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## Supreme Court Affirmance Benefits Patent Applicants: Allows Introduction of New Evidence on Appeal

In *Kappos v. Hyatt*, the U.S. Supreme Court unanimously affirmed an *en banc* decision by the U.S. Court of Appeals for the Federal Circuit, finding that, subject only to the Federal Rules of Evidence and the Federal Rules of Civil Procedure, patent applicants are free to introduce new evidence in a district court appeal of a patent rejection. *Kappos v. Hyatt*, 566 U.S. \_\_\_ (2012) (*aff'g Hyatt v. Kappos*, 625 F.3d 1320 (Fed. Cir. 2010) (*en banc*)). The Court further held that courts must review any new, conflicting evidence *de novo*. Although the traditional rules regarding evidence in civil actions still apply, the Court's ruling is beneficial to applicants seeking relief from final decisions rejecting the claims of patent applications pending before the Patent and Trademark Office (PTO).

In the present case, Gilbert Hyatt filed a patent application directed to a software invention, the claims of which were rejected by a PTO examiner under § 112, first paragraph, for lacking adequate written description. Following an appeal to the Board of Patent Appeals and Interferences (Board), which affirmed the examiner's rejection of a majority of the applicant's claims, Hyatt filed a civil action under 35 U.S.C. § 145 against the PTO Director. Hyatt presented a written declaration to the court to support his view that the application included a sufficient written description. The court refused to consider the declaration, however, because Hyatt did not provide a reason for failing to present the declaration to the PTO.

Consequently, the district court reviewed the Board's decision solely on the administrative record and granted summary judgment to the PTO Director. Although a 2009 panel decision by the Federal Circuit affirmed the district court's exclusion of the new evidence, an *en banc* Federal Circuit reversed and vacated the previous rulings, holding that an applicant must be permitted to introduce new evidence in a § 145 proceeding, and that the district court must make *de novo* factual findings taking into account both the new evidence conflicts and the administrative record.

In his brief to the Supreme Court, the PTO Director argued that plaintiffs in § 145 proceedings should be allowed to introduce new evidence only when there is no reasonable opportunity to present it to the PTO. The PTO Director also argued that courts should be required to give deference to the factual findings of the PTO under the principles of administrative law set forth in the Administrative Procedure Act (APA). Justice Clarence Thomas rejected both of the PTO Director's arguments on behalf of the Supreme Court:

Under the APA, judicial review of an agency decision is typically limited to the administrative record. But, as the Director concedes, § 145 proceedings are not so limited, for the district court may consider new evidence. When the district court does so, it must act as a factfinder. In that role, **it makes little sense for the district court to apply a deferential standard of review to PTO factual findings that are contradicted by the new evidence.** The PTO, no matter how great its authority or expertise, cannot account for evidence that it has never seen. Consequently, the district court must make its own findings *de novo* and does not act as the "reviewing court" envisioned by the APA.

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However, the Court clarified that the district court may still consider the PTO proceedings and findings when weighing new evidence in a § 145 proceeding. Justice Sonia Sotomayor wrote separately in a concurring opinion to express her opinion that the Court's decision does not, however, prevent the district court from excluding evidence when its admission would be inconsistent with "the ordinary course of equity practice and procedure."

Although, the Court's ruling in *Kappos v. Hyatt* may afford some dissatisfied patent applicants possessing new evidence with a viable recourse for appealing final decisions by the PTO, this decision is unlikely to increase the small number of § 145 actions being filed by dejected applicants. Instead, patent applicants are more likely to submit new evidence for consideration by the PTO by filing a Request for Continued Examination (RCE). The RCE generally will be both faster (if the PTO is able to address the growing backlog of applications awaiting a first action after an RCE) and less expensive for patent applicants seeking consideration of new evidence by those having "special expertise" at the PTO.



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