreneurs and employees of firms that acquire, license, and market patented works.

IEEE-USA recognizes that the promotion of progress requires a delicate balance of these group interests, and IEEE-USA consistently speaks for that balance. When a decision threatens to disrupt the nation's intellectual property system, IEEE-USA respectfully believes that it has the experience and perspective to aid the Court as it interprets the law to achieve the constitutional directive of promoting progress. It has done so previously as an *amicus* in *Stanford v. Roche Molecular Systems, Inc.*, 131 S.Ct. 2188 (2011), *Bilski v. Kappos*, 130 S.Ct. 3218 (2010), *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722 (2002), and *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005), suggesting balanced approaches consistent with those adopted by the Court.

IEEE-USA recognizes the important role of judicial review, as established by Congress in the 1836 Patent Act, as a check on the PTO's judgment, procedural regularity, and patent quality. First, this case raises crucial questions concerning the nature and scope of a civil action pursuant to the Act and an inventor's rights upon judicial review. The Patent Act provides a statutory basis for a disappointed patent applicant to introduce new evidence, and to have the evidence reviewed *de novo* by a district court. Second, the case will help define the PTO Director's ultimate rule-making authority under the Administrative Procedure Act (APA), especially concerning patent application examination processes and judicial review. This case deals with important substantive and procedural questions regarding inventors' rights and patent law,

areas of law important to IEEE-USA's members and the innovation ecosystem for scientists, engineers, entrepreneurs, and investors.

### **SUMMARY OF ARGUMENT**

More than 175 years ago, Congress established a statutory framework permitting a disappointed inventor to obtain judicial review of a rejected patent application. This statutory framework authorizes a dual-track judicial review of the PTO's decision to reject a patent claim, with either an appeal to the Federal Circuit or a civil action in district court. All through this 175-year period, inventors have been permitted to introduce new evidence before the district court, as part of the civil action authorized by § 145 and its predecessors. The plain language of § 145, using such words as "civil action" and "as the facts may appear," draws a sharp contrast with §§ 141-144 and 5 U.S.C. § 706, which provide for "appeal" to the Federal Circuit on a "record" provided by the PTO. This Court and others federal courts have consistently concluded that the Patent Act permits the introduction of new evidence as part of a civil action, limited only by the Federal rules of procedure and evidence as they apply in any other civil action.

IEEE-USA believes that the scope and nature of a § 145 civil action should be left *status quo*. First, the long-standing interpretation of the Patent Act is supported by the plain text of the statute, the vast mainstream of canons and methodologies of interpretation employed by this Court, and a panoply of federal case law. Second, the PTO's procedures are inconsistent with the provisions of Chapter 5 of the Administrative Procedure Act (the provisions that

govern intra-agency adjudications. Thus § 706 is not always a good fit for review, and § 145 judicial review must provide a corresponding relief mechanism. Third, § 703 of the judicial review provisions of the APA carves out § 145 from the reach of closed-record, deferential review under § 706. Fourth, the consequences of narrowing the scope and nature of judicial review pursuant to a § 145 civil action are likely to have very negative and damaging effects on PTO operations and patent quality, in light of the whole of the patent system.

Accordingly, IEEE-USA asks this Court to reaffirm that an inventor in a § 145 action may introduce new evidence that could have been presented to the agency in the first instance. Second, when new evidence is introduced under § 145, the district court may decide *de novo* the factual questions to which the evidence pertains, without giving deference to the prior decision of the PTO.

The long-standing interpretation of § 145 of the Patent Act concerning the admissibility of evidence, as held by the Federal Circuit in *Hyatt en banc*, should remain in effect. Likewise the Court must permit the *de novo* review of an adverse Board decision, as advocated in Judge Newman's conclusion in her concurrence.

## ARGUMENT

### **I. The Proper Construction of Patent Act § 145 Permits an Inventor to Introduce New Evidence During a Civil Action and its De Novo Judicial Review.**

The U.S. Congress enacted the Patent Act, 35 U.S.C. §§ 1 *et seq.*, (the Act) to establish the rights of patent grantees and the procedures surrounding the patent examination and review process, pursuant to its authority under the Patent Clause, U. S. CONST., Art. I, § 8, cl. 8. In the course of the PTO's examination, a patent applicant must, *inter alia*, comply with the necessary statutory criteria to merit the grant of a patent.

The Patent Act provides that “[a] person shall be entitled to a patent unless,” § 102, the claimed invention lacks novelty or is obvious in view of the prior art, *id.* at §§ 102 and 103. Section 131 states that the PTO “shall cause an examination to be made of the application,” *id.* §131. The key questions of patentability, such as non-obviousness pursuant to § 103 and “written description” under § 112 ¶ 1, are largely factual inquiries. *Graham v. John Deere Co. of Kansas City*, 383 U. S. 1, 17, 18, (1952) (“[T]he scope and content of the prior art are . . . determined; differences between the prior art and the claims at issue are . . . ascertained.”) The PTO's determination of patentability often hinges on evidence proffered by the inventor and reviewed by the PTO, as the agency decision-maker.

More than a century before the 1946 enactment of the Administrative Procedure Act (APA), Congress

established judicial review of adverse PTO decisions through § 145's predecessor statutes. The *Hyatt en banc* opinion, parties, and *amici* describe the history of the Acts of Congress which gave rise to the modern § 145. *Hyatt v. Kappos*, 625 F.3d 1320, 1327 – 1330 (Fed. Cir. 2010). In 1836, Congress implemented a variety of major reforms to the U.S. patent system, including establishing the PTO and providing disappointed inventors the judicial review of a PTO adverse determination through the use of a “bill in equity” “whenever a patent on application shall have been refused on an adverse decision of a board of examiners.” Act of July 4, 1836, ch. 357, § 16, 5 Stat. 117. Congress continued to provide the judicial review of adverse decisions of the PTO through subsequent enactments. The 1839 Patent Act expanded the “bill in equity” to address “all cases where patent are refused for any reason whatever, either by the Commissioner of Patents or by the Chief Justice of the District of Columbia.” Act of March 2, 1861, ch. 88, § 2, 12 Stat. 246. The modern version of the statutory grant providing PTO judicial review may be traced to when Congress enacted the modern §145, as part of the 1952 Patent Act. At this juncture, in enacting the 1952 Patent Act, Congress used the term “civil action,” in drafting § 145, *in lieu* of the term “bill in equity.”<sup>2</sup>

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<sup>2</sup> The leading contemporary U.S. dictionary at that time of the 1952's Act enactment provided the following definition for “civil action” as “[a]n action, suit, or proceeding to enforce the private rights or redress the private wrongs of an individual, that is, one not involving a criminal proceeding.” WEBSTER'S NEW INTERNATIONAL DICTIONARY OF THE ENGLISH LANGUAGE 492 (G. & C. Merriam Co.) (2d ed. 1948). This authority was available to lawmakers enacting the 1952 Act, at the time. While some may read the term “civil action” narrowly, it simply means non-

### A. Statutory Construction of § 145.

The Patent Act represents the manifestation of Congress' legislative will, *inter alia*, concerning the design and structure of the patent system. The Act provides disappointed inventors a dual-track for judicial review of adverse decisions of the PTO: first, §§ 141-144 provide appellate review by the U.S. Court of Appeals for the Federal Circuit; and, second, § 145 provides for a "civil action" in district court. The Patent Act's text provides no express limitations on a disappointed inventor pursuing relief through § 145 from either introducing new evidence at the district court or obtaining its *de novo* review. Further, no conventional methodology of statutory construction leads to this conclusion. This task requires neither a strict nor a lenient construction of the Patent Act, merely a reasonable one.<sup>3</sup>

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criminal. Readers should be mindful that U.S. Patent Law historically has provided for the civil enforcement of patent rights. In contrast, other nations, such as Brazil, provide criminal sanctions for the violation of patent rights. (Art. 99 of the INDUSTRIAL PROPERTY LAW N° 9279/96 OF 14th MAY 1996 (Published on 15th May, 1996), Title V – Crimes Against Industrial Property - Brasil Patent Act, Article 183 – "A crime is committed against a patent of invention or a utility model patent by he who . . . [infringes] invention, without authorization of the patentee.")

<sup>3</sup> Section 145 is a remedial statute, as it provides judicial review from an adverse agency action. Many courts have applied the well-established canons permitting the liberal interpretation of remedial statutes.

This “water-and-oil” separation relationship between § 145 and the APA essentially codifies administrative law practices long held by this Court. In *Morgan v. Daniels*, 153 U. S. 120 (1894), the Court explained that the objective of an action under Revised Statutes § 4915 (1878) (R.S. 4915), § 145’s predecessor, was to “set aside” the determination made by the “executive department . . . charged with the administration of the patent system.” *Id.* at 124. In essence, Congress’ plan was permitting the set aside of a defective decision of an executive branch agency.

The statutory language is quite clear that a § 145 civil action is not an “appeal” or “review” in the APA sense, but a *de novo* civil action on an open record. Nothing in the plain text of § 145 displaces the ordinary meaning of the term “civil action” in the way suggested by the PTO. Rather, a comparison of the text of § 145 against § 141-144 and 5 U.S.C. § 706(2), which govern a direct appeal to the Federal Circuit, shows the “oil from water” separation and contrast:

- Sections 141-144 repeatedly use the words “appeal” and “review.” In contrast, § 145 never uses either “appeal” or “review” except to *contrast* appeal to the Federal Circuit. Section 145 instead provides “remedy by civil action.” This difference in language shows that Congress intended § 145 to be a trial court, *de novo* proceeding, while appeal to the Federal Circuit is to be conducted on “appeal” rules.
- The scope of subject matter is different. Section 143 states that the Director of the PTO shall submit in writing “the grounds for the decision of the PTO” and the court shall “address all the issues

involved in the *appeal*.” Section 143 aligns Federal Circuit review with the standard *Chenery* rule, which confines a court to review of the agency’s grounds.<sup>4</sup> In contrast, § 145 obligates the district court to “*adjudge* ... as the facts in the case may appear,” opening the proceeding to all relevant issues. (emphasis added).

- The relief is different. Section 144 only gives the Federal Circuit power to reverse the PTO’s current grounds, essentially a *vacatur* with leave to the PTO to re-reject on new grounds. (This is discussed further in Section I.B of this brief starting at page 15.) Section 144 aligns with the power to “set aside” agency action in § 706(2). In contrast, § 145 gives the district court the power to “authorize the Director to issue such patent”—relief that is unavailable under § 141-44 or § 706(2). This different relief calls for a deeper review, on an open record.
- Sections 143 and 144 provide that the PTO is to deliver a closed record to the Federal Circuit, parallel to § 706 which confines an APA review to “the whole record or those parts of it cited by a party.” In contrast, § 145 has no stated limit on the record, and invites proof of all “facts as they may appear.” The contrasting language implies that the record is open to both the PTO and to the inventor.

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<sup>4</sup>*SEC v. Chenery Corp.*, 318 U.S. 80, 95 (1943) (“an administrative order cannot be upheld unless the grounds upon which the agency acted in exercising its powers were those upon which its action can be sustained.”)

This Court has frequently recognized that the difference in statutory language creates a difference in procedure—the record is open, and the standard of review is *de novo*, to a preponderance of the evidence. *Dickinson v. Zurko*, 527 U.S. 150, 164 (1999) (Section 145 “permits the disappointed applicant to present to the court *evidence that the applicant did not present to the PTO . . . .* The presence of such new or different evidence *makes a factfinder of the district judge.*”) (emphasis added); *Hoover v. Coe*, 325 U.S. 79, 83 (1945) (“a formal trial is afforded on proof which may include *evidence not presented* in the Patent Office”) (emphasis added); *Butterworth v. Hoe*, 112 U.S. 50, 61 (1884) (“This 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 . . . [it is] not confined to the case made in the record* of that office, but it is prepared to be heard upon *all competent evidence* adduced, and *upon the whole merits.*”) (emphasis added); *Mazzari v. Rogan*, 323 F.3d 1000, 1004-05 (Fed. Cir. 2003) (“A section 145 review . . . affords the applicant an opportunity to *present additional evidence* or argue the previous evidence afresh” and “[i]f the parties *choose to present additional evidence* to the district court . . . the district court would make *de novo* factual findings.”) (emphasis added).

The modern version of §145 is largely unchanged since 1836, even though the successive statutes have been repeatedly amended to track system-wide changes in legal vocabulary, to substitute “civil action” for “bill in equity,” and to track reorganizations of the federal court systems, and the like. The U.S. Congress is currently contemplating a significant reform of the Patent Act, which would amend § 145 to have these

cases heard in the U.S. District Court for the Eastern District of Virginia. (H.R. 1249, 112<sup>th</sup> Cong. § 9 (2011), S. 23, 112<sup>th</sup> Cong. § 8 (2011)). In view of a century of Congressional acquiescence to courts' consistent interpretations of this statute, that *status quo* should not be disturbed.

Finally, § 145 is a remedial statute, as it provides judicial review from an adverse agency action. Remedial statutes are to be liberally construed. *Peyton v. Rowe*, 391 U.S. 54, 64 (1968).

**B. Intra-PTO Procedures Do Not Follow the APA Adjudicatory Model, so Some Recourse to *De Novo* Review on an Open Record is Necessary**

PTO proceedings are necessarily very different than proceedings in other agencies. PTO proceedings are not a gradual winnowing and narrowing of issues through an adversarial process between trained advocates. Rather, PTO proceedings have been analogized to the carnival game of “Whack-a-Mole”: the resolution of one ground of rejection merely causes the examiner to raise a new one, like a mole popping out of a new hole. Inventors are at the mercy of the PTO’s constant shifts in position—and those shifts persist to the final stage of proceedings.<sup>5</sup> The notion of “evidence that could have been presented” is all but meaningless at the PTO: inventors often have *no notice* of the issues during the open-record phase of PTO proceedings.

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<sup>5</sup> David Pressman, *Patent It Yourself*, at 339 13th ed. (Nol Press 2008).

Some part of this procedural deviation is a necessary evil, because of the PTO's unique role as a guardian of the public interest in an *ex parte* allocation of private rights. Because of this guardian role, the PTO frequently raises "new grounds of rejection" under 37 C.F.R. § 41.50(b), *injecting new evidence* adverse to the inventor, at the *very last stage* of agency proceedings, *after the intra-agency record is closed* to new evidence in favor of the inventor. Evidence for the pervasive aspects of this PTO practice is found in its appeal statistics indicating that in no less than 20%, and as much as 60%, of all cases decided by the Board, "new grounds of rejection" are invoked at the end of the appeal proceeding.<sup>6</sup> Because of the PTO's anomalous, asymmetric procedures, the law must provide the counterbalance of an open record, and consequently, *de novo* review.

The deviation from conventional APA Chapter 5 adjudication does not end with appeal. The law permits the PTO to reopen new issues *adverse to the inventor* at every phase. This includes the Board, despite statements and authority to the contrary. For example, in *In re Ruschig*, 379 F.2d 990, 992–93 (CCPA 1967), after an inventor's successful appeal to the Court of Customs and Patent Appeals, the PTO reopened prosecution, and re-rejected it, and on the

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<sup>6</sup> Ron D. Katznelson, Comments submitted to OMB under the Paperwork Reduction Act on USPTO appeal rules, (Nov. 17, 2008), at 5. <http://bitly.com/PRA-Appeal> (Figure 3 showing under the headings "remand" and "modified" the flow of Board decisions invoking new grounds of rejection which are 20% of Board decisions. In addition, parts of decisions under the "Reversal in full" heading (40%) are later rejected by the examiner under new grounds.)

second trip to the CCPA, the court affirmed the PTO's power to do so. When intra-agency adjudications do not fit into the normal APA Chapter 5 mold, limited § 706 review is a poor fit.

Inventors are at the mercy of procedures that depart from the normal “winnowing” model of adjudication contemplated by 5 U.S.C. §§ 555, 556, and 557, procedures that asymmetrically prejudice inventors during intra-agency procedures. Some of these departures are necessary, some persist simply because agencies tend to “fall into grooves . . . and when they get into grooves, then God save you to get them out.”<sup>7</sup> In § 145, Congress merely provided a procedural counterbalance by providing broader judicial review.

**C. Well-Established Canons of Statutory Construction Require that the term “Civil Action” Must Be Afforded a Single, Uniform Meaning Throughout the Patent Act**

The term “civil action” appears no fewer than ten times throughout the current Patent Act. The Act provides no express definition for the term. Accordingly the choice is either that the term “civil action” has one single, standard, uniform meaning throughout the Patent Act; or, in the alternative, the term “civil action” has multiple, and sometimes

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<sup>7</sup> *Ramaprakash v. Federal Aviation Admin.*, 346 F.3d 1121, 1122 (D.C. Cir. 2003) (Roberts, J.), *quoting* Learned Hand, Hearings to Study Senate Concurrent Resolution 21 Before a Subcommittee of the Senate Committee on Labor and Public Welfare, 82nd Cong., 1st Sess. 224 (1951).

contradictory meanings throughout the Patent Act. The latter proposition is a legal infirmity that violates well-established methodologies of statutory construction.

The Patent Act must be construed as a whole. *Coffin v. Ogden*, 85 U.S. 120, 124, 18 Wall. 120, 124 (1874) (*citing Gayler v. Wilder*, 10 How. 496 (1850)) (“The whole [Patent] act is to be taken together and construed in the light of the context. The meaning of these sections must be sought in the import of their language, and in the object and policy of the legislature in enacting them.”) The Patent Act uses the term “civil action” no fewer than ten distinct times, including

*Section 154. Appeal of Patent Term Adjustment Determination.* An applicant dissatisfied with a determination made by the Director under paragraph (3) shall have remedy by a civil action against the Director filed in the United States District Court for the District of Columbia . . . .

*Section 281. Remedy for infringement of patent.* A patentee shall have remedy by civil action for infringement of his patent.

*Section 291. Interfering patents.* The owner of an interfering patent may have relief against the owner of another by civil action . . . .

*Section 297. Improper and Deceptive Invention Promotion.* Any customer who enters into a contract with an invention promoter and who is found by a court to have been injured by any

material false or fraudulent statement or representation, or any omission of material fact, by that invention promoter may recover in a civil action against the invention promoter . . . ; and

*Section 317(b). Inter partes reexamination prohibited.* Once a final decision has been entered against a party in a civil action arising in whole or in part under section 1338 of title 28 . . . .

In each of the circumstances, a plaintiff seeks various remedies in federal court through a civil action. For the following reasons, it is obvious that the scope and nature of each district court civil action, *inter alia*, the introduction of new evidence, cannot vary from section to section.

The Patent Act is not an ink-blot where a term's meaning is in the eye of the beholder. The Court's methodology for interpreting statutes has warned against interpreting the identical term within the same act from having two different meanings. *Department of Revenue of Ore. v. ACF Industries, Inc.*, 510 U.S. 332, 342, 114 S.Ct. 843, 849, 127 L.Ed.2d 165 (1994) ("the 'normal rule of statutory construction' [means] that 'identical words used in different parts of the same act are intended to have the same meaning.'") (quoting *Helvering v. Stockholms Enskilda Bank*, 293 U.S. 84, 87 (1934) (quoting *Atlantic Cleaners & Dyers, Inc. v. United States*, 286 U.S. 427, 433, 52 S.Ct. 607, 609, 76 L.Ed. 1204 (1932). ("there is a natural presumption that identical words used in different parts of the same act are intended to have the same meaning.")); see

also *Brooke Group Ltd. v. Brown & Williamson Tobacco Corp.*, 509 U.S. 209, 230, 113 S.Ct. 2578, 2591, 125 L.Ed.2d 168 (1993) (“We adhere to ‘the normal rule of statutory construction that identical words used in different parts of the same act are intended to have the same meaning.’”) (quoting *Sullivan v. Strop*, 496 U.S. 478, 484 (1990) (internal quotations omitted)). In the alternative, two identical terms within the same statute may have different meanings based on some special qualifying text or, in unusual cases, some extrinsic or intrinsic support, such as legislative history. None is present here in connection with the Patent Act’s use of “civil action.”

We must be mindful that where the Patent Act provides for a plaintiff’s introduction of new evidence and *de novo* review in a statute via a term in one particular section, then widely used canons of interpretation require that it must be used consistently throughout, unless otherwise so drafted. The Court’s methodology for interpreting statutes has warned against interpreting a term within the same act having two separate meanings, without some special qualifying text or, in unusual cases, some extrinsic or intrinsic support, such as legislative history. None is present here in connection with the Patent Act’s invocations of “civil action.”

In the present instance, we can merely examine two instances of the Patent Act’s use of “civil action” to compare against the alleged meaning in § 145. Congress uses the term “civil action” in a broad sense, including patent infringement cases in the federal district court, § 281, and against unscrupulous invention promotion fraudsters, § 297. The Patent Act provides that these federal district court proceedings

will permit the plaintiff to introduce new evidence without qualification and be afforded *de novo* review. Once again, the true commonality of the use of “civil action” in the Patent Act is in the sense of an open-record district court proceeding.

In light of a reading of the Patent Act as a whole, any interpretation of “civil action” pursuant to § 145 in the narrow and limited sense is illogical and inappropriate. A proper construction will neither preclude a plaintiff’s introduction of new evidence nor prevent its *de novo* review. Any other reading is entirely inconsistent with these other Patent Act provisions and the respective meanings of “civil action” therein. It is a fatal legal infirmity and in violation of this Court’s long-accepted statutory construction methodology.

**D. The Government’s Interpretation of “Civil Action” Would Reduce § 145 to a Superfluity**

Recently in *Bilski v. Kappos*, 130 S.Ct. 3218 (2011), this Court adopted one of two statutory constructions by resort to a traditional canon of statutory interpretation, by rejecting a construction that “would violate the canon against interpreting any statutory provision in a manner that would render another provision superfluous . . . [t]his established rule of statutory interpretation cannot be overcome by judicial speculation as to the subjective intent of various legislators in enacting the subsequent provision.” *Id.* at 3229 (citing *Corley v. United States*, 556 U. S. \_\_\_, \_\_\_ (2009); *Hague v. Committee for Industrial Organization*, 307 U. S. 496, 529–530 (1939)). Through the Patent Act’s §§ 141 and 145, Congress provides

dual-track judicial review avenues for an inventor disappointed by an adverse PTO decision. The PTO's narrow and limited reading of § 145 precluding the introduction of new evidence would essentially create a duplicative judicial review process. This is because the inventor would be limited to essentially the same scope of evidence and nature of judicial review available on appellate review. As Judge Newman noted in her concurrence to the *en banc* opinion, "The statutory plan is designed to differ from such a duplicative procedure, not to create it." *Hyatt* at 1338 (Newman, J., concurring). See *Koki v. Dudas*, 556 F. Supp. 2d 41, 47 (D.D.C. 2008) ("render[ing] an appeal under section 145 nearly indistinguishable from a direct appeal to the Federal Circuit . . . would render the purpose of the statute duplicative and meaningless.")

The interpretative defect in reading §§ 141 and 145 as duplicative and redundant may also be illustrated by the ensuing impractical and illogical results for an inventor pursuing litigation. In the event that an inventor's choice of judicial review afforded under § 145 in the district court (where the record is closed and a *de novo* proceeding is unavailable). Simply put, no inventor would ever utilize the district court avenue if it were found to be redundant and duplicative. An inventor will always be better off pursuant to § 141 by seeking appellate review at the Federal Circuit, for example § 141 does not require payment of costs. Likewise, in the patent system, time is truly of the essence. The pursuit of a circuitous, time consuming civil action on a closed record will offer no benefit over a § 141 direct appeal. Worse, the extended delay will result in the term of a patent being truncated. An inventor will refrain from seeking the most time-

consuming and circuitous avenue, unless all other options are unavailable. Hence § 145 would be a redundant option, and thus statutorily meaningless. This resulting illogical and absurd consequence arising from the litigation dilemma is obvious and forbids such a reading of the statute.

Any proper reading of the APA must neither pursue a slavish adherence to an abstract theory of law nor misconstrue the statute in an effort to tackle alleged policy or operational issues. Here, Congress has in fact crafted a statutory plan permitting a dual-track judicial review process that entails a different scope and nature for each track. Congress' intent must be respected and is consistent with the teachings of this Court.

## **II. The APA Itself Exempts § 145 “Special Statutory Review” From Closed-Record, Deferential Review**

Congress established a special statutory review procedure for judicial review of a PTO adverse decision more than one hundred years before the Administrative Procedure Act (APA), 5 U.S.C. §§ 500 *et seq.* Several statutory provisions and holdings of this Court have noted that § 145 falls within the statutory carve-out from the closed-record, deferential review provisions of § 706.

In *Zurko*, the Court construed the APA's statutory plan for the review of agency fact finding. However, *Zurko* expressly *distinguished* § 145 civil actions from § 706/§ 141 appellate review by noting that § 145 “permits the disappointed applicant to present to the court evidence that the applicant did not present to the

PTO” and that “[t]he presence of such new or different evidence makes a factfinder of the district judge.” *Zurko*, 527 U.S. at 164.

**A. The Judicial Review Chapter of the APA Carves § 145 Out of the APA Closed-Record, Deferential Review Scheme**

The APA preserves statutory review mechanisms – including those that, allow for trial *de novo*, such as § 145. 5 U.S.C. § 703 provides that where an agency is subject to a *sui generis* “special statutory review,” the form of that review prevails, and that § 706 serves only as an interstitial “catch all” for issues that had not been reviewable before 1946:

§ 703. Form and venue of proceeding.

The form of proceeding for judicial review is the *special statutory review* proceeding relevant to the subject matter in a court specified by statute . . . in a court of competent jurisdiction  
 . . . .

5 U.S.C. § 703 (emphasis added).

Section 145 provides a full “civil action,” so the fallback of limited, closed-record, deferential review of § 706 simply does not apply.

Furthermore, the APA’s savings clause expressly provides that nothing in the judicial review provisions of the APA “limit[s] or repeal[s] additional requirements imposed by statute or otherwise recognized by law.” 5 U.S.C. § 559. In the present case, the operative APA provision contemplating a procedure “otherwise recognized by law” is § 145. As

noted in the Federal Circuit’s opinion, § 145 has been reenacted without material change since before 1946, and thus § 559 leaves previous procedure in place.

**B. The APA Cannot Restrict an Inventor’s Civil Action, Because the Board’s Procedures Place the Board within the APA’s Exceptions to § 706**

In *Zurko*, the Court reasoned that the APA had several purposes and goals, including (1) maintaining a uniform approach to judicial review of administrative action and (2) bringing uniformity to a full field of variation and diversity. A conclusion permitting a § 145 plaintiff to introduce new evidence and to obtain its *de novo* review are consistent with those goals. Under the Patent Act, all § 145 civil actions will be heard in a single venue – presently the U.S. District Court for District of Columbia.<sup>8</sup> Accordingly the Patent Act’s provision of a single venue preserves a uniform approach to judicial review of the PTO Board, and other important administrative law goals. Further, permitting an inventor to introduce new evidence in district court pursuant to § 145 serves an important administrative purpose. It will incentivize the PTO’s examining corps and the Board to have more thorough and robust procedures for identifying *all* grounds of rejection *early* during prosecution. It will

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<sup>8</sup> We observe that the U.S. Congress is currently contemplating a significant reform of the Patent Act, which would amend § 145 to have these cases heard in the U.S. District Court for the Eastern District of Virginia. (H.R. 1249, 112<sup>th</sup> Cong. § 9 (2011), S. 23, 112<sup>th</sup> Cong. § 8 (2011)). No legislative action has been directed to amending the definition of “civil action” or altering the related procedures.

level the playing field between the Board and the district court. This will enhance the PTO's thoroughness and competency. By permitting an inventor the opportunity to receive early notice of the grounds of rejection and introduce the same quantum of evidence sooner, rather than later, the record will be more inclusive and may even eliminate some costly §145 actions.

### **III. The PTO and the Patent System Will Both be Harmed by a Restrictive and Narrow Interpretation of § 145 Limiting Scope and Nature of Review**

Foreclosing an inventor from introducing new evidence in a § 145 civil action not only violates the statutory scheme, but has practical effects that are burdensome and harmful to the patent system, to PTO operations, and to patent quality. Restricting the scope and nature of a district court civil action would require inventors overwhelm the PTO with evidence and materials, and sharply increase costs for many of the thousands of inventors per year who do *not* bring § 145 actions. Further, such a restriction would disturb decades of expectations and reliance by the bar, bench, and agency regarding proper procedures during the application process.

IEEE-USA and its members neither condone inventor misconduct nor gamesmanship at the PTO. On appeal, we advocate a balanced approach allowing new evidence pursuant to § 145, provided it is subject to checks and balances, such as the Federal rules of evidence and civil procedure. Further, in some instances the PTO may be able to regulate its practitioners and guard against the true bad actors

(See 35 U.S.C. § 2(b)(2)(d); PTO Rule 56; 37 C.F.R. § 1.56(1992))). However, a categorical or a bright line preclusion of new evidence that “could” have been presented in a civil action is unworkable for the innovation ecosystem because it requires impossible inventor foresight, immense prophylactic expense, and complexity. Balance often requires good judgment. As the Federal Circuit original three-judge *Hyatt* panel acknowledged, “beyond a certain point, how much more evidence to submit is in large part a determination for which a patentee and his agents must use good judgment.” *Hyatt v. Doll*, 576 F.3d 146, 1274 (Fed. Cir. 2009)(*vacated*). Practitioners note a variety of reasons that a plaintiff pursuing state of the art technology may justifiably seek the introduction of new evidence, including:

later-discovered prior-art, testimony of an expert on the person of ordinary skill in the art, and/or experimental test that could have been run while the application was before the PTO but was foregone in the hope that the test expense could have been avoided.

Whitmer and Crall, *Is A § 145 Action More A “Trial” in the District Court or an Appeal in a Circuit Court?* The Federal Circuit Answers in Favor of Trial, INTELL. 23 PROP. & TECH. L.J. 15, 18 (2011). As previously stated, a major goal of IEEE-USA is ensuring that the system offers the correct balance.

This fear has been realized. Several previous well-meaning law changes have had the unintended consequence of inventors flooding the PTO with prophylactic evidence, sometimes requiring a Congressional remedy. It is akin to an issue which

required Congress to address in the mid-2000s. For example, patent reexamination is an administrative proceeding whereby the PTO will re-examine a granted patent's validity in light of any newly arising question, grounded on evidence of patentability. (*see* 35 U.S.C. §§ 302 *et seq.*) In 1997, in *In re Portola Packaging Inc*, 110 F.3d 786 (Fed. Cir. 1997) the Federal Circuit interpreted the reexamination statute to provide that a prior art reference cited during ordinary prosecution of a patent application could not be used to attack the issued patent in a subsequent reexamination. *Id.* at 791.

Because *Portola* effectively insulated a patent from attack, the patent bar reacted by filing numerous, as many as hundreds, of prior art references during initial patent application. This severely impacted the patent system and the PTO and resulted in a series of Congressional hearings. The U.S. House Judiciary Committee heard testimony about this practice, considered legislative amendments, and reported the following:

This court-imposed standard has frustrated members of the public. It has also lead to abuse by patent agents and lawyers who are gaming the system in place. Earlier this Spring . . . the Subcommittee heard testimony that some applications may include *hundreds of prior art references*, knowing that the PTO examiner has only a few precious hours to review the application before she is required to make a decision on its grant. Therefore, a weak patent application may be prepared in a fashion so that the resulting patent would likely be insulated from subsequent review through reexamination

even if there was a “smoking gun” bearing on its validity. This frustrates the goals of Congress behind the [Patent] statutes . . .

House Rep. 107-120, Substantial New Question of Patentability in Reexamination Proceeding, 1<sup>st</sup> Sess., 107<sup>th</sup> Cong., June. 28, 2001 (emphasis added). The problem of applicants overwhelming the PTO with evidence submissions was addressed by a Congressional amendment to 35 U.S.C. § 303 in 2002. It hence discouraged applicants from overwhelming the PTO with prior art references to insulate oneself from the threat of a reexamination.

The consequence of adopting a closed-record, deferential standard for § 145 civil action will incentivize inventors to file a large amount of evidence—*sometimes hundreds of prior art references*—in anticipation of a new ground of rejection popping up in the Board’s decision. Inventors will inevitably file more evidence, including costly affidavits. This will increase the size and expense of applications. The burdens on the PTO will mount, as it will result in patent examiners having more evidence to review in the precious time allotted for each application. As other *amici* have noted, “this will place extreme strain on the PTO and cause unnecessary delay.” *Br. of Amicus Curiae Fédération Internationale Des Conseils En Propriété Industrielle in Support of Neither Party on Rehearing en Banc*, 2010 WL 2625004 at \*10 (C.A.Fed.)(Apr. 7, 2010).

The obvious connection between PTO operations and patent quality are well-known. In 2002, the then-Under Secretary and PTO Director testified regarding the impending PTO operational and workload crisis

before a House of Representatives Judiciary Subcommittee:

The increasing volume and complexity of our workload poses serious issues for the USPTO. Some might even use the word “crisis.” . . . I believe that the challenges the USPTO faces today while similar to the situations in the mid-1960s and early 1980s, are on a much larger scale . . . .

U.S. Patent and Trademark Office: Operations and Fiscal Year Year 2003 Budget: Before the H. Judiciary Subcomm. On Courts, the Internet, and Intellectual Property, 107<sup>th</sup> Cong. 7 (2002) (prepared statement of the Under Secretary of Commerce and Director of the USPTO).

The “front-end” of the § 145 civil action review issue may appear modest. The PTO explains that on average fewer than 10 such cases are filed per year *See Br. for the Director of the United States Patent and Trademark Office on Rehearing en Banc* 2010 WL 2625006 \*40 n.11 (Fed. Cir.) (May 3, 2010). However, the “back-end” of the problem is that annually more than 400,000 new patent applications are filed with the PTO. *See USPTO ANNUAL PERFORMANCE AND ACCOUNTABILITY REPORT: FISCAL YEAR 2010* at 126 available online at <http://www.uspto.gov/about/stratplan/ar/2010/USPTOFY2010PAR.pdf> (hereinafter APAR-2010). A judicial change to long-standing and relied upon procedures would likely have a modest impact on judicial economy since the current system results in a tiny number of §145 actions. However, because of the disparity in numbers of applications to number of § 145 actions, even a small

change in inventor prophylactic behavior will have a much larger effect on PTO workload, stifle PTO operations, and erode patent quality.

In response to those who wish to disturb the long-standing conclusion of this Court and the Federal Circuit's interpretation of § 145 to preclude a plaintiff from introducing new evidence or prevent a *de novo* hearing upon judicial review, they must carefully consider the likely consequences arising from the whole of the Patent Act. If any change is needed to § 145, it is best addressed by Congress, in light of the impact on the patent system as a whole. Of course, the nature of the district court proceeding and review of newly introduced evidence can easily be moderated by the Federal Circuit and this Court, *Zurko* at 164 (“nothing in this opinion prevents the Federal Circuit from adjusting the standard of review where necessary”), and subject to the Federal Rules of Evidence and Federal Rules of Civil Procedure. *Hyatt*, 625 F.3d at 1338.

Opponents should see no flaw in leaving such matters in the hands of the judiciary. This Court has observed, “[i]t cannot be too often repeated that judges are not automata. The ultimate reliance for the fair operation of any standard is a judiciary of high competence and character and the constant play of an informed professional critique upon its work.” *Universal Camera Corp. v. Labor Bd.*, 340 U.S. 474, 489 (1951). It is certain the district court judges can properly review actions of the PTO and manage a plaintiff's evidentiary considerations based on the long-standing and proper interpretation of §145.

**CONCLUSION**

For the foregoing reasons, the IEEE-USA therefore respectfully asks this Court to preserve a 175-year-old *status quo*: in a § 145 civil action, an inventor should be permitted to introduce new evidence, and obtain *de novo* review of an adverse PTO Board decision.

Respectfully submitted,

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