

Inventor's Case Highlights Appeal Option For Rejected Patent

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Many are familiar with the standard way to appeal from ex parte prosecution before the U.S. Patent and Trademark Office: A twice-rejected application is appealed to the Patent Trial and Appeal Board and then, if unsuccessful, to the Federal Circuit. But few are familiar with the alternative route provided by 35 U.S.C. § 145. Section 145 provides dissatisfied applicants with the option of filing suit against the patent office in district court after an unsuccessful appeal to the PTAB. A recent decision by Judge Royce Lamberth in the case of *Hyatt v. Iancu* offers special insight into what patent applicants may stand to gain by pursuing relief under Section 145. This article summarizes the *Hyatt* decision and discusses some strategic opportunities presented by this unique process, both substantively and procedurally.



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The General Litigation Process and Timeline for a Section 145 Action

By way of background, Section 145 allows an applicant who is dissatisfied with a final decision of the PTAB to “have remedy by civil action against the Director” in district court, rather than by taking an appeal directly to the Federal Circuit.[1] Section 145 explains 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 and such adjudication shall authorize the Director to issue such patent on compliance with the requirements of law.”[2] In other words, a dissatisfied patent applicant can sue the patent office in court and ask a federal judge to adjudicate patentability.

Following passage of the America Invents Act, the U.S. District Court for the Eastern District of Virginia became the exclusive venue for Section 145 actions.[3] The Eastern District of Virginia has the well-earned reputation of being one of the fastest federal courts in the country — a so-called rocket docket where, at the front of the courthouse, you are greeted by a sculpture of blindfolded justice standing on a pedestal bearing the phrase “Justice Delayed is Justice Denied.” The courthouse is directly adjacent to the patent office, and its judges regularly adjudicate patent infringement disputes as well as administrative actions against the agency.

The sample size of Section 145 actions is relatively limited. Less than 20 have been filed in the last five years, many of which settled or were voluntarily dismissed. Nevertheless, the available examples demonstrate that the district court can be swayed by new expert

testimony and experimental evidence not previously submitted to the patent office.[4] The district court has evaluated evidence regarding the state of the art.[5] In certain cases, the district court has also performed claim construction.[6] Additionally, parties in Section 145 actions have the full scope of fact and expert discovery ordinarily available under the Federal Rules of Civil Procedure.[7]

The court has emphasized that a Section 145 action is “separate” and “independent” of the underlying examination process.[8] This suggests that the court does not view its role as simply rubber-stamping patent office decisions. Importantly, from a strategic perspective, the court is not confined by the administrative record and must make its own fact findings on any new evidence.[9] As the U.S. Supreme Court has explained, a Section 145 action is “not a technical appeal from the patent-office, nor confined to the case as made in the record of that office, but is prepared and heard upon all competent evidence adduced, and upon the whole merits.”[10]

In terms of procedure, Section 145 actions proceed in the same manner as any other civil action. A scheduling conference occurs. A trial date is set. The parties come up with a discovery plan. Deadlines are set for fact and expert discovery. Following discovery, there may be dispositive motions. Assuming the case is not resolved on summary judgment, a trial may be conducted. As with any suit against an agency, government attorneys will litigate on behalf of the patent office. In Section 145 actions, counsel for the government has been predominantly from the U.S. Department of Justice, but attorneys from the patent office may also play a role.

As mentioned, a number of Section 145 actions have been resolved on the basis of settlement. The opportunity to settle claims with the government is a unique feature associated with Section 145 actions and one worth assessing as a freestanding objective of any suit.

Judge Lamberth’s decision in Hyatt v. Iancu and What It Means

A recent decision by Judge Lamberth in the case of Hyatt v. Iancu is highly instructive.[11] Gilbert P. Hyatt is a well-known inventor whose history of litigation against the patent office is extensive. In prior litigation, Hyatt successfully argued to the Federal Circuit that plaintiffs in Section 145 actions can submit new evidence before the district court and that the district court must make its own fact findings on the new evidence.[12] The patent office appealed the Federal Circuit’s decision to the Supreme Court, which affirmed the Federal Circuit. Aside from addressing this significant evidentiary issue, the Supreme Court’s 2012 decision in Kappos v. Hyatt solidified Section 145 actions as a way to adjudicate patentability in a litigation context.

Hyatt’s more recent Section 145 victory before Judge Lamberth involved multiple trials each lasting five days. The court issued an opinion on Aug. 1, 2018, ordering the patent office to grant over 80 patent claims to Hyatt. The claims cover inventions in the field of video processing and computing and memory architectures. The applications in the litigation claim priority to applications filed in the 1980s. After denying motions for summary judgment and a prosecution laches defense by the patent office, Judge Lamberth held that 82 out of the 309 patent claims in the action were patentable. He then ordered the patent office to issue those claims in “in accordance with PTO’s standard practice for issuing granted patents.”[13]

Interestingly, Judge Lamberth also ordered that “[e]ach issued patent shall include the Figures that Mr. Hyatt relied upon at trial as evidence helping to establish written description support for his claims, and also include a reference to this Memorandum Opinion.”[14]

Strategic Opportunities Afforded by Section 145 Actions

As illustrated by *Hyatt v. Iancu*, Section 145 actions provide dissatisfied applicants with the unique opportunity to present patentability arguments in a way that is simply not possible in standard ex parte examination and on appeal. The most important distinction is the critical role that fact and expert witnesses can play. A second distinction is the availability of discovery. Both of these features allow applicant-plaintiffs to flesh out and animate arguments about the level of ordinary skill, the state of the art, expectation of success, and secondary considerations of nonobviousness. Additionally, the claim construction process, while often underdeveloped during ex parte examination, is a routine part of district court litigation. In certain situations, the claim construction process may provide plaintiffs with strong patentability arguments that the patent office would not otherwise be forced to address in an ex parte examination context.

Finally, the adversarial nature of Section 145 actions is itself a strategic factor worth considering. Section 145 actions afford the opportunity for settlement. The government, while fully capable of litigating civil actions, does not have unlimited resources for doing so. With an opponent who may be willing to settle, Section 145 plaintiffs are well-situated to obtain alternative relief. Also, unlike examination, having an opposing party to cross-examine and challenge the evidence lends weight to the final resolution. In the case of Hyatt's recent victory, after an extensive trial on the merits, a district court concluded that his patentable claims have sufficient written description support, are not anticipated, and are nonobvious. Having already been subject to a contest and judicial scrutiny, it should be harder for future opponents to argue that patentability was not adequately assessed prior to issuance of the patents.

Overall, while Section 145 actions involve a risk-reward proposition similar to other types of civil litigation, the unique opportunities afforded by this venue warrant consideration.

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[1] 35 U.S.C. § 145.

[2] *Id.*

[3] Pub. L. 112-29, § 9 (Sept. 16, 2011).

[4] *Panchev v. Kappos*, No. 1:12-cv-641, 2013 WL 3270651 (E.D. Va. June 25, 2013).

[5] *Disney Enterprises, Inc. v. Rea*, 940 F. Supp. 2d 288, 297-99 (E.D. Va. 2013).

[6] *Id.*

[7] *Kappos v. Hyatt*, 566 U.S. 431 (2012).

[8] *BTG Int'l Ltd. v. Kappos*, No. 1:12-cv-00682, 2012 WL 6082910, at *4 (E.D. Va. Dec. 6, 2012).

[9] Kappos, 566 U.S. at 444-45.

[10] *Id.* at 441-42 (quoting *Gandy v. Marble*, 122 U.S. 432, 439 (1887)).

[11] No. 1:09-cv-01872, ECF No. 225 (D.D.C. Aug. 1, 2018). At the time Hyatt filed his action, venue lay by statute with the U.S. District Court for the District of Columbia. As mentioned, the AIA amended the venue provision applicable to Section 145, such that suits under Section 145 are henceforth to be filed in the Eastern District of Virginia.

[12] Kappos, 566 U.S. at 444-45.

[13] *Hyatt v. Iancu*, No. 1:09-cv-01872, ECF No. 225 at 41-43 (D.D.C. Aug. 1, 2018).

[14] *Id.* at 43.