Keywords: **§ 145 proceedings**

General: **New evidence outside the administrative record is allowed to be introduced in § 145 proceedings. The district must review the evidence under the *de novo* standard of review and can consider whether the applicant had an opportunity to present that evidence before the Board when deciding what weight to afford the evidence.**

Kappos v. Hyatt
Supreme Court of the United States
No. 10-1219
Decided April 18, 2012

I. Facts

In 1995, Hyatt filed a patent application with 117 claims. After the examiner rejected all of the claims under § 112 for lack of adequate written description, Hyatt appealed to the Board of Patent Appeals and Interferences. The Board allowed 38 claims but rejected the remaining claims for the same deficiency.

Subsequently, Hyatt filed a suit against the Director of the USPTO in district court under § 145 of the Patent Act of 1952 (APA). During litigation, Hyatt attempted to introduce a written declaration into evidence identifying the portions of the specification that support the rejected claims, which he had not submitted during prosecution. However, the district court held that the declaration was inadmissible because applicants are precluded from presenting evidence not previously presented to the USPTO on appeal unless there is a justification for the failure. The district court also reviewed the evidence at trial under the APA's deferential "substantial evidence" standard.

Hyatt appealed. Initially, in a divided decision, a Federal Circuit panel affirmed the district court's ruling. But the Federal Circuit granted a rehearing en banc and reversed the district court's ruling. The Federal Circuit held that an applicant can introduce new evidence in a § 145 proceeding even without a justification for failing to present it during prosecution and that the court must make findings under the *de novo* standard when reviewing new evidence that contradicts the administrative record. The Director appealed to the Supreme Court, who granted certiorari.

II. Issue

1) Are applicants allowed to present new evidence in a § 145 proceeding without a justification as to why it was not presented during prosecution?

2) What standard of review should courts apply when the new evidence contradicts the administrative record?

© 2024 FLETCHER YODER

III. Discussion

1) Yes.
2) *De novo* review.

The Court looked to the text of the statute. Section 145 states the district 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 [PTO], as the facts in the case may appear and such adjudication shall authorize the Director to issue such patent on compliance with the requirements of law." The Court found that the statute does not impose unique evidentiary limits or heightened standard of review upon § 145 proceedings.

Next, the court considered the Director's argument that the statute should be read in light of the traditional principles of administrative law. These traditional principles include (1) that the applicant must exhaust all administrative remedies and thus the court should not consider evidence unless the applicant had no opportunity to present it to the agency and (2) that the court should defer to the USPTO's fact finding. The Court dismissed both arguments. First, the Court stated that the principles requiring exhaustion of all administrative remedies do not apply in this context. Such a policy is intended to avoid premature interruption of the administrative process. However, the administrative process is functionally complete by the time a § 145 proceeding is filed as the district court has no power to remand the case. Thus, traditional administrative law principles cannot be used to exclude new evidence. Second, the Court found that applying a deferential standard of review makes little when new evidence is allowed in because the USPTO cannot account for evidence it has never seen. Therefore, the Court declined to read the statute in light of the traditional principles of administrative law.

Lastly, the Court considered which position the historical record supports. Analogizing a § 145 proceeding to its predecessor, an R.S. 4915 proceeding, the Court identified two potential cases that may be instructive. First, the Court considered *Butterworth v. United States ex rel. Hoe*, 112 U.S. 50 (1884). In *Butterworth*, the applicant challenged the denial of his application. The *Butterworth* court held that an R.S. 4915 proceeding is "not a technical appeal from the Patent-Office" and should be "heard upon all competent evidence adduced and upon the whole merits." In contrast, *Morgan v. Daniels*, 153 U.S. 120 (1894), is an interference proceeding where no new evidence was presented. The *Morgan* court held that a deferential standard should be applied. The Court here held that *Butterworth* is more analogous to the case at hand and therefore held that the district court should be able to consider new evidence in § 145 proceedings.

IV. Conclusion

There are no limitations on an applicant's ability to introduce new evidence during a § 145 proceeding beyond those already present in the Federal Rules of Evidence and the Federal Rules of Civil Procedure. The district court must review the evidence *de novo*. However, the district court may decide what weight to afford the evidence in view of whether the applicant had an opportunity to present the evidence to the PTO.

© 2024 FLETCHER YODER