Section 145 Actions after *Hyatt*

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Denied all of his claims, Gilbert Hyatt wrote a 129-page brief and managed to overturn more than 90% of an examiner's rejections at the BPAI. Attempting to overturn the rest, he sought rehearing. The board refused, "holding that these new arguments and citations could and should have been presented during the original appeal briefing." Hyatt v. Doll, 576 F.3d 1246, 1252 (Fed. Cir. 2009) (Hyatt I).

Rather than challenge by petition, Hyatt sought relief under § 145 and filed a declaration in support. He offered no other evidence. *Id.* at 1253. Finding his declaration inadmissible, the district court "granted summary judgment to the Director…." *Id.*

At the Federal Circuit, "[t]he central issue [on] appeal [was] whether the district court properly excluded the Hyatt declaration." *Id.* at 1248. Chief Judge Michel, joined by Judge Dyk, ruled in favor of the PTO, finding: "Hyatt had an affirmative and specific duty to disclose to the PTO the evidence excluded by the district court, and was so notified by the PTO, but willfully refused to cooperate." *Id.* at 1248.

Judge Moore dissented, however, arguing that the exclusion, not contemplated by Congress, "makes it impossible for inventors to ever testify in a § 145 action unless their testimony had first been proffered to the PTO." *Id.* at 1280. She further disputed that Hyatt had willfully withheld excluded evidence from the PTO. *Id.* at 1287-88.

Following en banc rehearing, the panel decision was vacated. Hyatt v. Kappos, 2010 WL 4398366 (2010) (Hyatt II). Now writing for the majority, Judge Moore ultimately holds, "The district court erred in determining that Mr. Hyatt's negligence affected admissibility and therefore abused its discretion in excluding the declaration." *Id.* at *16 (note omitted). *Hyatt II* thus vacates the district court's judgment and remands. *Id.*

Supporting a conclusion grounded as much in fact as law, the majority opinion states, "'It would be counterintuitive for an applicant to deliberately withhold non-cumulative evidence that would help persuade the BPAI to reverse the examiner's

rejection, and instead… present it later on in a civil action when the party (as plaintiff) would be obligated to pay all the expenses — including the defendant PTO's expenses.' …. Indeed, the fact that the vast majority of applicants pursue an on-the-record appeal instead of a § 145 action indicates that applicants generally consider the evidence before the Patent Office to be sufficient." *Id.* at *15 (citations omitted).

Judge Michel has retired, but Judge Dyk filed a dissenting opinion. Joined by Judge Gajarsa, he restates a major premise of the panel decision: "In general, [the Administrative Procedure Act (APA)] permits supplementation in court only when agency procedures are inadequate. Here, the agency procedures are inadequate only insofar as they do not provide for live testimony." *Hyatt II* at *20 (citation omitted). He, thus, concludes, "The majority opinion invites applicants to deliberately withhold evidence from the PTO in favor of a more hospitable district court forum. Today's decision reflects 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 21.

The majority "agree(s) that encouraging full disclosure to administrative tribunals is sound policy." *Id.* at *15. But it points out that, when considering the predecessor to § 145, "Congress heard extensive testimony on the advantages and disadvantages of providing applicants with a civil action to obtain a patent. In fact, … the former Assistant Commissioner of Patents argued that § 4915 'should be cut out entirely for ex parte applications,' to force an applicant to introduce 'all the testimony pertinent to his case' to the Patent Office. This was a policy decision committed to the sole discretion of Congress; we may not replace Congress' judgment with our own." *Id.*

It seems difficult to reconcile any limitation with the notion that imposing all costs on challengers in § 145 proceedings adequately encourages full PTO disclosure. Yet, albeit in dicta, *Hyatt II* seems to leave three intact. First, the court does not disapprove exclusion of information willfully withheld. *Id.* at *16; *see also* at *9. Second, it seems to agree with Fregeau v. Mossinghoff, 776 F.2d 1034, 1038 (Fed. Cir. 1985),

that the § 141 standard of review must be applied absent new evidence. *Id.* at *14. Third, it apparently agrees with Conservolite, Inc. v. Widmayer, 21 F.3d 1098, 1102 (Fed. Cir. 1994), that, "in general, parties may not raise issues in the district court that were not raised during the proceedings before the Patent Office or by the Board's final decision." *Id.* at *16.

Judge Newman, dissenting in part, rejects at least one of those: "Section 145 calls upon the independent judgment of the district court, whether the evidence before the court augments or simply repeats the evidence that was before the Patent Office." *Id.* at *19. This echoes her claim that *Fregeau* " contraven[ed] a hundred years of congressional intent." 776 F.2d at 1040 (dissenting in part).

As noted above, Judge Dyk expresses concern about the weight afforded to withheld information, fearing that applicants may seek a "more hospitable district court forum." Yet why district court judges should be regarded as "hospitable" to PTO challenges is far from clear. If anything, they have seemed more deferential than judges sitting on either the CCPA or the Federal Circuit.

Moreover, it is difficult to regard information that the district court must now weigh as "withheld" if, as seems plausible, it is basically what Hyatt offered the BPAI. Perhaps *Hyatt II* will obligate the board to alter its position with regard to "new arguments and citations [that] could and should have been presented during the original appeal briefing." Hyatt I, 576 F.3d at 1252.