



Introducing New Evidence in Patent Appeals from USPTO

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Hyatt v. Kappos, No. 2007-1066, US Court of Appeals for the Federal Circuit, 2010 US App. LEXIS 23117, 8 November 2010

Abstract

A patent applicant may introduce new evidence to a US District Court on appeal of an adverse decision by the US Board of Patent Appeals and Interferences.

Legal context

Under US practice, a patent applicant who unsuccessfully appeals to the US Board of Patent Appeals and Interferences has two courses of redress (i) he may appeal directly to the US Court of Appeals for the Federal Circuit; (ii) he may bring a civil action in a district court. The full court for the Federal Circuit, sitting en banc in *Hyatt v Kappos*, considered what was the standard for introducing new evidence at the district court when the second course of action was taken. This decision can have a dramatic impact on the amount of evidence an applicant is required to present at first instance before the US Patent and Trademark Office. While the Federal Circuit recognized that if an appeal is directly lodged with the Federal Circuit the statute limits the type of evidence that can be presented to that which was before the Board, no such limitation is placed on a district court proceeding.

Facts

In 1995 Gilbert Hyatt filed a patent application relating to 'a computerized display system for processing image information'. *Hyatt v. Kappos*, No. 2007-1006, 2010 US App. LEXIS 23117, at *6 (Fed. Cir. 8 Nov. 2010). The examiner issued a non-final office action rejecting all of the claims on such grounds as abandonment, obviousness, and double patenting. Mr Hyatt responded by addressing the abandonment and obvious rejections and amending, cancelling, and adding various claims. The examiner then issued a final office action rejecting all claims on the basis that the subject matter lacked support in the specification, failed to comply with the written description and enablement requirements, was obvious and constituted double patenting.

In response, Mr Hyatt appealed to the Board with a response to each of the examiner's grounds for rejection. The Board reversed over 93% of the examiner's rejections, but affirmed at least one of the examiner's written description and enablement rejections for each of the claims. Mr Hyatt then filed a Request for Rehearing which was dismissed by the Board without considering the merits on the basis that Mr Hyatt was raising new arguments that should have been raised during the examination or appeal.



Under 35 USC §145 Mr Hyatt proceeded to file a civil action against the Director of the Patent Office in the United States District Court for the District of Columbia. In response to the Director's motion for summary judgment that the claims were invalid for failing to comply with the written description requirement, Mr Hyatt submitted a declaration pointing to the portions of the specification that would describe the limitations to one of ordinary skill in the art. However, the district court did not consider Mr Hyatt's declaration since he should have presented it during the proceedings before the Board. Accordingly the district court granted the Director's motion for summary judgment.

Mr Hyatt appealed the district court's decision to the Federal Circuit, which affirmed the grant of summary judgment. The Federal Circuit found that Mr Hyatt was negligent in his failure to submit the information in his declaration to the examiner. The Federal Circuit however agreed to rehear Mr Hyatt's appeal *en banc* and invited the parties to direct their briefs to the following questions:

(a) Are there any limitations on the admissibility of evidence in section 145 proceedings? In particular—

1. Does the Administrative Procedure Act require review on the agency record in proceedings pursuant to section 145?
2. Does section 145 provide for a *de novo* proceeding in the district court?
3. If section 145 does not provide for a *de novo* proceeding in the district court, what limitations exist on the presentation of new evidence before the district court?

(b) Did the district court properly exclude the Hyatt declaration?

Id. at *14. With input from a half dozen *amici curae*, the full Court considered these questions.

Analysis

In *Hyatt v Kappos*, No. 2007-1006, 2010 US App. LEXIS 23117 (Fed. Cir. 8 Nov. 2010) the Federal Circuit, sitting *en banc*, found that the district court applied the wrong legal standard for admissibility of evidence in a civil action brought under Section 145 and abused its discretion in excluding Mr Hyatt's declaration.

The Court held that the only limitations on the admissibility of evidence in a Section 145 proceeding are those limitations applicable to all civil actions imposed by the Federal Rules of Evidence and Federal Rules of Civil Procedure. In reaching this decision, the Court focused on the language of the statute and the legislative history of Section 145 to determine that the intent of Congress was to allow applicants to introduce new evidence in civil actions brought under Section 145. Specifically, the Court found that the language of Section 145 does not provide any 'unique rules of evidence' and further, 'this civil action does not merely afford judicial review of agency action. Rather, the statute directs that the district court may "adjudge that such applicant is entitled to receive a patent for his invention ... as the facts in the case may appear.'" *Id.* at *18.



The Court also rejected the Director's argument that an applicant may only 'introduce new evidence that "the applicant could not reasonably have provided to the agency in the first instance."' *Id.* at *32. The Court found that the Director's reliance on *Morgan v Daniels*, 153 US 120 (1894) was misplaced since *Morgan* does not address the admissibility of new evidence. Instead, the Court relied on US Supreme Court precedent that has 'consistently recognized that new evidence may be introduced in these district court proceedings.' *Id.* at *37.

The Federal Circuit emphasized that this rule is consistent with the district court's right to consider the Patent Office proceedings in determining what weight to afford the applicant's newly admitted evidence. The Court clarified that where no new evidence is admitted in a Section 145 proceeding, the district court must review the case on the same record presented to the agency and must apply the Administrative Procedure Act's substantial evidence standard to the Patent Office's fact findings. However, when new evidence is introduced, the district court 'must make *de novo* fact findings with respect to factual issues to which the new evidence relates.' *Id.* at *47.

Ultimately, the Federal Circuit vacated the judgment of the district court, holding that it was an abuse of discretion to exclude Mr Hyatt's declaration, and remanded for further proceedings.

Judge Dyk, dissenting, cautioned that the majority opinion 'denigrates the important expertise of the PTO' and 'invites applicants to deliberately withhold evidence from the PTO in favor of a more hospitable district court forum.' *Id.* at *65.

Practical significance

Hyatt forced the Court to weigh the risk of applicants deliberately withholding evidence from the PTO in favour of a more hospitable district court forum (at the heavy expense of delay and loss of potentially important patent term), against the risk that the PTO would be overwhelmed with an onslaught of evidence on potentially non-controversial points of fact. Time will tell whether the balance reached by the majority of the Court is correct. In light of these broader evidentiary considerations, more dissatisfied applicants may turn to the District Court to redress an adverse decision of the Board, rather than go straight to the Federal Circuit.

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