

No.

In the Supreme Court of the United States

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

v.

GILBERT P. HYATT

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

PETITION FOR A WRIT OF CERTIORARI

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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 Section 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.

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The Acting Solicitor General, on behalf of the Director of the United States Patent and Trademark Office (PTO), respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The opinion of the en banc court of appeals (App., *infra*, 1a-80a) is reported at 625 F.3d 1320. The opinion of the court of appeals panel (App., *infra*, 81a-172a) is reported at 576 F.3d 1246. The opinion of the district court (App., *infra*, 173a-199a) is unreported. The order of the Board of Patent Appeals and Interferences (App., *infra*, 200a-254a) is unreported.

JURISDICTION

The judgment of the court of appeals was entered on November 8, 2010. On January 26, 2011, the Chief Justice extended the time in which to file a petition for a writ of certiorari to and including March 8, 2011. On February 25, 2011, the Chief Justice further extended the time to and including April 7, 2011. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATUTORY PROVISION INVOLVED

The pertinent statutory provision is reprinted in the appendix to this petition (App., *infra*, 280a).

STATEMENT

1. a. The PTO is the agency “responsible for the granting and issuing of patents.” 35 U.S.C. 2(a)(1). When an inventor applies for a patent, the PTO undertakes an examination process to determine whether a patent should issue. 35 U.S.C. 131. An examiner with expertise in the relevant technological fields analyzes the application and the invention it describes, as well as the prior art in the field, in order to determine whether the statutory requirements for patentability are satisfied. *Ibid.*; PTO, U.S. Dep’t of Commerce, *Manual of Patent Examining Procedure* §§ 704-706, 903.08(e), 904-904.02 (8th ed. Rev. 8, July 2010).

A number of statutory prerequisites must be satisfied before a patent may issue. *Inter alia*, an invention must consist of patent-eligible subject matter, 35 U.S.C. 101; and it must be novel, see 35 U.S.C. 102, and non-obvious, 35 U.S.C. 103(a). The patent’s specification must contain a written description of the invention “and of the manner and process of making and using it,” and it must enable a person of ordinary skill in the art to

“make and use the same.” 35 U.S.C. 112. In applying those requirements, the PTO may make a number of factual determinations regarding, *inter alia*, the nature of the invention’s advancement over existing technology, the level of ordinary skill in the art, and the way in which a person of ordinary skill would understand the patent’s specification. See, *e.g.*, *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966). Certain patentability requirements, such as whether the claims are supported by adequate written description, see 35 U.S.C. 112, are pure questions of fact. See *Cordis Corp. v. Boston Scientific Corp.*, 561 F.3d 1319, 1331-1332, 1335 (Fed. Cir.), cert. denied, 130 S. Ct. 748, and 130 S. Ct. 749 (2009).

If the examiner denies a patent application, the applicant may appeal the decision to the PTO’s Board of Patent Appeals and Interferences (Board). See 35 U.S.C. 6 (2006 & Supp. III 2009); 35 U.S.C. 134. The Board is composed of “administrative patent judges” who possess “competent legal knowledge and scientific ability.” 35 U.S.C. 6(a) (Supp. III 2009). An applicant who believes the Board’s decision is erroneous may file a request for Board rehearing. 37 C.F.R. 41.52. Alternatively, an applicant who wishes to overcome the Board’s decision by introducing new evidence of patentability before the PTO may file a request for continued examination, 37 C.F.R. 1.114, or a continuation application, 37 C.F.R. 1.53(b); see also 35 U.S.C. 120. In either case, the examiner considers the application in light of the new evidence, and the applicant may appeal the examiner’s decision to the Board.

b. An applicant aggrieved by the Board’s final determination may obtain judicial review through either of two avenues. 35 U.S.C. 141-145. The applicant may directly “appeal the decision to the United States Court of

Appeals for the Federal Circuit,” 35 U.S.C. 141, which “review[s] the [Board’s] decision * * * on the record before the [PTO],” 35 U.S.C. 144. In Section 141 proceedings, the Federal Circuit reviews the PTO’s decision under the deferential standards that govern judicial review of final agency action under the Administrative Procedure Act (APA), 5 U.S.C. 701 *et seq.* See *Dickinson v. Zurko*, 527 U.S. 150, 154-165 (1999).

Alternatively, an unsuccessful applicant may “have remedy by civil action against the Director” of the PTO in the District Court for the District of Columbia. 35 U.S.C. 145. In such an action, the “court may adjudge that such applicant is entitled to receive a patent for his invention, as specified in any of his claims involved in the decision of the [Board], as the facts in the case may appear.” *Ibid.* This Court has observed that, in some circumstances, Section 145 “permits the disappointed applicant to present to the court evidence that the applicant did not present to the PTO,” which “makes a factfinder of the district judge.” *Zurko*, 527 U.S. at 164. The Court in *Zurko* did not, however, address the circumstances in which new evidence may be admitted in a Section 145 suit. See *ibid.*

c. Section 145 is the current embodiment of a statutory provision that has authorized judicial review of PTO (or Patent Office) decisions in district court since 1836, when Congress first created an agency responsible for the examination of patents. Patent Act of 1836, ch. 357, § 16, 5 Stat. 123. See generally *Hoover Co. v. Coe*, 325 U.S. 79, 84-87 (1945). Eventually codified at Rev. Stat. § 4915 (1878) (R.S. 4915), the provision permitted an action (called a “bill in equity”) to obtain review of “all cases where patents are refused for any reason whatever,” Act of Mar. 3, 1839, ch. 88, § 10, 5 Stat. 354, in-

cluding both patent denials and priority determinations made after “interference” proceedings, see 35 U.S.C. 135.

Until 1927, an unsuccessful patent applicant could file a bill in equity in district court under R.S. 4915 only after obtaining initial judicial review in the courts of the District of Columbia. See *Hoover Co.*, 325 U.S. at 85-86; App., *infra*, 97a-101a. In 1927, Congress amended the statutory scheme to permit a disappointed applicant to “have the decision of the Patent Office reviewed either by the court of appeals or by filing a bill in equity, but not both.” *Hoover Co.*, 325 U.S. at 87 (citation omitted); see Act of Mar. 2, 1927, ch. 273, § 8, 44 Stat. 1336. In the 1952 Patent Act, Congress divided R.S. 4915 into two sections—Section 145, governing *ex parte* proceedings, and Section 146, governing interferences—and indicated that “no fundamental change” was intended “in the various appeals and other review of Patent Office action.” S. Rep. No. 1979, 82d Cong., 2d Sess. 7 (1952).

2. a. Respondent is the named inventor of the invention disclosed in the patent application at issue in this case, known as the ’702 application. App., *infra*, 3a. The invention relates generally to a computerized display system for processing image information. *Ibid.*

Respondent filed the ’702 application in 1995. After a series of amendments, he deleted the original claims in the application and presented 117 new claims for examination. App., *infra*, 177a; C.A. App. A11009-A11087. Concerned that the amendment was not supported by the original application, see 35 U.S.C. 132(a) (barring amendments introducing “new matter”), the PTO examiner directed respondent to “point out where in the specification support may be found” for the new claims. C.A. App. A10493; see 37 C.F.R. 1.105(a)(1). Finding respon-

dent's submission insufficiently specific, the examiner rejected all 117 claims under 35 U.S.C. 112 for lack of an adequate written description. App., *infra*, 4a.

b. Respondent appealed to the Board. The Board noted that respondent's appellate submission did not identify any support in the specification for the rejected claims beyond a table showing where certain terms appeared in the specification. See App., *infra*, 213a, 218a-219a; see also *id.* at 260a. Stating that "merely pointing to isolated words scattered throughout the specification does not describe the invention claimed as a combination of elements, functions, and interconnections, anymore than a dictionary provides written description support for a book where words are used in combination to provide a certain meaning," the Board concluded that respondent had failed to refute the examiner's findings under Section 112. *Id.* at 213a. The Board nevertheless conducted its own search of the specification for supporting disclosures. *Id.* at 219a-240a; see *id.* at 257a ("This panel spent three weeks considering the 238 page specification, the 42 drawing figures, the 128 page appeal brief, and the 64 page reply brief as applied to 54 independent claims and 63 dependent claims in writing our original decision."). The Board ultimately found adequate support for 38 claims, but affirmed the examiner's rejection of 79 claims for lack of written description.¹ *Id.* at 252a-253a.

Respondent filed a request for rehearing before the Board and offered, for the first time, claim-by-claim responses to the examiner's written-description rejections. See App., *infra*, 257a. The Board denied reconsidera-

¹ The Board reversed the examiner's rejections based on obviousness, anticipation, and other grounds not at issue here. App., *infra*, 5a.

tion, explaining that under PTO rules, respondent had forfeited his written-description arguments by failing to present them in his appeal brief. *Id.* at 256a; see 37 C.F.R. 41.37(c)(1)(vii) (arguments not presented to the Board in appeal briefs are waived).

3. Respondent sought judicial review of the PTO's decision in federal district court under 35 U.S.C. 145. The Director moved for summary judgment, arguing that the Board's findings on the written-description issue were supported by substantial evidence in the record. App., *infra*, 6a. In response, respondent submitted his own written declaration, in which he identified portions of the specification that, in his view, supported the claims held invalid by the Board. *Ibid.*; see *id.* at 261a-279a. The Director urged the district court not to consider the declaration because respondent had failed, without reasonable excuse, to provide the same information to the agency.

The district court excluded respondent's declaration, concluding that Section 145 does not permit a plaintiff to introduce new evidence that he had a reasonable opportunity to present to the PTO during the administrative process. App., *infra*, 173a-199a. Finding no basis in the administrative record for disturbing the Board's findings, the court granted summary judgment to the Director. *Id.* at 190a-199a.

4. A panel of the court of appeals affirmed. App., *infra*, 81a-172a. The panel explained that Congress could not reasonably have intended "to allow a patent applicant in a § 145 action to introduce new evidence with no regard whatsoever as to his conduct before the PTO." *Id.* at 146a. The panel emphasized that "it has been the general practice of federal courts for over eighty years in certain circumstances to exclude evi-

dence which a party could and should have introduced before the Patent Office but did not despite an obligation to do so.” *Id.* at 121a. Judge Moore dissented. *Id.* at 149a-172a.

5. a. The court of appeals granted rehearing en banc and reversed the district court’s grant of summary judgment. The en banc court held that Section 145 permits patent applicants to challenge the Board’s determination based on any evidence admissible under the Federal Rules of Evidence, even if the applicant had no justification for failing to provide the evidence to the agency. App., *infra*, 21a. The court stated that Section 145 “provides no indication that this civil action is somehow different from a customary civil action,” *id.* at 11a-12a, and that “[w]here [a] statute permits a ‘civil action’ in relation to agency actions, the Supreme Court has held that this amounts to a trial de novo,” *id.* at 30a (citing *Chandler v. Roudebush*, 425 U.S. 840 (1976)). The court also relied on testimony by witnesses during congressional hearings preceding the 1927 revisions to the Patent Act, in which opponents of R.S. 4915 characterized the provision as permitting a “de novo” proceeding in district court. See App., *infra*, 14a-17a. The court viewed that testimony as indicating that Congress understood R.S. 4915 to “allow[] an applicant to introduce new evidence in district court, regardless of whether that evidence had been provided to the Patent Office in earlier proceedings.” *Id.* at 17a.

The court of appeals further held that “once an applicant introduces new evidence on an issue, the district court reviews that issue de novo,” App., *infra*, 2a, and makes “de novo fact findings if the evidence conflicts with any related [PTO] finding,” *id.* at 32a. In the court’s view, permitting de novo review when new evi-

dence is introduced does not conflict with “principles of deference to agency fact finding” because a deferential “court/agency standard of review” applies when the applicant does not offer new evidence. *Id.* at 31a; see *id.* at 30a. The court also noted that a 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.* at 28a. The en banc court accordingly vacated the district court’s grant of summary judgment to the PTO, and remanded for further proceedings. *Id.* at 34a-35a.

b. Judge Newman concurred in part and dissented in part. App., *infra*, 36a-43a. She agreed with the majority that Section 145 authorizes the admission of new evidence without regard to the applicant’s conduct before the PTO, but she would have held that Section 145 authorizes de novo review even when the applicant does not introduce new evidence. *Id.* at 38a.

c. Judge Dyk, joined by Judge Gajarsa, dissented. App., *infra*, 44a-80a. The dissenting judges described the en banc court’s decision as “a remarkable departure from settled principles of administrative law” and “yet another misguided effort to craft special rules for patent cases that the Supreme Court in other cases has held to be impermissible.” *Id.* at 44a, 46a (citing *Zurko*, 527 U.S. at 152). They emphasized that courts historically had limited the admissibility of new evidence in Section 145 proceedings, and that Congress has often provided for deferential review in civil actions brought in district court. *Id.* at 53a-78a. They would have held that Section 145 does not permit a disappointed patent applicant to introduce new evidence that could have been submitted to the PTO. *Id.* at 51a-52a. In the dissenting judges’ view, “[t]he majority opinion invites applicants to delib-

erately withhold evidence from the PTO in favor of a more hospitable district court forum,” *id.* at 46a, particularly “in those circumstances where an expert agency would reject the evidence but a non-expert district court might be convinced to accept it,” *id.* at 80a.

REASONS FOR GRANTING THE PETITION

The court of appeals’ decision disregards fundamental principles of administrative law and statutory construction, and encourages applicants to withhold relevant evidence from the expert agency charged by Congress with responsibility for the disposition of patent applications. The court’s decision allows a plaintiff to challenge the agency’s considered determination based on evidence that the plaintiff could have provided to the administrative tribunal, and it rewards that conduct by permitting the district court to engage in *de novo* review of the relevant issues once new evidence is introduced. The decision is at odds with this Court’s interpretation of the predecessor to 35 U.S.C. 145, see *Morgan v. Daniels*, 153 U.S. 120, 124 (1894); it is inconsistent with the views of the regional circuit courts that construed Section 145 and its predecessor provisions before the creation of the Federal Circuit; and it undermines the PTO’s exercise of its statutory responsibilities by encouraging applicants to withhold evidence from the agency.

The questions presented are sufficiently important to warrant this Court’s plenary review. Those questions are related, however, to the issue that is currently pending before this Court in *Microsoft Corp. v. i4i Ltd. Partnership*, No. 10-290 (oral argument scheduled for Apr. 18, 2011) (*Microsoft*), which concerns the standard of proof to be applied when a defendant in a patent-

infringement suit asserts that the relevant patent is invalid based on evidence that the PTO did not consider in the examination process. Like a defendant who challenges the validity of a patent in infringement litigation, a Section 145 plaintiff seeks to overturn the PTO's disposition of a patent application, and principles of administrative deference should inform the nature and scope of judicial review in both contexts. See *Morgan*, 153 U.S. at 123-124. It would therefore be appropriate in the first instance to hold this petition pending the Court's decision in *Microsoft*.

I. THE COURT OF APPEALS' DECISION DISREGARDS FUNDAMENTAL PRINCIPLES OF ADMINISTRATIVE LAW AND DEPARTS FROM THE PREVAILING UNDERSTANDING OF SECTION 145'S PREDECESSOR STATUTE

A. The Regime Established By The Court Of Appeals Conflicts With Established Administrative-Review Principles

Section 145 permits a patent applicant "dissatisfied with the decision" of the PTO to seek a "remedy by civil action against the Director" in district court. 35 U.S.C. 145. More than a century ago, this Court held that a suit under Section 145's predecessor, R.S. 4915, is not a free-standing cause of action to obtain a patent, but is rather "an application to the court to set aside the action of one of the executive departments of the government." *Morgan*, 153 U.S. at 124. Because the decision to deny a patent or award priority is made by "[t]he one charged with the administration of the patent system" after "finish[ing] its investigations and ma[king] its determination," *ibid.*, the agency's determination should be overturned only if its error "is established by testimony which in character and amount carries thorough convic-

tion.” *Id.* at 125. When the evidence is “doubtful, the decision of the Patent Office must control.” *Ibid.* Consistent with those principles, this Court has held that when a disappointed patent applicant challenges the PTO’s denial through a direct appeal under Section 141, the PTO’s decision is final agency action that must be reviewed under the APA’s deferential standards. See *Dickinson v. Zurko*, 527 U.S. 150, 154-165 (1999).

In the en banc court of appeals’ view, the fact that the plaintiff in a Section 145 suit is sometimes permitted to introduce new evidence “distinguishes a civil action under § 145 from an appeal” in which a deferential standard of review would be appropriate. App., *infra*, 2a. That analysis is misconceived. To be sure, the potential for introduction of new evidence in a Section 145 suit reflects a limited exception to the usual rule that judicial review of agency action is confined to the administrative record. That limited exception, however, does not alter the fundamental character of a Section 145 suit as a request to set aside the decision of an expert agency made within the scope of its delegated authority. Nor does it justify the en banc court’s wholesale disregard of other background principles that govern judicial review of agency action. Those principles counsel that, even when judicial review is conducted under a statutory provision that does not wholly bar the introduction of new evidence, the plaintiff must first present his evidence to the agency when that opportunity is reasonably available, and the court’s review must reflect appropriate deference to the agency’s expertise and statutory authority.

1. *Permitting introduction of new evidence that could have been presented to the agency conflicts with administrative-exhaustion principles*

Ordinarily, an applicant before an agency must provide a complete presentation of his arguments and evidence, thereby affording the agency a full opportunity to apply its judgment and expertise to the issues at hand, before seeking judicial review of the agency's decision. *McKart v. United States*, 395 U.S. 185, 193 (1969); see *Citizens to Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402, 413-414 (1971). Judicial review then takes place using the existing administrative record, and when material new evidence bearing on the agency's determination is brought to the court's attention, the proper course is generally "to remand to the agency for additional investigation or explanation." *Florida Power & Light Co. v. Lorion*, 470 U.S. 729, 744 (1985); see *Tagg Bros. & Moorhead v. United States*, 280 U.S. 420, 445 (1930). The requirement of administrative exhaustion permits the agency to "develop the necessary factual background upon which decisions should be based" and gives the agency the opportunity to "apply[] a statute in the first instance." *McKart*, 395 U.S. at 193-194; see *McCarthy v. Madigan*, 503 U.S. 140, 145 (1992) (Exhaustion concerns have "particular force * * * when the agency proceedings in question allow the agency to apply its special expertise."). The exhaustion requirement also ensures that the agency is "given a chance to discover and correct its own errors" and prevents "frequent and deliberate flouting of administrative processes." *McKart*, 395 U.S. at 195.

Contrary to the court of appeals' view, those rationales are not rendered inapposite simply because Section 145 does not wholly preclude the introduction of

new evidence. Section 145 provides a safety valve in the situations where a disappointed patent applicant had no reasonable opportunity to present particular relevant evidence to the PTO. With respect to evidence that *could* have been submitted to the agency, however, the reasons for treating exhaustion as a prerequisite to consideration of the evidence by a reviewing court apply with full force here. Congress conferred patent examination authority on the PTO, and it required that examiners and Board judges have extensive technical expertise. As applied in this setting, exhaustion principles serve their usual purpose of protecting the expert agency's ability to consider the full range of relevant information and to correct any errors that may occur at lower levels of the administrative process.

The court of appeals disregarded these principles by creating a regime in which a patent applicant may purposefully withhold relevant evidence from the PTO in order to present that evidence to a non-expert judge, who then must evaluate the evidence without the benefit of the agency's expert judgment. That system undermines Congress's decision to entrust the issuance of patents to an expert agency. See *United States v. Carlo Bianchi & Co.*, 373 U.S. 709, 717 (1963) (Congress's purpose "would be frustrated if either side were free to withhold evidence at the administrative level and then introduce it in a judicial proceeding."). It also hinders the PTO's effectiveness by excusing violations of the PTO's own rules of practice. Those rules provide that arguments not timely presented to the Board are forfeited, see 37 C.F.R. 41.37(c)(1)(vii), and they limit the circumstances in which new evidence may be submitted after an appeal has been taken, see 37 C.F.R. 41.33(d)(1); see also 37 C.F.R. 41.39(b)(1), 41.50(a)(2)(i)

and (b)(1). Moreover, the PTO's procedures permit applicants who have received an adverse Board decision to introduce new evidence of patentability to the PTO before seeking judicial review, by filing a request for continued examination or a continuation application. See 37 C.F.R. 1.53(b), 1.114. When these procedures are available, they provide applicants with a means of alerting the PTO to new evidence and persuading the agency to correct its errors without resorting to judicial review. Exhaustion principles are disserved if applicants are encouraged to bypass the agency's examination procedures in favor of district-court review.

Relying on *Chandler v. Roudebush*, 425 U.S. 840 (1976), the court of appeals stated that “[w]here the statute permits a ‘civil action’ in relation to agency actions, the Supreme Court has held that this amounts to a trial de novo” in which “the admission of new evidence” is “subject only to the Federal Rules of Evidence and Civil Procedure.” App., *infra*, 30a. The en banc court's reliance on *Chandler* was misplaced. The Court in *Chandler* held that Title VII of the Civil Rights Act of 1964, 42 U.S.C. 2000e *et seq.*, conferred on federal employees the right to “trials *de novo*” on their discrimination claims, rather than simply to “‘substantial evidence’ review” of “administrative dispositions of federal employee discrimination complaints.” 425 U.S. at 863. As the dissent below explained, however, the Court did not base that conclusion on the statute's use of the term “civil action” standing alone. Rather, the Court relied on the facts that Title VII gave federal workers the *same* right as private-sector employees to file suit alleging unlawful employment discrimination, and that private-sector employees had an unquestioned right to

trial de novo. See *id.* at 844-846, 863; App., *infra*, 59a-60a (distinguishing *Chandler*).

The PTO's disposition of patent applications, by contrast, has no private-sector analogue, and the en banc court identified no structural feature of the Patent Act (beyond Section 145's use of the term "civil action") suggesting an exception to usual exhaustion principles. The mere fact that Section 145 provides for review in district court rather than in a court of appeals does not render those principles inapplicable. See *Carlo Bianchi & Co.*, 373 U.S. at 715 (stating that "the function of reviewing an administrative decision can be and frequently is performed by a court of original jurisdiction as well as by an appellate tribunal"). This Court's decisions further establish that, absent evidence of contrary congressional intent, see pp. 22-23, *infra*, a statute authorizing a civil suit in district court to challenge an agency's action should not be interpreted to permit a plenary proceeding involving the unrestricted introduction of new evidence. *Ibid.*; *Tagg Bros. & Moorhead*, 280 U.S. at 443-445; see, e.g., *Consolo v. Federal Mar. Comm'n*, 383 U.S. 607, 619 n.17 (1966).

2. *Permitting de novo review of issues involving new evidence conflicts with longstanding principles of administrative deference*

Having allowed respondent to introduce new evidence that could have been presented to the PTO, the court of appeals compounded its error by directing the district court to "make de novo fact findings with respect to factual issues to which the new evidence relates." App., *infra*, 31a. That holding conflicts with the longstanding rule that a court reviewing an agency's conclusions "is not generally empowered to conduct a *de*

novo inquiry into the matter being reviewed and to reach its own conclusions based on such an inquiry.” *Lorion*, 470 U.S. at 744; see *INS v. Orlando Ventura*, 537 U.S. 12, 16 (2002) (per curiam). Because most questions of patentability are “either entirely factual or ha[ve] factual components,” see App., *infra*, 47a (Dyk, J., dissenting), the en banc court’s approach permits the district court to substitute its judgment for that of the PTO not only on subsidiary factual issues where the new “evidence conflicts with any related Patent Office finding,” *id.* at 32a, but also on ultimate questions of patentability such as anticipation or the adequacy of the written description, both of which are questions of fact. See *Cordis Corp. v. Boston Scientific Corp.*, 561 F.3d 1319, 1331-1332, 1335 (Fed. Cir.), cert. denied, 130 S. Ct. 748, and 130 S. Ct. 749 (2009).

The en banc court of appeals viewed its approach as consistent with “principles of deference to agency fact finding” because the court would apply *de novo* review only “[w]hen new evidence is introduced” and would apply the deferential APA standard “when no party introduces new evidence.” App., *infra*, 31a-32a. In fact, that two-tiered approach exacerbates the ill effects of the court’s erroneous determination that the plaintiff in a Section 145 suit may introduce new evidence that he failed without cause to present during the administrative proceedings. By holding that a more plaintiff-friendly standard of review applies in new-evidence cases, even when the plaintiff had a reasonable opportunity to present the relevant information to the agency, the en banc court of appeals created an affirmative incentive for patent applicants to withhold relevant evidence from the PTO in order to improve their chances of success in court. And as the dissenting judges recog-

nized, that incentive will be especially strong “in those circumstances where an expert agency would reject the evidence but a non-expert district court might be convinced to accept it.” *Id.* at 80a.²

B. Before Congress Reenacted R.S. 4915 As Section 145 Of The 1952 Patent Act, Courts In R.S. 4915 Proceedings Consistently Limited The Introduction Of New Evidence And Applied A Deferential Standard Of Review

The court of appeals believed that its approach was justified because Section 145’s predecessor (R.S. 4915) had been construed to permit the district court to consider evidence beyond the administrative record. App., *infra*, 12a-21a; see *Zurko*, 527 U.S. at 164; *Hoover Co. v. Coe*, 325 U.S. 79, 83 (1945) (evidence “may include evidence not presented in the Patent Office”); *Butterworth v. United States ex rel. Hoe*, 112 U.S. 50, 61 (1884) (same). The en banc court’s analysis reflects a misunderstanding of the manner in which suits of this nature were traditionally adjudicated. Although the admission of new evidence in R.S. 4915 proceedings was not categorically prohibited, courts adjudicating such actions in the early twentieth century recognized that the provision should be construed in light of administrative-law principles, and they routinely excluded evidence that

² Although the Federal Circuit had previously held that de novo review is appropriate when new evidence is admitted, App., *infra*, 31a, the decision below exacerbates the adverse consequences of those prior holdings and threatens to render de novo review the rule rather than the exception. Until the decision of the en banc court below, the practical effect of the availability of de novo review was substantially limited by district courts’ consistent practice of excluding evidence that could have been presented to the PTO. See, e.g., *Takeda Pharm. Co. v. Dudas*, 511 F. Supp. 2d 81, 87 (D.D.C. 2007), vacated on other grounds, 561 F.3d 1372 (Fed. Cir. 2009).

could have been presented to the PTO. Congress's reenactment of R.S. 4915, as Section 145 of the Patent Act of 1952, should be understood to adopt that settled judicial practice.

1. As discussed above, this Court recognized in *Morgan* that the “bill in equity” authorized under R.S. 4915 “is something more than a mere appeal.” 153 U.S. at 124. It is, rather, “an application to the court to set aside the action of one of the executive departments of the government,” made in the exercise of its delegated authority and expert judgment. *Ibid.* A judicial proceeding to overturn such a determination, the Court explained, “is something in the nature of a suit to set aside a judgment, and as such is not to be sustained by a mere preponderance of evidence.” *Ibid.* Rather, any error in the agency's decision must be established “by testimony which in character and amount carries thorough conviction.” *Id.* at 125.

The *Morgan* Court's description of equity proceedings under R.S. 4915 as “something in the nature of a suit to set aside a judgment,” 153 U.S. at 124, is revealing. Under the settled principles of federal equity practice that prevailed at the time, a district court presented with a bill to set aside a prior judgment (known as a “bill of review” or an “original bill in the nature of a bill of review”) would not rehear arguments or evidence that had been adjudicated in the prior proceeding, nor would it consider evidence that could have been produced during that proceeding in the exercise of reasonable diligence. See, e.g., *Beard v. Burts*, 95 U.S. 434, 436 (1877) (“The facts are not open for a re-trial, unless the bill asserts that new evidence has been discovered, not obtainable before the first trial by the exercise of reasonable diligence.”); see also *Scotten v. Littlefield*, 235 U.S.

407, 411 (1914); 2 Thomas Atkins Street, *Federal Equity Practice* § 2119, at 1256 (1909) (*Federal Equity Practice*); *id.* § 2150, at 1272; Benjamin J. Shipman, *Handbook of the Law of Equity Pleading* §§ 215-220, at 309-315 (1897). In addition, a bill of review could not be obtained unless the new evidence clearly established the claimant’s right to relief. See *Southard v. Russell*, 57 U.S. (16 How.) 547, 567, 569 (1854) (new evidence must be “decided and controlling” on the disputed questions); *Federal Equity Practice* § 2151, at 1272 (To obtain leave to file a bill of review, new evidence “must be so controlling in its effect” as to “probably induce a different conclusion” on the merits.). The *Morgan* Court would have been aware of those principles—both the requirement of reasonable diligence, and the heightened standard necessary to overcome deference to the existing judgment—when it described a bill in equity under R.S. 4915 as “something in the nature of a suit to set aside a judgment.”³

2. In the years preceding the enactment of the Patent Act of 1952, federal courts considering suits brought under R.S. 4915 routinely recognized limits on the admissibility of new evidence that the proponent could

³ The court of appeals disregarded *Morgan*’s analogy to a “suit to set aside a judgment” on the ground that the bill authorized under R.S. 4915 was not literally termed a bill of review. See App., *infra*, 27a. But the fact that R.S. 4915 was not *in fact* a bill of review—the Court in *Morgan* described it as “*something in the nature of* a suit to set aside a judgment,” 153 U.S. at 124 (emphasis added)—does not diminish the force of the analogy. The *Morgan* Court used the comparison to illustrate the deference due the Patent Office’s decision and the resulting rule that the agency’s action should not lightly be overturned. See *id.* at 124-125. The evidentiary limitations on a bill of review are therefore relevant to the *Morgan* Court’s understanding of the nature of review in an R.S. 4915 proceeding.

have presented to the PTO in the first instance.⁴ See, e.g., *Schilling v. Schwitzer-Cummins Co.*, 142 F.2d 82, 85 (D.C. Cir. 1944) (R.S. 4915 “was not intended to encourage the practice of suppressing evidence before the administrative agency”; withheld evidence is inadmissible.); *Boucher Inventions, Ltd. v. Sola Elec. Co.*, 131 F.2d 225, 227 (D.C. Cir. 1942) (“Section 4915 * * * contemplates a full disclosure to that office, so far as is reasonably possible.”); *Globe-Union, Inc. v. Chicago Tel. Supply Co.*, 103 F.2d 722, 728 (7th Cir. 1939); *Greene v. Beidler*, 58 F.2d 207, 209-210 (2d Cir. 1932); *Barrett Co. v. Koppers Co.*, 22 F.2d 395, 396 (3d Cir. 1927); *Western Elec. Co. v. Fowler*, 177 F. 224, 228 (7th Cir. 1910); see also *Schering Corp. v. Marzall*, 101 F. Supp. 571, 573 (D.D.C. 1951); App., *infra*, 74a-78a (Dyk, J., dissenting). And even when courts admitted new evidence in R.S. 4915 proceedings, they continued to apply *Morgan’s* deferential standard of review, rather than reviewing

⁴ The court of appeals relied on *Butterworth*, in which the Court stated that an R.S. 4915 proceeding is “heard upon all competent evidence adduced and upon the whole merits.” 112 U.S. at 61; see App., *infra*, 23a-24a. *Butterworth*, like the lower-court decisions on which it relied, predated *Morgan’s* holding that a suit brought under R.S. 4915 is an administrative-review proceeding involving deferential review. See, e.g., *In re Squire*, 22 F. Cas. 1015, 1016 (C.C.E.D. Mo. 1877) (No. 13,269); see also *Gandy v. Marble*, 122 U.S. 432, 439 (1887) (citing *Butterworth* in describing R.S. 4915); App., *infra*, 67a-70a (Dyk, J., dissenting). Moreover, *Butterworth* and *Gandy*, like the subsequent decisions on which the court of appeals relied, see App., *infra*, 25a, 41a (citing *Hoover Co.*, 325 U.S. at 83, and *In re Hien*, 166 U.S. 432, 439 (1897)), stated only that new evidence was admissible in R.S. 4915 proceedings; they did not address the circumstances in which new evidence could be introduced. See, e.g., *Hien*, 166 U.S. at 439 (noting the admissibility of new evidence in R.S. 4915 proceedings in order to “distinguish[] the proceeding by bill in equity under section 4915 from an appeal under section 4911”).

the Patent Office’s findings de novo. See *Minnesota Mining & Mfg. Co. v. Carborundum Co.*, 155 F.2d 746, 748-749 (3d Cir. 1946) (citing *Morgan* and stating that “[t]he question therefore is whether all competent evidence, ‘new’ and ‘old’, offered to the District Court carries ‘thorough conviction’ that the Patent Office erred”); *Schilling*, 142 F.2d at 85; *Nichols v. Minnesota Mining & Mfg. Co.*, 109 F.2d 162, 163-164 (4th Cir. 1940) (district court “properly applied the rule of *Morgan v. Daniels*” to newly available evidence); *Globe-Union, Inc.*, 103 F.2d at 732; *Dowling v. Jones*, 67 F.2d 537, 538 (2d Cir. 1933) (L. Hand, J.).

It was against this background—and in the wake of the 1946 enactment of the APA—that Congress readopted without material change the provisions governing judicial review of Patent Office decisions. The reports accompanying the 1952 Patent Act explained that the Act effected “no fundamental change in the various appeals and other review of Patent Office action.” S. Rep. No. 1979, 82d Cong., 2d Sess. 7 (1952). “Congress is presumed to be aware of an administrative or judicial interpretation of a statute and to adopt that interpretation when it re-enacts a statute without change.” *Forest Grove Sch. Dist. v. T.A.*, 129 S. Ct. 2484, 2492 (2009) (quoting *Lorillard v. Pons*, 434 U.S. 575, 580 (1978)). In view of the prevailing judicial practice with respect to new evidence in R.S. 4915 proceedings, there is no reason to conclude that Congress intended Section 145 to authorize a more intrusive judicial inquiry.

3. The en banc court of appeals relied substantially on testimony from congressional hearings preceding the 1927 Patent Act amendments, during which various witnesses urged the repeal or modification of R.S. 4915 and characterized the procedure authorized by the statute as

a “de novo” proceeding in district court. See App., *infra*, 14a-17a. As this Court has repeatedly made clear, however, isolated hearing testimony of this kind—and especially the testimony of opponents of proposed legislation—is not reliable evidence of Congress’s intent and warrants little weight in the interpretation of federal statutes. *Bryan v. United States*, 524 U.S. 184, 196 (1998); *Kelly v. Robinson*, 479 U.S. 36, 51 n.13 (1986). Nor can those witnesses’ use of the term “de novo,” more than 20 years before the enactment of the APA, provide any reliable insight into congressional intent regarding the precise nature and scope of judicial review. Cf. *Zurko*, 527 U.S. at 156 (noting that the “relevant linguistic conventions” of administrative law “were less firmly established before adoption of the APA”); *Globe-Union, Inc.*, 103 F.2d at 728 (describing R.S. 4915 as a “de novo” proceeding while imposing limits on admissibility of new evidence).

C. The District Court Should Admit New Evidence Only If Its Proponent Had No Reasonable Opportunity To Present It To The PTO, And The Court Should Overturn The PTO’s Decision Only If The Evidence Clearly Establishes That The Agency Erred

Consistent with principles of administrative exhaustion and deference to agency authority and expertise, as well as the historical practice that prevailed when Congress readopted Section 145, a plaintiff should be permitted to introduce new evidence only if he had no reasonable opportunity to provide that evidence to the PTO in the first instance. Restricting the introduction of new evidence in that manner reflects the PTO’s primary decisionmaking authority, increases the incentive for patent applicants to compile a full factual record in the

agency proceedings, and limits the frequency with which courts must consider new information without the benefit of the agency's expertise. See pp. 13-16, *supra*.

When new evidence is admitted under this standard, the manner in which that evidence is considered may vary depending on the nature of the evidence. When the evidence consists of materials that the PTO can consider as part of its examination process (such as published prior art), the court ordinarily should remand the case to the PTO to permit the agency to consider the evidence in the first instance. See App., *infra*, 52a n.4 (Dyk, J., dissenting). That approach is consistent with administrative exhaustion principles, see *Lorion*, 470 U.S. at 744, and conserves judicial resources by enabling the PTO to correct any errors in its prior decision, which may obviate the need for subsequent judicial review.⁵ See *McKart*, 395 U.S. at 193-195.

When the plaintiff in a Section 145 suit introduces new evidence that the PTO may not consider (such as oral testimony, see 37 C.F.R. 1.2), remanding to the agency is not a useful option, and the district court must evaluate the new evidence in the first instance. In considering the new evidence together with the evidence on which the PTO based its decision, the court may give the new evidence more weight in the analysis, in recognition of the fact that the PTO's conclusions did not take that evidence into account. Cf. *American Hoist & Derrick*

⁵ Before the issuance of the decision in this case, district courts routinely remanded to the PTO to permit it to consider new evidence. See, e.g., *ExxonMobil Chem. Patents Inc. v. Godici*, No. Civ. A. 01-00377 (HHK), 2002 WL 34233002, at *3-*4 (D.D.C. Feb. 12, 2002) (citing cases in which courts remanded to the "Patent Office after the discovery of additional prior art in order to benefit from the Patent Office's technical expertise in assessing the art").

Co. v. Sowa & Sons, 725 F.2d 1350, 1359-1360 (Fed. Cir.) (adopting this approach for new-evidence challenges to the PTO's grant of a patent), cert. denied, 469 U.S. 821 (1984). But the court should overturn the agency's decision only if the new evidence, considered together with the administrative record, creates a "thorough conviction" that the PTO erred. See *Morgan*, 153 U.S. at 125. This approach recognizes that the agency's decision should not be reversed unless the court has a high degree of confidence that the decision was incorrect, while permitting the court to give effect to the fact that the district court has before it a fuller record than the PTO. It is also consistent with the Federal Circuit's treatment of new-evidence challenges to the validity of granted patents. See *American Hoist*, 725 F.2d at 1359-1360.

II. THE COURT OF APPEALS' DECISION DEVIATES FROM THE DECISIONS OF THE REGIONAL CIRCUIT COURTS

The court of appeals' construction of Section 145 conflicts with the decisions of several regional courts of appeals. Before the Federal Circuit was established and given exclusive appellate jurisdiction over actions under Sections 141 and 145, the D.C. Circuit had held that in Section 145 suits, "the plaintiff may not submit for the first time evidence which he was negligent in failing to submit to the Patent Office." *DeSeversky v. Brenner*, 424 F.2d 857, 858 n.5 (1970); see *California Research Corp. v. Ladd*, 356 F.2d 815, 820 n.18 (1966). Section 145 suits, the court observed, "may not be conducted in disregard of the general policy of encouraging full disclosure to administrative tribunals." *DeSeversky*, 424 F.2d at 858-859 n.5. Even when new evidence was introduced, moreover, the court applied a deferential standard of review derived from *Morgan*: "[G]reat weight

attaches to the expertise of the Patent Office and its findings on the issue of obviousness, particularly in highly technical matters, and the decision of the Patent Office will not be overturned unless new evidence is introduced which carries thorough conviction that the Patent Office erred.” *Id.* at 858 (internal quotation marks omitted).

The decision below also conflicts with pre-1952 circuit-court decisions addressing the admissibility and use of new evidence in proceedings under R.S. 4915. The Second, Third, Seventh, and D.C. Circuits held that evidence that had intentionally been withheld from the Patent Office was not admissible. See *Dowling*, 67 F.2d at 538; *Carborundum Co.*, 155 F.2d at 748; *Barrett Co.*, 22 F.2d at 396-397; *Globe-Union, Inc.*, 103 F.2d at 728; *Schilling*, 142 F.2d at 85; see also App., *infra*, 74a-78a (Dyk, J., dissenting). And even in cases where new evidence was admitted, the Second, Third, Fourth, Seventh, and D.C. Circuits applied *Morgan’s* deferential standard of review, requiring the plaintiff to create a “thorough conviction” that the Patent Office had erred. See *Dowling*, 67 F.2d at 538; *Carborundum Co.*, 155 F.2d at 748-749; *Nichols*, 109 F.2d at 163-164; *Globe-Union, Inc.*, 103 F.2d at 729; *Schilling*, 142 F.2d at 85; see also pp. 20-22, *supra*.

The en banc court below regarded these decisions as irrelevant because the regional courts of appeals excluded evidence under Section 145 “under an array of inconsistent standards.” App., *infra*, 19a. But while the regional courts of appeals employed a range of different verbal formulations, they consistently placed significant limitations on new evidence and insisted on a deferential standard of review. The Federal Circuit is thus alone in departing from established administrative-law princi-

ples in its implementation of Section 145. See App., *infra*, 73a, 78a (Dyk, J., dissenting).

III. THE QUESTIONS PRESENTED ARE IMPORTANT

The Federal Circuit’s ruling subjects the PTO’s expert decisions to a form of heightened judicial scrutiny that has no statutory or historical foundation and contravenes basic principles of administrative law. Congress placed the administration of the patent system—which by its nature involves the evaluation of claimed advances at the forefront of scientific and technical knowledge—in a specialized agency equipped to make the many factual determinations necessary to decide whether a putative invention should be patented. See 35 U.S.C. 101-103, 112; *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 63 (1998). Absent clear textual or historical evidence that Congress intended the PTO’s expert determinations to be a warmup for a judicial redetermination of patentability, based on evidence withheld from the PTO, the court of appeals should not have departed from the background principles that govern judicial review of agency action.

This Court has previously reversed the Federal Circuit’s deviation from administrative-law principles in its review of PTO decisions. In *Zurko*, the Federal Circuit ruled that the PTO’s patent denials should be subjected to judicial scrutiny under a standard more demanding than that set forth in the APA. 527 U.S. at 153. This Court rejected that approach, holding that there is no reason “why direct review of the PTO’s patent denials demands a stricter fact-related review standard than is applicable to other agencies.” *Id.* at 165. A similar result is warranted here.

That is especially so because the decision below creates an unjustified disparity between the two statutory avenues for judicial review of the PTO's patent denials. Under *Zurko*, challenges brought directly in the Federal Circuit pursuant to Section 141 are subject to the deferential standards set forth in the APA. Under the decision below, by contrast, challenges brought in district court pursuant to Section 145 will proceed under a regime that bears little resemblance to ordinary administrative review. Simply by proffering a declaration or other readily available evidence, a Section 145 plaintiff can obtain searching judicial review of the sort that this Court rejected in *Zurko*.

The court of appeals' decision gives patent applicants an obvious incentive to utilize Section 145 in an attempt to bypass the PTO in favor of patent consideration by a non-expert court. The decision not only permits judicial consideration of evidence that the patent applicant withheld from the examiner; it rewards applicants for such behavior by providing them a more favorable standard of judicial review. Indeed, patent practitioners are already advising their clients that they may "avoid the deference to be given to USPTO fact determinations under the APA * * * merely by the submission of new evidence and/or live testimony" under Section 145. See Monte Cooper & Robert M. Isackson, *The Fed. Circ. Stance in Hyatt v. Kappos*, <http://www.law360.com/ip/articles/211544> (Dec. 3, 2010); see also David J. Muzilla, *Patent Stalled at the USPTO? Consider Presenting New Evidence in Federal District Court*, <http://www.hahnlaw.com/references/73542574-85f1-4e77-b7aa-1094244516b1.pdf> (2011). This derogation of the PTO's expertise and authority is precisely the result that the organizing principles of administrative law are meant to

avoid. As the dissenting judges on the en banc court of appeals observed, applicants are most likely to “bypass the PTO in favor of a second bite at the apple in the district court * * * in those circumstances where an expert agency would reject the evidence but a non-expert district court might be convinced to accept it. A more pernicious approach is difficult to imagine.” App., *infra*, 80a.

2. This case vividly illustrates the perverse consequences of the court of appeals’ rule. The Board held that, under the PTO’s rules governing practice before the agency, respondent had forfeited his new arguments by failing to present them at the appropriate stage of the administrative proceedings. The district court found that respondent had been given a reasonable opportunity to present his new evidence to the PTO but had negligently failed to do so. The en banc Federal Circuit nevertheless held that the district court was required not only to admit the new evidence, but to consider *de novo* every factual question to which that evidence relates. Such an extraordinary and disruptive rule warrants this Court’s review.

IV. THE COURT SHOULD HOLD THIS PETITION PENDING ITS DECISION IN *MICROSOFT*

In *Microsoft*, this Court is considering what evidentiary standard should apply when the defendant in a patent-infringement suit asserts as an affirmative defense that the relevant patent is invalid. That question is substantially related to the questions presented in this case. More than a century ago, this Court recognized that a challenge to the validity of a granted patent in infringement litigation is “closely” related to an action challenging the PTO’s decision that a party is not enti-

tled to a patent. *Morgan*, 153 U.S. at 123. Both types of challenges, the Court explained, are in essence attacks on the PTO's disposition of a patent application. *Id.* at 124. The Court therefore concluded that in both contexts, judicial review should be conducted using a deferential standard of review that requires more than "a mere preponderance" to overturn the PTO's decision. *Ibid.*; *id.* at 125.

In its brief as amicus curiae supporting respondents in *Microsoft*, the United States has argued that this Court should affirm the Federal Circuit's longstanding rule that the party asserting invalidity must establish it by clear and convincing evidence, even when the evidence of invalidity was not considered by the PTO in the examination process. U.S. Amicus Br. at 6, *Microsoft*, *supra* (No. 10-290). New evidence, however, may be given greater weight in the analysis. *Ibid.*; see *American Hoist*, 725 F.2d at 1359-1360. In the United States' view, the principles announced in *Morgan*—which anticipate contemporary rules of administrative review—are best served by adopting that approach in *Microsoft* and reversing the Federal Circuit's deviation from administrative-law principles in this case. That result also best effects the *Morgan* Court's recognition that the two types of challenges implicate common principles of administrative deference that should inform the nature and scope of judicial review in both contexts. By contrast, the decision below, taken together with the clear-and-convincing-evidence standard that the Federal Circuit applies in invalidity challenges, creates a particularly anomalous regime in which the PTO's decision to *grant* a patent receives deference even when the challenger presents new evidence of invalidity, but the

PTO's decision to *deny* a patent receives no deference whenever new evidence is introduced.

To be sure, the decision in *Microsoft* is unlikely fully to resolve the questions presented here. In particular, the first question presented in this case—*i.e.*, whether a patent applicant may introduce in Section 145 proceedings evidence that he failed without reasonable cause to present to the PTO in the first instance—has no analogue in *Microsoft*. Nevertheless, because both cases involve the application of administrative-review principles to the PTO's patenting decisions, the Court's decision in *Microsoft* may shed light on the proper disposition of this case. Although the questions presented in this case are sufficiently important to warrant the Court's plenary review, it therefore would be appropriate in the first instance to hold the petition pending the decision in *Microsoft*.⁶ That approach would also ensure that, if the Court ultimately grants certiorari in this case, the parties' briefs on the merits can address the implications of the *Microsoft* decision for the proper implementation of Section 145.

⁶ Copies of this petition will be provided to counsel for the petitioner and respondents in *Microsoft*.

CONCLUSION

The petition for a writ of certiorari should held pending this Court's decision in *Microsoft Corp. v. i4i Ltd. Partnership*, No. 10-290 (oral argument scheduled for Apr. 18, 2011).

Respectfully submitted.

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