

Hyatt v. Hirshfeld, 998 F.3d 1347 (Fed. Cir. 2021)

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In *Hyatt*, the U.S. Court of Appeals for the Federal Circuit addressed “for the first time the PTO’s assertion of a prosecution laches defense in a civil action brought by a patentee under 35 U.S.C. § 145 to obtain a patent.” Gilbert P. Hyatt is the named inventor on hundreds of patent applications filed in the spring of 1995—a period immediately following implementation of the modern patent term framework created by the Uruguay Round of the General Agreement on Tariff and Trade (“GATT”).¹ In the wake of that reform, but before it took effect, over 50,000 applications were filed to secure pre-GATT status, a patent-filing phenomenon referred to as the “GATT Bubble.”

During the GATT Bubble, Hyatt bulk-filed 381 applications, many claiming priority to applications filed in the 1970s and 1980s. About five months after Hyatt filed his GATT Bubble applications, the U.S. Patent and Trademark Office (PTO) group Director Nicholas Godici met with Hyatt and they agreed that Hyatt would focus each application’s claims on distinct subject matter. This never came to pass and, 20 years later, Hyatt acknowledged that he lacked a “master plan” for demarcating his GATT Bubble applications. Through successive amendments, Hyatt added hundreds of new claims per application. For the four applications at issue in this case, claims were added between 12 and 28 years after their alleged priority dates, in the end totaling 1,592 claims, i.e., an average of 398 claims per application. For those 12 to 28 years, “Mr. Hyatt’s inventions were submerged.”

According to the court, the PTO struggled with the Hyatt morass, including Hyatt’s “creation of an

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overwhelming, duplicative web of applications and claims” aggravated by “his failure to cooperate with the PTO” and “delay in presenting claims,” including “Hyatt’s tendency to rewrite claims in whole or in significant part midway through prosecution effectively restart[ing] prosecution for the newly rewritten claims.” Then, from 2003 to 2012, the PTO stayed examination of many of Hyatt’s applications pending litigation with Hyatt on various issues. In 2013, the PTO resumed examination of Hyatt’s applications, creating a dedicated art unit tasked with conducting prosecution of Hyatt’s applications—an effort that would cost the agency \$10 million over the next five years of examining Hyatt’s GATT Bubble applications.

Claims of the four applications at issue were finally rejected and reviewed by the Board, which affirmed many of the rejections. A suit by Hyatt under 35 U.S.C. § 145 followed, in which Hyatt sought issuance of the rejected claims. In the § 145 action, the PTO moved to dismiss Hyatt’s action on the basis of prosecution laches. The PTO argued that, even setting aside the period from 2003 to 2012 when prosecution was suspended, Hyatt had engaged in a “pattern of delay in prosecuting his nearly 400 patent applications from 1969 through the present day.” Hyatt opposed the motion and the district court held a five-day bench trial on the issue of whether prosecution laches barred issuance of Hyatt’s four involved applications.

Following trial, the district court issued an order under Fed. R. Civ. P. 52(c), in which it concluded that prosecution laches did not bar issuance of patents based

¹ This reform changed the term of U.S. patents from 17 years following the date of issuance to 20 years following the filing date of the earliest non-provisional U.S. or international application to which priority is claimed. The reform was motivated in part to deter strategies in which applicants would delay prosecution, by abandoning applications and filing continuing applications, until technology had matured in the market place, thus allowing some so-called submarine patentees to specifically target the new products of unsuspecting competitors.

on the four applications. In essence, the district court faulted the PTO for failing to take specific actions to advance prosecution in the face of Hyatt's approach to prosecution, including that the PTO did not take "specific and formal" measures to obtain missing information that was not forthcoming from Hyatt, making the "applications and claims ... difficult, if not impossible" to examine. The district court also focused on the four applications at issue, discounting arguments about Hyatt's broader pattern of conduct across the tangled web of related applications. The district court went on to address patentability on the merits, finding that certain claims were not unpatentable. It thus ordered the PTO to issue patents as to those claims, a ruling that the PTO appealed.

On appeal, the Federal Circuit vacated and remanded the district court's determination on prosecution laches for further proceedings consistent with its opinion, and to provide Hyatt with the opportunity to present evidence on that issue. The Federal Circuit held the remainder of the case in abeyance, retaining jurisdiction over the patentability issues. On prosecution laches, the Federal Circuit held, for the first time, that this doctrine is available to the PTO as a defense in a § 145 action. The Federal Circuit also found that the district court erred by failing to consider the "totality of the circumstances," ignoring evidence of Hyatt's pattern of rewriting or shifting claims midway through prosecution in applications other than the four at issue in this case. The Federal Circuit found that the district court additionally erred by focusing on the PTO's conduct to a greater extent than Hyatt's, observing: "It is not the case that an applicant may prosecute his patents however he or she wishes within the statute and PTO regulation, because the doctrine of prosecution laches places an additional, equitable restriction on patent prosecution conduct beyond those imposed by statute or PTO regulation." The Court stated: "The applicant is in the driver's seat and must take care to

avail itself of the PTO's beneficial patent examination process as it stands and in a way that avoids undue delay leading to prejudice imposed on others." The Federal Circuit held that, on the present record, Hyatt's delay was both unreasonable and unexplained, which shifted the burden to Hyatt to then prove otherwise. The Federal Circuit explained that "[b]eyond merely the magnitude of Hyatt's delay in filing his claims, Hyatt adopted an approach to prosecution that all but guaranteed indefinite prosecution delay."

Finally, the Federal Circuit observed that "Hyatt's time-wasting process obstructed the PTO from examining not only Hyatt's four applications at issue, but nearly all of his GATT Bubble applications." Given the duration of Hyatt's unreasonable and unexplained delay, and its magnitude, the Federal Circuit found that the burden had been shifted to Hyatt to prove lack of prejudice. The Federal Circuit further concluded "that the PTO has carried its burden of proving that Hyatt engaged—intentionally or not—in a clear abuse of the PTO's patent examination system that contributed to delay in the four applications at issue" and that "Hyatt's approach to prosecuting his GATT Bubble applications made it impossible for the PTO to process them using its normal compact prosecution procedures." The Federal Circuit then remanded the case to give Hyatt the opportunity to present evidence in response to its decision, while clearly cautioning the district court that: "We can divine no reason in the record currently before the court that would suffice, but Hyatt is entitled as a matter of fairness to present evidence and be heard on this issue."

The Federal Circuit in this case has given the PTO new legal precedent with which to deal with applicants whose dilatory actions may prejudice others. Whether the PTO uses the doctrine of prosecution laches against applicants beyond Mr. Hyatt remains to be seen.