Keywords: **prosecution laches, submarine patent**

General: **The PTO may assert a prosecution laches defense in an action under 35 U.S.C. § 145 when a patent applicant inexplicably and unreasonably delays prosecution of their patent application.**

Gilbert P. Hyatt v. Andrew Hirshfeld
U.S. Court of Appeals for the Federal Circuit
Nos. 2018-2390, 2018-2391, 2018-2392, 2019-1038, 2019-1039, 2019-1049, 2019-1070
Decided June 1, 2021

I. Background & Facts

Gilbert P. Hyatt ("Hyatt") filed 381 patent applications in the weeks leading up to June 8, 1995 - the date that patent term changed from 17 years from a patent's issuance to 20 years from the patent's earliest priority date. This period became known as the "GATT Bubble," which was named based on the filing-based exclusivity system under the Uruguay Round of the General Agreement on Tariffs and Trade. Each of Hyatt's GATT Bubble applications was a photocopy of one of eleven parent applications, and each application included a small claim set - many of which were identical between applications. Additionally, the generally computer-related applications were atypically long and complex, while claiming priority to applications filed in the 1970's and 1980's.

In October 1995, Hyatt met with United States Patent and Trademark Office ("PTO") group Director Nicholas Godici, and the parties agreed that Hyatt would focus each application on distinct subject matter to facilitate prosecution. Thereafter, between 1995 and 2003, Hyatt filed a series of amendments growing the total number of claims to about 115,000 across the 381 applications, including about 45,000 independent claims. The four applications at issue in the present case included about 400 claims per application. Many claims introduced during this period were introduced 12 to 28 years from their respective priority dates. Some claims were even identical to those lost by Hyatt in previous interference proceedings.

Between 2003 and 2012, the PTO stayed examination of many of Hyatt's applications due ongoing litigation that was likely to affect most or all of Hyatt's pending applications. The litigation included Hyatt's challenges to certain PTO procedures, such as challenging examiners' written description rejections and the PTO's ability to use representative claims in decisions of the Board of Patent Appeals and Interferences (the "Board").

In 2013, the PTO resumed examination and created an art unit specifically dedicated to examining Hyatt's numerous GATT Bubble applications. Although the new art unit included

twelve experienced examiners, the first office actions issued for the applications consumed about four months of examiner time to write. The PTO estimated that it would take 532 years of examiner time to examine all of Hyatt's pending applications. To facilitate examination, the PTO instructed Hyatt to (1) select no more than 600 total claims to pursue for each of the 11 specifications and (2) identify the priority date and support for that date for each chosen claim.

Prior to creation of the new art unit, the four applications at issue in this case were finally rejected, and Hyatt appealed to the Board. The Board affirmed the rejections of certain claims in each application. Between 2005 and 2009, Hyatt filed actions under 35 U.S.C. § 145 against the PTO to obtain patents on the four applications in the U.S. District Court for the District of Columbia (the "district court").

In September 2016, the PTO asserted the defense of prosecution laches, alleging that Hyatt unreasonably and inexplicably delayed prosecution of the four applications. The PTO presented three witnesses that testified about the nature of Hyatt's applications and Hyatt's prosecution conduct. For example, Gregory Morse, who served as supervisor of Hyatt's art unit, testified that the complexity, number, size, and overlap of Hyatt's applications made it difficult to determine the claims' priority dates, determine whether the claims satisfied the written description requirement, and to identify potential double patenting issues. Hyatt responded and argued that the PTO failed to prove prosecution laches.

In August 2018, the district court issued an order concluding that prosecution laches did not bar issuance of patents from the four applications. The district court explained that it would only consider delays up to 2002, because (1) the PTO was responsible for the delay between 2003 and 2012, and (2) after 2012, Hyatt's delays in prosecuting applications other than the four at issue was irrelevant. The district court faulted the PTO for not doing more to accommodate the uniqueness of Hyatt's applications and found that the PTO should have taken additional measures to obtain necessary information from Hyatt sooner.

Additionally, the district court gave little weight to other factors related to Hyatt's conduct. For example, over the five years leading up to the district court's decision, the PTO spent more than $10 million examining claims in Hyatt's GATT Bubble applications, while Hyatt had only paid about $7 million in fees. The district court also faulted the PTO for accepting Hyatt's numerous and broad claim amendments and not policing Hyatt's prosecution conduct. Further, the district court found that even though Hyatt acted unreasonably by re-introducing four claims lost in interferences, such claims had little bearing on Hyatt's conduct with respect to the 115,000 total claims. The district court issued separate orders addressing written description and anticipation issues and ultimately ordered the PTO to issue patents for three of the four applications. The PTO appealed to the Federal Circuit.

II. Issues

1) Whether the PTO can assert the defense of prosecution laches in an action under 35 U.S.C. § 145
2) Whether the district court misapplied the legal standard for prosecution laches
3) Whether the PTO's prosecution laches evidence and arguments were enough to shift the burden to Hyatt

III. Discussion

1) The PTO can assert the defense of prosecution laches in an action under 35 U.S.C. § 145.

The PTO has previously been able to reject patent applications based on prosecution laches grounds, and defendants have been able to assert prosecution laches as an affirmative defense in patent infringement cases. However, the PTO had not asserted prosecution laches as a defense in an action under 35 U.S.C. § 145. Here, the Federal Circuit held that the PTO may assert the prosecution laches defense in an action under 35 U.S.C. § 145, even if the PTO did not previously issue rejections or warnings based on prosecution laches grounds during prosecution.

2) The district court misapplied the legal standard for prosecution laches.

A finding of prosecution laches may "render a patent unenforceable when it has issued only after an unreasonable and unexplained delay in prosecution that constitutes an egregious misuse of the statutory patent system under a totality of the circumstances." *Cancer Research Tech. Ltd. v. Barr Lab'ys Inc.*, 625 F.3d 724, 728 (emphasis added). Prosecution laches also requires a finding of prejudice. *See id.* at 729. The Federal Circuit held that the district court misapplied the legal standard for prosecution laches by failing to properly consider the totality of the circumstances and by placing undue emphasis on the PTO's conduct.

First, the Federal Circuit found that the district court improperly discounted or ignored several factors related to Hyatt's conduct that should have been given more weight under the totality of the circumstances analysis. For example, the district court ignored Hyatt's rewriting and shifting of claims midway through prosecution, because such conduct postdated the close of prosecution of the four applications at issue. Additionally, the district court discounted Hyatt's 1995 agreement with Director Godici, the disparity in cost of examining Hyatt's applications versus the fees actually paid by Hyatt, and Hyatt re-filing four claims that were lost in interference proceedings. The Federal Circuit found that the district court also erred in considering only the period up to 2002 and by only considering the four applications at issue, rather than the Hyatt's conduct, both before and after 2002, with respect to his numerous GATT Bubble applications.

Second, the Federal Circuit found that the district court placed undue emphasis on the PTO's conduct. For example, the district court faulted the PTO for using its normal procedures to examine Hyatt's applications instead of embracing atypical procedures before 2002. The district court also found that the PTO was solely responsible for the examination delays due to the related litigation, when the litigation itself was directly attributable to Hyatt's numerous challenges to PTO procedures. The Federal Circuit found that the district court placed too much emphasis on what the PTO should have done to police Hyatt and not enough emphasis on Hyatt's own

obligation regarding prosecution conduct. For example, the Federal Circuit noted that patent applicants must not only follow statutes and PTO regulations, but must also prosecute their patent applications in an equitable way that avoids unreasonable, unexplained delay that prejudices others. Further, the Federal Circuit noted that the PTO's failure to adopt special procedures to accommodate extreme prosecution situations does not negate prosecution laches and that prosecution laches does not require formalized notice or warnings during prosecution.

3) The PTO's prosecution laches evidence and arguments are sufficient to shift the burden to Hyatt.

The Federal Circuit found that the evidence presented by the PTO with respect to Hyatt's GATT Bubble applications met the requirements of prosecution laches, thereby shifting the burden to Hyatt to demonstrate that prosecution laches should not apply. In particular, the Federal Circuit noted that Hyatt's 381 applications were the most filed by any applicant during the GATT Bubble. Additionally, rather than focusing each application on a separate invention, as Hyatt agreed to do in his meeting with Director Godici, Hyatt instead grew the total number claims to 115,000 including many identical claims between application. The Federal Circuit also held that Hyatt's delay in presenting his claims for prosecution (12-28 years) was, in itself, sufficient to invoke prosecution laches.

Further, the Federal Circuit found that the complicated nature of Hyatt's applications and claim webs made it effectively impossible for the PTO to process the applications. For example, the GATT Bubble applications claim priority to a large number of earlier applications, creating a large number of possible priority dates. The length and complexity of the application specifications and those of the priority applications exacerbated this issue. Hyatt's conduct of adding hundreds of claims to each application, including many identical claims between applications, effectively restarted examination in the middle of prosecution. The Federal Circuit found that these factors eventually overwhelmed the PTO and made it virtually impossible for examiners to identify priority for each claim, written description support for each claim, and to perform double patenting analyses. Further, the Federal Circuit noted that Hyatt's conduct of adding claims that were previously lost in interferences demonstrates, at a minimum, that his prosecution approach overwhelmed his own ability to manage his applications and claims. The Federal Circuit concluded that no reasonable explanation was provided to justify Hyatt's prosecution approach and that Hyatt's conduct was a clear abuse of the patent system, even though it did not literally violate any regulations or statutory provisions.

As noted above, the defense of prosecution laches requires a finding of prejudice. For example, an accused infringer must show evidence of intervening rights. *See Cancer Research*, 625 F.3d at 729. Accordingly, the PTO must prove intervening rights to assert the defense of prosecution laches. The Federal Circuit held that an unreasonable and unexplained prosecution delay of six years or more raises a presumption of prejudice, including intervening rights, such that Hyatt's delays suffice to meet the prejudice requirement and shift the burden to Hyatt to prove a lack of prejudice. The Federal Circuit further held that, where a patent applicant has committed a clear abuse of the PTO's examination process, the abuse and its effects suffice to meet the prejudice requirements. Accordingly, the Federal Circuit found that Hyatt's conduct was a clear

abuse of the PTO's examination process, such that his conduct was also sufficient to meet the prejudice requirement.

IV. Conclusion and Takeaways

The evidence of Hyatt's conduct presented by the PTO amounted to clear abuse of the patent system and was sufficient to meet the requirements of a prosecution laches defense. Accordingly, the burden shifted to Hyatt to prove that prosecution laches should not apply. The Federal Circuit remanded the case to the district court to allow Hyatt to present evidence regarding the prosecution laches defense and held the issues related to written description and anticipation in abeyance. The Federal Circuit's instructions to the district court emphasized that the PTO had proven the elements of the prosecution laches defense and that there was no evidence of record that could justify Hyatt's conduct.

V. Definitions

Prosecution Laches – An equitable affirmative defense that may "render a patent unenforceable when it has issued only after an unreasonable and unexplained delay in prosecution that constitutes an egregious misuse of the statutory patent system under a totality of the circumstances." *Cancer Research*, 625 F.3d at 728.

Submarine Patent – A patent that is delayed in prosecution by an applicant to let an infringing user continue to develop its business. The patent applicant purposely delays the PTO's issuance of the patent to increase infringement by the user and costs associated with infringement. *See* Mark A. Lemley & Kimberley A. Moore, *Ending Abuse of Patent Continuations*, 84 B.U.L. REV. 63, 76-78 (2004).