

In the Supreme Court of the United States

DAVID J. KAPPOS, UNDER SECRETARY OF COMMERCE
FOR INTELLECTUAL PROPERTY AND DIRECTOR,
UNITED STATES PATENT AND TRADEMARK OFFICE,
PETITIONER

v.

GILBERT P. HYATT

*ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT*

BRIEF FOR THE PETITIONER

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QUESTIONS PRESENTED

When the United States Patent and Trademark Office (PTO) denies an application for a patent, the applicant may seek judicial review of the agency's final action through either of two avenues. The applicant may obtain direct review of the agency's determination in the Federal Circuit under 35 U.S.C. 141. Alternatively, the applicant may commence a civil action against the Director of the PTO in federal district court under 35 U.S.C. 145. In a Section 145 action, the applicant may in certain circumstances introduce evidence of patentability that was not presented to the agency. The questions presented are as follows:

1. Whether the plaintiff in a Section 145 action may introduce new evidence that could have been presented to the agency in the first instance.
2. Whether, when new evidence is introduced under Section 145, the district court may decide *de novo* the factual questions to which the evidence pertains, without giving deference to the prior decision of the PTO.

TABLE OF CONTENTS

	Page
Opinions below	1
Jurisdiction	1
Statutory provision involved	2
Statement	2
Summary of argument	11
Argument:	
I. Consistent with established principles of administrative law, 35 U.S.C. 145 is properly construed to limit evidence not presented to the PTO and provide for deferential review	14
A. A Section 145 suit is a proceeding for judicial review that is governed by traditional administrative-law principles	14
1. Section 145 authorizes judicial review of the PTO's decision	14
2. Traditional administrative-law principles govern the admissibility of new evidence and the standard of review in Section 145 proceedings	18
B. Evidence that reasonably could have been presented to the PTO should not be admissible in Section 145 suits, and the PTO's decision should be reviewed deferentially in all cases	21
1. Permitting introduction of new evidence that could have been presented to the agency conflicts with administrative-exhaustion principles	21
2. Permitting de novo review of issues involving new evidence conflicts with long-standing principles of deference to agency authority and expertise	25

IV

Table of Contents—Continued:	Page
II. Congress’s reenactment of Section 145 in the Patent Act of 1952 should be understood to incorporate the prevailing judicial practice of limiting the introduction of new evidence and applying a deferential standard of review	30
A. This court’s analysis of R.S. 4915 in <i>Morgan</i> supports limitations on new evidence and deferential review of the PTO’s factfindings	31
B. Under R.S. 4915, the prevailing judicial practice following <i>Morgan</i> was to exclude evidence that the plaintiff had failed without cause to present to the PTO	34
C. When Congress reenacted R.S. 4915 as Section 145, it adopted the prevailing judicial understanding of R.S. 4915	38
III. New evidence should be admitted in a Section 145 suit only if its proponent had no reasonable opportunity to present it to the PTO, and the court should overturn the PTO’s decision only if the evidence clearly establishes that the agency erred	42
Conclusion	47

TABLE OF AUTHORITIES

Cases:

<i>Abbott v. Shepherd</i> , 135 F.2d 769 (D.C. Cir. 1942)	37
<i>American Hoist & Derrick Co. v. Sowa & Sons, Inc.</i> , 725 F.2d 1350 (Fed. Cir.), cert. denied, 469 U.S. 821 (1984)	26, 27
<i>Ashwander v. TVA</i> , 297 U.S. 288 (1936)	35
<i>Barrett v. Failing</i> , 111 U.S. 523 (1884)	31

Cases—Continued:	Page
<i>Barrett Co. v. Koppers Co.</i> , 22 F.2d 395 (3d Cir. 1927)	35
<i>Beard v. Burts</i> , 95 U.S. 434 (1877)	12, 32
<i>Boucher Inventions, Ltd. v. Sola Elec. Co.</i> , 131 F.2d 225 (D.C. Cir. 1942), cert. denied, 318 U.S. 770 (1943)	34
<i>Bryan v. United States</i> , 524 U.S. 184 (1998)	39
<i>Butterworth v. United States</i> , 112 U.S. 50 (1884)	33
<i>Cabinet Mountains Wilderness v. Peterson</i> , 685 F.2d 678 (D.C. Cir. 1982)	20
<i>California Research Corp. v. Ladd</i> , 356 F.2d 815 (D.C. Cir. 1966)	38
<i>Chandler v. Roudebush</i> , 425 U.S. 840 (1976)	9, 20, 31
<i>Citizens to Preserve Overton Park, Inc. v. Volpe</i> , 401 U.S. 402 (1971)	22
<i>Consolo v. Federal Mar. Comm'n</i> , 383 U.S. 607 (1966)	18, 25
<i>Cordis Corp. v. Boston Scientific Corp.</i> , 561 F.3d 1319 (Fed. Cir.), cert. denied, 130 S. Ct. 748, and 130 S. Ct. 749 (2009)	28
<i>DeSeversky v. Brenner</i> , 424 F.2d 857 (D.C. Cir. 1970)	38, 40
<i>Dickinson v. Zurko</i> , 527 U.S. 150 (1999)	<i>passim</i>
<i>Dowling v. Jones</i> , 67 F.2d 537 (2d Cir. 1933)	37
<i>Etten v. Kauffman</i> , 32 F. Supp. 186 (W.D. Pa. 1940), aff'd, 121 F.2d 137 (3d Cir. 1941)	36
<i>Fisher, In re</i> , 448 F.2d 1406 (C.C.P.A. 1971)	16
<i>Florida Power & Light Co. v. Lorion</i> , 470 U.S. 729 (1985)	22, 25, 44

VI

Cases—Continued:	Page
<i>Forest Grove Sch. Dist. v. T.A.</i> , 129 S. Ct. 2484 (2009) . . .	38
<i>Gandy v. Marble</i> , 122 U.S. 432 (1887)	34
<i>Globe-Union, Inc. v. Chicago Tel. Supply Co.</i> , 103 F.2d 722 (7th Cir. 1939)	36, 37, 40
<i>Gold v. Newton</i> , 254 F. 824 (2d Cir. 1918), cert. denied, 249 U.S. 608 (1919)	37
<i>Gould, In re</i> , 673 F.2d 1385 (C.C.P.A. 1982)	16
<i>Gould v. Quigg</i> , 822 F.2d 1074 (Fed. Cir. 1987)	15
<i>Graham v. John Deere Co.</i> , 383 U.S. 1 (1966)	3, 15
<i>Greene v. Beidler</i> , 58 F.2d 207 (2d Cir. 1932)	36
<i>Hien, In re</i> , 166 U.S. 432 (1897)	33
<i>Hoover Co. v. Coe</i> , 325 U.S. 79 (1945)	4, 5, 15, 16, 33
<i>INS v. Orlando Ventura</i> , 537 U.S. 12 (2002)	25, 26
<i>Interstate Commerce Comm’n v. Union Pac. R.R.</i> , 222 U.S. 541 (1912)	25
<i>Kelly v. Robinson</i> , 479 U.S. 36 (1986)	39
<i>Knutson v. Gallsworthy</i> , 164 F.2d 497 (D.C. Cir. 1947) . .	36
<i>Kronig, In re</i> , 539 F.2d 1300 (C.C.P.A. 1976)	43
<i>Lorillard v. Pons</i> , 434 U.S. 575 (1978)	38
<i>McCarthy v. Madigan</i> , 503 U.S. 140 (1992)	22
<i>McKart v. United States</i> , 395 U.S. 185 (1969)	22, 44
<i>Microsoft Corp. v. i4i Ltd. P’ship</i> , 131 S. Ct. 2238 (2011)	<i>passim</i>
<i>Minnesota Mining & Mfg. Co. v. Carborundum</i> Co., 155 F.2d 746 (3d Cir. 1946)	35, 37
<i>Morgan v. Daniels</i> , 153 U.S. 120 (1894)	<i>passim</i>
<i>Nichols v. Minnesota Mining & Mfg. Co.</i> , 109 F.2d 162 (4th Cir. 1940)	37

VII

Cases—Continued:	Page
<i>O'Donnell v. United Shoe Mach. Corp.</i> , 2 F. Supp. 178 (D. Mass. 1933)	36
<i>Pintarelli v. Brogan</i> , 65 F. Supp. 281 (D.R.I. 1946)	41
<i>Putman v. Dudas</i> , 539 F. Supp. 2d 414 (D.D.C. 2008) ...	44
<i>Radio Corp. of Am. v. Radio Eng'g Labs., Inc.</i> , 293 U.S. 1 (1934)	27
<i>S. & S. Corrugated Paper Mach. Co. v. George W. Swift, Jr., Inc.</i> , 176 F.2d 358 (3d Cir. 1949)	37
<i>Schering Corp. v. Marzall</i> , 101 F. Supp. 571 (D.D.C. 1951)	36
<i>Schilling v. Schwitzer-Cummins Co.</i> , 142 F.2d 82 (D.C. Cir. 1944)	35, 37
<i>Scotten v. Littlefield</i> , 235 U.S. 407 (1914)	32
<i>Southard v. Russell</i> , 57 U.S. (16 How.) 547 (1854)	32
<i>Squire, In re</i> , 22 F. Cas. 1015 (C.C.E.D. Mo. 1877)	33
<i>Tagg Bros. & Moorhead v. United States</i> , 280 U.S. 420 (1930)	22
<i>United States v. Carlo Bianchi & Co.</i> , 373 U.S. 709 (1963)	18, 20, 23
<i>Wainwright v. Sykes</i> , 433 U.S. 72 (1977)	28
<i>Woodford v. Ngo</i> , 548 U.S. 81 (2006)	24
Statutes, regulations and rule:	
Act of July 4, 1836, ch. 357, § 16, 5 Stat. 123	4, 5
Act of Mar. 3, 1839, ch. 88, § 10, 5 Stat. 354	4, 5
Act of Mar. 2, 1927, ch. 273, 44 Stat. 1335:	
§ 8, 44 Stat. 1336	5
§ 11, 44 Stat. 1336	5

VIII

Statutes, regulations and rule:	Page
Administrative Procedure Act, 5 U.S.C. 701 <i>et seq.</i>	3
5 U.S.C. 702	20
5 U.S.C. 704	39
5 U.S.C. 706	20, 25, 39
Civil Rights Act of 1964, 42 U.S.C. 2000e <i>et seq.</i>	
(Tit. VII)	20, 21
Contract Disputes Act of 1978, 41 U.S.C. 609(a)(3)	19
Endangered Species Act of 1973, 16 U.S.C.	
1540(g)(1) (1976)	20
Food Stamp Act of 1977, 7 U.S.C. 2023(a)(15)	19
Freedom of Information Act, 5 U.S.C. 552(a)(4)(B)	19
Patent Act of 1870, ch. 230, § 52, 16 Stat. 205	5
Patent Act of 1952, 35 U.S.C. 1 <i>et seq.</i> :	
35 U.S.C. 2(a)	15
35 U.S.C. 2(a)(1)	2
35 U.S.C. 6 (2006 & Supp. III 2009)	3
35 U.S.C. 6(a) (Supp. III 2009)	3
35 U.S.C. 101	2
35 U.S.C. 102	2
35 U.S.C. 103(a)	2
35 U.S.C. 112	2, 6
35 U.S.C. 120	3
35 U.S.C. 131	2
35 U.S.C. 131-132	42
35 U.S.C. 132(a)	6
35 U.S.C. 134	3
35 U.S.C. 135	4

IX

Statutes, regulations and rule—Continued:	Page
35 U.S.C. 141	3, 15, 18, 19
35 U.S.C. 141-145	3
35 U.S.C. 141-146 (Chap. 13)	15
35 U.S.C. 144	3, 18
35 U.S.C. 145	<i>passim</i>
35 U.S.C. 146	5
35 U.S.C. 282	26
Rev. Stat. (1878):	
§ 4911	33, 40
§§ 4911-4914	5
§ 4915	<i>passim</i>
18 U.S.C. 923(f)(3)	19
28 U.S.C. 2640(a)	19
37 C.F.R.:	
Section 1.2	44
Section 1.53(b)	3, 24
Section 1.105	42
Section 1.105(a)(1)	6
Section 1.113	42
Section 1.114	3, 24
Section 1.130	42
Section 1.131	42
Section 1.192(a) (1992)	8
Section 41.33	43
Section 41.33(d)(1)	24
Section 41.37(c)(1)(vii)	8, 24
Section 41.39(b)(1)	24

Regulations and rule—Continued:	Page
Section 41.50(a)(2)(i)	24
Section 41.50(b)	43
Section 41.50(b)(1)	24
Section 41.52	3
Section 41.52(a)(1)	43
Fed. R. Civ. P. 2	20
Miscellaneous:	
2 Anthony William Deller, <i>Walker on Patents:</i> <i>Deller's Edition</i> (1937)	36
<i>Procedure in the Patent Office: Hearing on</i> <i>H.R. 7563 and H.R. 13487 Before the House</i> <i>Comm. on Patents</i> , 69th Cong., 2d Sess. (1926)	41
S. Rep. No. 1979, 82d Cong., 2d Sess. (1952)	6, 30, 38
Benjamin J. Shipman, <i>Handbook of the Law of</i> <i>Equity Pleading</i> (1897)	5, 31, 32
2 Thomas Atkins Street, <i>Federal Equity Practice</i> (1909)	32
<i>To Amend Section 52 of the Judicial Code and Other</i> <i>Statutes Affecting Procedure in Patent Office:</i> <i>Hearing on H.R. 6252 and H.R. 7087 Before the</i> <i>House Comm. on Patents</i> , 69th Cong., 1st Sess. (1926)	41
U.S. Patent & Trademark Office, U.S. Dep't of Com- merce, <i>Manual of Patent Examining Procedure</i> (8th ed. Rev. 8, July 2010)	2

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BRIEF FOR THE PETITIONER

OPINIONS BELOW

The opinion of the en banc court of appeals (Pet. App. 1a-80a) is reported at 625 F.3d 1320. The opinion of the court of appeals panel (Pet. App. 81a-172a) is reported at 576 F.3d 1246. The opinion of the district court (Pet. App. 173a-199a) is unreported. The order of the Board of Patent Appeals and Interferences (Pet. App. 200a-254a) is unreported.

JURISDICTION

The judgment of the court of appeals was entered on November 8, 2010. On January 26, 2011, the Chief Justice extended the time in which to file a petition for a

writ of certiorari to and including March 8, 2011. On February 25, 2011, the Chief Justice further extended the time to and including April 7, 2011, and the petition was filed on that date. The petition for a writ of certiorari was granted on June 27, 2011. The jurisdiction of this Court rests on 28 U.S.C. 1254(1).

STATUTORY PROVISION INVOLVED

Section 145 of Title 35 of the United States Code is reproduced in the appendix to the petition for a writ of certiorari (Pet. App. 280a).

STATEMENT

1. a. The United States Patent and Trademark Office (PTO) is “responsible for the granting and issuing of patents.” 35 U.S.C. 2(a)(1). When an applicant seeks a patent, the PTO undertakes an examination process to determine whether a patent should issue. 35 U.S.C. 131. An examiner with expertise in the relevant technological fields analyzes the application and the invention it describes, as well as the prior art in the field, to determine whether the statutory requirements for patentability are satisfied. *Ibid.*; PTO, U.S. Dep’t of Commerce, *Manual of Patent Examining Procedure* §§ 704-706, 903.08(e), 904-904.02 (8th ed. Rev. 8, July 2010).

A number of statutory prerequisites must be satisfied before a patent may issue. An invention must consist of patent-eligible subject matter, 35 U.S.C. 101, and it must be novel, 35 U.S.C. 102, and non-obvious, 35 U.S.C. 103(a). The patent’s specification must contain a written description of the invention “and of the manner and process of making and using it,” and it must enable a person of ordinary skill in the art to “make and use the same.” 35 U.S.C. 112. In applying those requirements, the PTO may make a number of factual determinations

regarding, *inter alia*, the nature of the invention's advancement over existing technology, the level of ordinary skill in the art, and the way in which a person of ordinary skill would understand the patent's specification. See, *e.g.*, *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966).

If the examiner denies a patent application, the applicant may appeal the decision to the PTO's Board of Patent Appeals and Interferences (Board). See 35 U.S.C. 6 (2006 & Supp. III 2009); 35 U.S.C. 134. The Board is composed of "administrative patent judges" who possess "competent legal knowledge and scientific ability." 35 U.S.C. 6(a) (Supp. III 2009). An applicant who believes the Board's decision is erroneous may file a request for Board rehearing. 37 C.F.R. 41.52. Alternatively, an applicant who wishes to overcome the Board's decision by introducing new evidence of patentability before the PTO may file a request for continued examination, 37 C.F.R. 1.114, or a continuation application, 37 C.F.R. 1.53(b); see 35 U.S.C. 120. In either case, the examiner considers the application in light of the new evidence, and the applicant may appeal the examiner's decision to the Board.

b. An applicant aggrieved by the Board's final determination may obtain judicial review through either of two avenues. 35 U.S.C. 141-145. The applicant may directly "appeal the decision to the United States Court of Appeals for the Federal Circuit," 35 U.S.C. 141, which "review[s] the [Board's] decision * * * on the record before the [PTO]," 35 U.S.C. 144. In Section 141 proceedings, the Federal Circuit reviews the PTO's decision under the deferential standards that govern judicial review of final agency action under the Administrative

Procedure Act (APA), 5 U.S.C. 701 *et seq.* See *Dickinson v. Zurko*, 527 U.S. 150, 154-165 (1999).

Alternatively, an unsuccessful applicant may “have remedy by civil action against the Director” of the PTO in the District Court for the District of Columbia. 35 U.S.C. 145. In a Section 145 action, the “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 [Board], as the facts in the case may appear.” *Ibid.* This Court observed in *Zurko* that Section 145 sometimes “permits the disappointed applicant to present to the court evidence that the applicant did not present to the PTO,” which “makes a factfinder of the district judge.” *Zurko*, 527 U.S. at 164. Neither in *Zurko* nor in any other decision, however, has this Court addressed the circumstances in which evidence that was not presented to the PTO may be admitted in a Section 145 suit. See *ibid.*

c. Section 145 is the current embodiment of a statutory provision that has authorized judicial review of the decisions of the PTO (or its predecessor, the Patent Office) in district court since 1836, when Congress first created an agency responsible for the examination of patents. See Act of July 4, 1836 (Patent Act of 1836), ch. 357, § 16, 5 Stat. 123; see generally *Hoover Co. v. Coe*, 325 U.S. 79, 84-87 (1945). Eventually codified as Rev. Stat. § 4915 (1878) (R.S. 4915), the provision authorized disappointed patent applicants to file a “bill in equity” to obtain judicial review in “all cases where patents are refused for any reason whatever,” Act of Mar. 3, 1839 (Patent Act of 1839), ch. 88, § 10, 5 Stat. 354, including both patent denials and priority determinations made after “interference” proceedings, see 35 U.S.C.

135.¹ Although Congress amended various aspects of R.S. 4915 during the 19th and early 20th centuries, the language defining the proceeding remained essentially unchanged, providing that an unsuccessful patent applicant may “have remedy” through an original action in which the court “may adjudge that such applicant is entitled, according to law, to receive a patent * * * as the facts in the case may appear.” Patent Act of 1870, ch. 230, § 52, 16 Stat. 205; see Act of Mar. 2, 1927 (1927 Act), ch. 273, § 11, 44 Stat. 1336; Patent Act of 1836 § 16, 5 Stat. 123 (cited by the Patent Act of 1839 § 10, 5 Stat. 354). Each version of the statute provided that the court’s decision in favor of the applicant “shall authorize the Commissioner to issue such patent.” *Id.* § 16, 5 Stat. 124.

Originally, an unsuccessful patent applicant could file a bill in equity in district court under R.S. 4915 only after obtaining initial judicial review in the courts of the District of Columbia. See Rev. Stat. §§ 4911-4914 (1878); *Hoover Co.*, 325 U.S. at 85-86; Pet. App. 97a-101a. In 1927, Congress amended the statutory scheme to permit a disappointed applicant to “have the decision of the Patent Office reviewed either by the court of appeals or by filing a bill in equity, but not both.” *Hoover Co.*, 325 U.S. at 87 (citation omitted); see 1927 Act § 8, 44 Stat. 1336. In the Patent Act of 1952, Congress divided R.S. 4915 into two sections: Section 145, governing ex parte proceedings, and Section 146, governing interferences. The Senate Report accompanying the relevant bill indicated that “no fundamental change” was in-

¹ A “bill in equity” was the initial pleading in proceedings invoking the equity jurisdiction of the courts, equivalent to the complaint in actions at law. See, e.g., Benjamin J. Shipman, *Handbook of the Law of Equity Pleading* § 101, at 168 (1897).

tended “in the various appeals and other review of Patent Office action.” S. Rep. No. 1979, 82d Cong., 2d Sess. 7 (1952) (*Senate Report*).

2. a. Respondent is the named inventor of the invention disclosed in the patent application at issue in this case, known as the ’702 application. Pet. App. 3a. The invention relates generally to a computerized display system for processing image information. *Ibid*.

Respondent filed the ’702 application in 1995. He asserted priority of invention dating back to 1975 through a chain of previous applications. Gov’t C.A. Br. 2-3. After a series of amendments, he cancelled the original claims in the application and presented 117 new claims for examination. Pet. App. 83a; C.A. App. A11009-A11087; see J.A. 263-364. Concerned that the amendment was not supported by the original application, see 35 U.S.C. 132(a) (barring amendments introducing “new matter”), and thus did not comply with the written-description requirement, the PTO examiner directed respondent to “point out where in the specification support may be found” for the new claims. C.A. App. A10493; Pet. App. 85a; cf. 37 C.F.R. 1.105(a)(1). Respondent then submitted further amendments to the specification and a list of page ranges that purportedly contained support for the claims. Pet. App. 85a-86a. Respondent also referred the examiner to the specification’s “Table of Contents (see the Preliminary Amendments) for additional antecedent basis.” *Id.* at 86a. Finding respondent’s submission insufficiently specific, the examiner rejected all 117 claims under 35 U.S.C. 112 for lack of an adequate written description. Pet. App. 4a; 86a-88a.

b. Respondent appealed to the Board. To demonstrate support for the claims in the specification, respon-

dent provided a table (Table-1) listing “representative terminology,” the number of times each term appeared in the specification, and representative pages on which each term appeared. Pet. App. 89a-90a. For example, the table showed that the term “input” appeared more than 200 times “throughout” the 238-page specification. *Id.* at 89a.

Addressing respondent’s submission, the Board observed that respondent’s only effort to identify support in the specification for the rejected claims consisted of Table-1. See Pet. App. 213a, 218a-219a; see also *id.* at 260a. Stating that “merely pointing to isolated words scattered throughout the specification does not describe the invention claimed as a combination of elements, functions, and interconnections, any more than a dictionary provides written description support for a book where words are used in combination to provide a certain meaning,” the Board concluded that respondent had failed to refute the examiner’s findings under Section 112. *Id.* at 213a. The Board nevertheless conducted its own search of the specification for supporting disclosures. *Id.* at 219a-240a; see *id.* at 257a (“This panel spent three weeks considering the 238 page specification, the 42 drawing figures, the 128 page appeal brief, and the 64 page reply brief as applied to 54 independent claims and 63 dependent claims in writing our original decision.”). The Board ultimately found adequate support for 38 claims, but affirmed the examiner’s rejection of the other 79 claims for lack of written description.² *Id.* at 252a-253a.

² The Board reversed the examiner’s rejections based on obviousness, anticipation, and other grounds not at issue here. Pet. App. 5a.

Respondent filed a request for rehearing before the Board and offered, for the first time, claim-by-claim responses to the examiner's written-description rejections. See Pet. App. 257a; J.A. 670-745. The Board denied reconsideration, explaining that, under PTO rules, respondent had forfeited his new written-description arguments by failing to present them in his briefing on appeal to the Board. Pet. App. 256a; see 37 C.F.R. 1.192(a) (2002) (arguments not presented to the Board in appeal briefs are waived); cf. 37 C.F.R. 41.37(c)(1)(vii) (same).

3. Respondent sought judicial review of the PTO's decision in district court under 35 U.S.C. 145. Pet. App. 6a. The Director moved for summary judgment, arguing that the Board's findings on the written-description issue were supported by substantial evidence in the record. *Ibid.* Respondent then submitted his own written declaration, in which he identified portions of the specification that, in his view, supported the claims held unpatentable by the Board. *Ibid.*; see *id.* at 261a-279a. The Director urged the district court not to consider the declaration because respondent had failed without reasonable excuse to provide the same information to the agency. *Id.* at 6a.

The district court excluded respondent's declaration, holding that Section 145 does not permit a plaintiff to introduce, for the first time in district court, evidence that he had a reasonable opportunity to present to the PTO during the administrative process. Pet. App. 173a-189a. Finding no basis in the administrative record for disturbing the Board's findings, the court granted summary judgment to the Director. *Id.* at 190a-199a.

4. A panel of the court of appeals affirmed. Pet. App. 81a-172a. The panel explained that Congress could not reasonably be thought to have intended "to allow a

patent applicant in a § 145 action to introduce new evidence with no regard whatsoever as to his conduct before the PTO.” *Id.* at 146a. The panel emphasized that “it has been the general practice of federal courts for over eighty years in certain circumstances to exclude evidence which a party could and should have introduced before the Patent Office but did not despite an obligation to do so.” *Id.* at 121a. Judge Moore dissented. *Id.* at 149a-172a.

5. a. The court of appeals granted rehearing en banc and vacated the district court’s grant of summary judgment. Pet. App. 1a-80a. The en banc court held that Section 145 permits patent applicants to challenge the Board’s determination based on any evidence admissible under the Federal Rules of Evidence, even if the applicant had no justification for failing to provide the evidence to the agency. *Id.* at 21a. The court stated that Section 145 “provides no indication that this civil action is somehow different from a customary civil action,” *id.* at 11a-12a, and that “[w]here [a] statute permits a ‘civil action’ in relation to agency actions, the Supreme Court has held that this amounts to a trial de novo,” *id.* at 30a (citing *Chandler v. Roudebush*, 425 U.S. 840 (1976)). The court also relied on testimony during congressional hearings preceding the 1927 revisions to the Patent Act, in which certain witnesses characterized R.S. 4915 as permitting a “de novo” proceeding in district court in which the administrative record could be supplemented by additional evidence. See Pet. App. 14a-17a. The court viewed that testimony as indicating that Congress understood R.S. 4915 to “allow[] an applicant to introduce new evidence in district court, regardless of whether that evidence had been provided to the Patent Office in earlier proceedings.” *Id.* at 17a.

The court of appeals further held that “once an applicant introduces new evidence on an issue, the district court reviews that issue *de novo*,” Pet. App. 2a, and makes “*de novo* fact findings if the evidence conflicts with any related [PTO] finding,” *id.* at 32a. In the court’s view, permitting *de novo* review when new evidence is introduced does not conflict with “principles of deference to agency fact finding” because a deferential “court/agency standard of review” applies when the applicant does not offer new evidence. *Id.* at 31a; see *id.* at 30a. The court also noted that a district court may consider “the proceedings before and findings of the Patent Office in deciding what weight to afford an applicant’s newly-admitted evidence.” *Id.* at 28a. The en banc court accordingly vacated the district court’s grant of summary judgment to the PTO and remanded for further proceedings. *Id.* at 34a-35a.

b. Judge Newman concurred in part and dissented in part. Pet. App. 36a-43a. She agreed with the majority that Section 145 authorizes the admission of new evidence without regard to the applicant’s conduct before the PTO. *Id.* at 38a. She would have held, however, that Section 145 authorizes *de novo* review even when the applicant does not introduce new evidence. *Ibid.*

c. Judge Dyk, joined by Judge Gajarsa, dissented. Pet. App. 44a-80a. The dissenting judges described the en banc court’s decision as “a remarkable departure from settled principles of administrative law” and “yet another misguided effort to craft special rules for patent cases that the Supreme Court in other cases has held to be impermissible.” *Id.* at 44a, 46a (citing *Zurko*, 527 U.S. at 152). They emphasized that courts historically had limited the admissibility of new evidence in Section 145 proceedings, and that Congress has often provided

for deferential review in civil actions brought in district court. *Id.* at 53a-78a. They would have held that Section 145 does not permit a disappointed patent applicant to introduce new evidence that could have been submitted to the PTO. *Id.* at 51a-52a. In the dissenting judges' view, "[t]he majority opinion invites applicants to deliberately withhold evidence from the PTO in favor of a more hospitable district court forum," *id.* at 46a, particularly "in those circumstances where an expert agency would reject the evidence but a non-expert district court might be convinced to accept it," *id.* at 80a.

SUMMARY OF ARGUMENT

Under Section 145, a patent applicant "dissatisfied with the decision" of the PTO may seek judicial review by filing a "civil action against the Director" in district court. 35 U.S.C. 145. If the plaintiff prevails in his challenge to the PTO's decision, the district court's "adjudication shall authorize the Director to issue [a] patent on compliance with the requirements of law." *Ibid.* More than a century ago, this Court held that actions under Section 145's statutory predecessor, R.S. 4915, involved judicial review of agency determinations. *Morgan v. Daniels*, 153 U.S. 120, 124 (1894). That new evidence is sometimes admissible in Section 145 actions reflects a limited departure from ordinary on-the-record review of agency action, but it does not alter the fundamental nature of the proceeding as one to "set aside" the PTO's decision. *Ibid.*

The extent to which new evidence is admissible in a Section 145 suit, and the standard of review under which the PTO's decision is evaluated, therefore should be determined in light of the background principles that govern judicial review of agency action. The established

general rule that a litigant must exhaust administrative remedies counsels that Section 145 should be construed to permit the introduction of new evidence only when a disappointed patent applicant had no reasonable opportunity to present that evidence to the PTO. Permitting applicants to withhold available evidence from the PTO in order to present it to a reviewing court would deprive the agency of the opportunity to apply its specialized expertise to the full body of relevant information, and it would deprive the court of the benefit of the agency's judgment. When new evidence is admitted, the court should apply the same deferential standard that otherwise governs review of the PTO's conclusions, but the court may accord greater weight to evidence that the PTO did not consider. Cf. *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238 (2011) (*Microsoft*).

This construction of Section 145 finds support in the judicial understanding of R.S. 4915 that prevailed when Congress reenacted the provision in the Patent Act of 1952. In establishing the administrative-review character of R.S. 4915, the Court in *Morgan* described the proceeding as “something in the nature of a suit to set aside a judgment.” 153 U.S. at 124. That analogy is revealing, since a nineteenth-century court presented with an equitable proceeding to attack a prior judgment would not have considered evidence that could have been produced during the earlier proceeding, and it would not have overturned the prior judgment absent compelling proof of error. See *Beard v. Burts*, 95 U.S. 434, 436 (1877). Early twentieth-century courts regularly excluded evidence that could have been presented to the PTO, and they applied a deferential standard of review even when new evidence was admitted. Congress's 1952 reenactment of R.S. 4915 without material alterations should

therefore be understood to adopt the settled judicial practice.

This interpretation of Section 145 comports with generally-applicable principles of administrative law, and it produces an appropriate symmetry between judicial review of patent grants and review of patent denials. Limiting the admission of new evidence in Section 145 cases simply requires patent applicants to abide by the same exhaustion principles that govern parties who appear before other federal agencies. In *Microsoft*, the Court held that the presumption of validity that attaches to a granted patent can be overcome only by clear and convincing evidence, even when the party contesting the patent submits evidence that was not before the PTO. 131 S. Ct. at 2251. The Court explained that, although “new evidence supporting an invalidity defense may ‘carry more weight’ in an infringement action than evidence previously considered by the PTO,” the standard of proof remains the same. *Ibid.* Because a challenge to the PTO’s denial of a patent is “closely” related to a challenge to the validity of a granted patent, *Morgan*, 153 U.S. at 123, a Section 145 court’s review of evidence not considered by the PTO should be governed by the same principles.

ARGUMENT

I. CONSISTENT WITH ESTABLISHED PRINCIPLES OF ADMINISTRATIVE LAW, 35 U.S.C. 145 IS PROPERLY CONSTRUED TO LIMIT EVIDENCE NOT PRESENTED TO THE PTO AND PROVIDE FOR DEFERENTIAL REVIEW

A. A Section 145 Suit Is A Proceeding For Judicial Review That Is Governed By Traditional Administrative-Law Principles

Under Section 145, a patent applicant “dissatisfied with the decision of the Board of Patent Appeals and Interferences * * * may * * * have remedy by civil action” against the Director of the PTO in the District Court for the District of Columbia, and the court “may adjudge that such applicant is entitled to receive a patent * * * as the facts of the case may appear.” 35 U.S.C. 145. This Court has recognized that, unlike in appeals under Section 141, evidence outside the administrative record sometimes may be introduced in Section 145 proceedings. That limited deviation from usual administrative-law principles, however, does not change the fundamental character of a Section 145 proceeding as a suit for judicial review of agency action, and it does not justify wholesale abandonment of the background rules that govern admissibility of new evidence and the appropriate standard of review.

1. Section 145 authorizes judicial review of the PTO’s decision

Contrary to respondent’s contention, a proceeding under Section 145 is an action for judicial review of the PTO’s denial of a patent, rather than a freestanding

“civil action *to obtain a patent*” (Br. in Opp. 12) from the district court.

a. Congress has authorized the PTO to decide whether to grant or deny a patent. See 35 U.S.C. 2(a) (The PTO is “responsible for the granting and issuing of patents.”); *Graham v. John Deere Co.*, 383 U.S. 1, 18 (1966). When the PTO denies a patent, Chapter 13 of the Patent Act of 1952, entitled “Review of Patent and Trademark Office Decisions,” provides the disappointed applicant two potential avenues by which to challenge the PTO’s decision. The applicant may pursue a direct appeal under Section 141, in which the Federal Circuit reviews the patent denial in accordance with the APA. Alternatively, the applicant may file a civil action under Section 145. See generally *Dickinson v. Zurko*, 527 U.S. 150, 154-165 (1999); *Hoover Co. v. Coe*, 325 U.S. 79, 83 (1945) (“It is evident that alternative rights of review are accorded an applicant.”).

Like Section 141, Section 145 applies to a patent applicant who is “dissatisfied with the decision” of the PTO, and it permits the applicant to seek a “remedy by civil action against the Director.” 35 U.S.C. 145. A Section 145 action thus challenges the PTO’s decision to deny a patent, and the potential “remedy” (if the plaintiff prevails) is a district court determination that “such applicant is entitled to receive a patent.” *Ibid.* In adjudicating the action, the court is limited to the “correction of erroneous adverse rulings” contained within the PTO’s rejection, such that “the effect of adjudication * * * [is] the same as that of decision on appeal.” *Hoover Co.*, 325 U.S. at 87-88.

Section 145 does not authorize the court to issue the patent itself, or even to “direct the issuance of a patent.” *Gould v. Quigg*, 822 F.2d 1074, 1079 (Fed. Cir. 1987).

Rather, if the district court “adjudge[s] that [the] applicant is entitled to receive a patent for his invention,” the court’s “adjudication shall authorize the Director to issue such patent on compliance with the requirements of law.” 35 U.S.C. 145. A decision in favor of the plaintiff in a Section 145 action thus has the effect of a remand, returning the application to the PTO to determine in the first instance whether the patent should issue, or whether there is some other ground on which the patent should be denied. See *Hoover Co.*, 325 U.S. at 89 (“where an applicant has succeeded in a bill filed under R.S. 4915, the courts have not questioned the power of the Patent Office subsequently to disallow the claims” for other reasons); *In re Gould*, 673 F.2d 1385, 1386 (C.C.P.A. 1982) (per curiam); *In re Fisher*, 448 F.2d 1406, 1407 (C.C.P.A. 1971) (per curiam) (In a Section 145 action, “our mandates amount to remands.”). The court’s role is thus to review the PTO’s conclusions and to set them aside if they are erroneous, rather than to determine in the first instance whether a patent should issue.

b. In *Morgan v. Daniels*, 153 U.S. 120 (1894), this Court characterized an R.S. 4915 action as “an application to the court to set aside the action of one of the executive departments of the government.” *Id.* at 124. The Court explained that, because the decision to deny a patent or award priority is made by “[t]he one charged with the administration of the patent system” after “finish[ing] its investigations and ma[king] its determination,” *ibid.*, the agency’s determination should be overturned only if its error “is established by testimony which in character and amount carries thorough conviction.” *Id.* at 125. When the evidence is “doubtful[,] the decision of the Patent Office must control.” *Ibid.* The

Court thus has long viewed the proceeding established in R.S. 4915 and reenacted in Section 145 as a suit for judicial review of agency action.

The court of appeals discounted *Morgan* as simply “a case about what standard of review ought to apply when the district court decides whether an applicant is entitled to a patent on exactly the same record that was before the Patent Office.” Pet. App. 23a; see Br. in Opp. 18. But the *Morgan* Court did not announce any such limits on its description of R.S. 4915 as authorizing an action “in the nature of a suit to set aside a judgment.” 153 U.S. at 124. The *Morgan* plaintiff’s failure to proffer new evidence in federal court “make[s] no appearance” in the Court’s discussion of the nature of judicial proceedings under R.S. 4915. *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238, 2247-2248 (2011) (rejecting a similar attempt to read “unstated limitations” into this Court’s precedents regarding deferential review of administrative patent determinations). Instead, the Court’s characterization of R.S. 4915 as “something in the nature of a suit to set aside a judgment,” *Morgan*, 153 U.S. at 124, and the Court’s associated endorsement of a deferential standard of judicial review, were offered “without qualification.” *Microsoft*, 131 S. Ct. at 2247.

In any event, there is no sound logical basis for the distinction the court of appeals drew. *Morgan* makes clear that Section 145 functions as a judicial-review provision (“an application to the court to set aside the action of one of the executive departments of the government,” 153 U.S. at 124) when the plaintiff does not introduce new evidence. When a Section 145 plaintiff is permitted to introduce new evidence in court (see pp. 44-45, *infra*), the plaintiff’s prior inability to present the materials to the PTO may affect the *weight*

the evidence should be given, but it cannot alter the fundamental character of the proceeding as one for judicial review of agency action. Whether or not new evidence is introduced, the ultimate question for the court in a Section 145 suit is whether the PTO's decision should stand. Cf. *Microsoft*, 131 S. Ct. at 2251 (recognizing that a challenge to the validity of a granted patent attacks the PTO's "considered judgment" even when the challenge is based on evidence not considered by the agency).

2. *Traditional administrative-law principles govern the admissibility of new evidence and the standard of review in Section 145 proceedings*

The express statutory requirement that review in a Section 141 appeal be "on the record before the [PTO]," 35 U.S.C. 144, combined with the absence of similar language in Section 145, indicates that Section 145 plaintiffs are not wholly foreclosed from introducing evidence that was not before the agency. The Court in *Zurko* accordingly observed that Section 145 "permits the disappointed applicant to present to the court evidence that the applicant did not present to the PTO." 527 U.S. at 164. Neither Section 145 nor any adjacent Patent Act provision, however, addresses the *circumstances* under which new evidence should be admissible, or the standard of review the court should apply in determining whether the PTO's decision should be set aside. "[W]here Congress has simply provided for review, without setting forth the standards to be used or the procedures to be followed," review is governed by established background principles that reflect deference to agency authority and expertise. *United States v. Carlo Bianchi & Co.*, 373 U.S. 709, 715 (1963); *Consolo v. Fed-*

eral Mar. Comm’n, 383 U.S. 607, 619 n.17 (1966) (“[I]n the absence of specific statutory authorization, a *de novo* review is generally not to be presumed.”).³

Respondent suggests (Br. in Opp. 14-15) that, if Section 145 is construed to incorporate background administrative-law principles, Congress’s creation of alternative modes of judicial review (see 35 U.S.C. 141, 145) will somehow be subverted. That argument lacks merit. The approach advocated by the government and by the dissenters below, under which the plaintiff in a Section 145 action may introduce evidence that he had no reasonable opportunity to present to the PTO, preserves distinct roles for Sections 141 and 145 while respecting usual rules of agency exhaustion. See pp. 42-44, *infra*.

Respondent also argues (Br. in Opp. 11-13) that Section 145’s use of the term “civil action” reflects Congress’s intent to authorize “*de novo* proceeding[s].” But neither Congress’s use of that terminology, nor its decision to entrust judicial review to the district court in the

³ In contrast to Section 145, some federal statutes expressly authorize a court to conduct *de novo* review of agency action. See, *e.g.*, 18 U.S.C. 923(f)(3) (revocation of firearms licenses) (authorizing “*de novo* judicial review” and providing that “the court may consider any evidence submitted by the parties to the proceeding whether or not such evidence was considered at the [administrative] hearing”); 7 U.S.C. 2023(a)(15) (Food Stamp Act of 1977) (stipulating that the suit “shall be a trial *de novo* by the court”); 5 U.S.C. 552(a)(4)(B) (Freedom of Information Act) (the district court “shall determine the matter *de novo*”); 41 U.S.C. 609(a)(3) (Contract Disputes Act of 1978) (suits for breach of contract “shall proceed *de novo* in accordance with the rules of the appropriate court”); cf. 28 U.S.C. 2640(a) (customs matters) (instructing that the Court of International Trade “shall make its determinations on the basis of the record made before the court” in specified types of civil actions).

first instance, renders ordinary principles of administrative law inapplicable. This Court has recognized that “the function of reviewing an administrative decision can be and frequently is performed by a court of original jurisdiction as well as by an appellate tribunal.” *Carlo Bianchi & Co.*, 373 U.S. at 715. And denominating the proceeding a “civil action” implies nothing about the contours of the proceeding, for *all* civil proceedings in district court are civil actions. See Fed. R. Civ. P. 2 (“There is one form of action—the civil action.”); cf. *Cabinet Mountains Wilderness v. Peterson*, 685 F.2d 678, 685 & n.3 (D.C. Cir. 1982) (explaining that the Endangered Species Act of 1973’s citizen-suit provision, which authorizes a plaintiff to “commence a civil suit on his own behalf,” “merely provides a right of action to challenge the agency action alleged to be” unlawful and “does not direct trial courts to conduct *de novo* review in such actions”) (quoting 16 U.S.C. 1540(g)(1) (1976)). APA suits to set aside final agency action (see 5 U.S.C. 702, 706) are “civil action[s]” brought in district court, yet they are governed by traditional administrative-law principles.

The court of appeals read *Chandler v. Roudebush*, 425 U.S. 840 (1976), to hold that “[w]here the statute permits a ‘civil action’ in relation to agency actions, * * * this amounts to a trial *de novo*” in which “the admission of new evidence” is “subject only to the Federal Rules of Evidence and Civil Procedure.” Pet. App. 30a. The court’s reliance on *Chandler* was misplaced. This Court in *Chandler* held that Title VII of the Civil Rights Act of 1964, 42 U.S.C. 2000e *et seq.*, conferred on federal employees the right to “trials *de novo*” on their discrimination claims, rather than simply to “‘substantial evidence’ review” of “administrative dispositions of federal

employee discrimination complaints.” 425 U.S. at 863. As the dissent below explained, however, the Court did not base that conclusion on the statute’s use of the term “civil action” standing alone. Rather, the Court relied on Title VII’s structure: the statute gave federal workers the *same* right as private-sector employees to file suit alleging unlawful employment discrimination, and private-sector employees had an unquestioned right to trial de novo. See *id.* at 844-846, 863; Pet. App. 59a-60a (distinguishing *Chandler*). The PTO’s disposition of patent applications, by contrast, has no private-sector analogue, and no structural feature of the Patent Act suggests congressional intent to depart from administrative-review principles.

B. Evidence That Reasonably Could Have Been Presented To The PTO Should Not Be Admissible In Section 145 Suits, And The PTO’s Decision Should Be Reviewed Deferentially In All Cases

For the reasons set forth above, Section 145 provides a mechanism for judicial review of agency action, and it should accordingly be construed to incorporate traditional administrative-law principles. Two such principles—the rule that reviewing courts will ordinarily consider only evidence that was first presented to the agency, and the requirement of judicial deference to agency authority and expertise—are directly relevant here.

1. *Permitting introduction of new evidence that could have been presented to the agency conflicts with administrative-exhaustion principles*

a. An applicant before an agency ordinarily must present his arguments and evidence to the agency, thereby affording it a full opportunity to apply its judg-

ment and expertise to the issues at hand, before seeking judicial review of the agency's decision. *McKart v. United States*, 395 U.S. 185, 193 (1969); see *Citizens to Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402, 413-414 (1971). Judicial review then takes place using the existing administrative record. When material evidence that was previously unavailable is brought to the court's attention, the proper course is usually "to remand to the agency for additional investigation or explanation." *Florida Power & Light Co. v. Lorion*, 470 U.S. 729, 744 (1985); see *Tagg Bros. & Moorhead v. United States*, 280 U.S. 420, 444-445 (1930) (*Tagg Bros.*).

The requirement of administrative exhaustion permits the agency to "develop the necessary factual background upon which decisions should be based" and gives the agency the opportunity to "apply[] a statute in the first instance." *McKart*, 395 U.S. at 193-194; see *McCarthy v. Madigan*, 503 U.S. 140, 145 (1992) (Exhaustion concerns have "particular force * * * when the agency proceedings in question allow the agency to apply its special expertise."). The exhaustion requirement also ensures that the agency is "given a chance to discover and correct its own errors" and prevents "frequent and deliberate flouting of administrative processes."⁴ *McKart*, 395 U.S. at 195.

⁴ Respondent contends (Br. in Opp. 23) that exhaustion principles may not "be invoked to bar the introduction of *new evidence* relevant to issues that were raised and decided by the agency." To the contrary, the Court has emphasized that exhaustion principles are particularly important in the context of evidence not presented to the agency, because proffering new evidence to a reviewing court deprives the agency of the opportunity to make its decision based on a full record and threatens to "substitute the court for the administrative tribunal as the [policy-]making body." *Tagg Bros.*, 280 U.S. at 444; see *McKart*, 395 U.S. at 198 n.15 ("[T]he present case does not present an instance

These rationales are not rendered inapposite simply because Section 145 does not preclude the introduction of new evidence in all circumstances. Section 145 provides a safety valve in situations where a disappointed patent applicant had no reasonable opportunity to present particular relevant evidence to the PTO. With respect to evidence that *could* have been submitted to the agency, however, the reasons for treating exhaustion as a prerequisite to consideration of the evidence by a reviewing court apply with full force. Withholding evidence that could be presented to the PTO deprives the agency of the opportunity to apply its specialized expertise to the full body of evidence, and it deprives the court of the benefit of the agency's judgment.

b. The court of appeals disregarded these principles by creating a regime in which a patent applicant may purposefully withhold existing evidence from the PTO in order to present that evidence to a non-expert judge. The court's decision also allows the applicant, after the PTO has rendered its decision, to produce and present to the court new evidence (such as respondent's declaration in this case) that could have been assembled earlier. Allowing the court to consider such evidence in the first instance flouts established rules of exhaustion and undermines Congress's decision to entrust the issuance of patents to an expert agency. See *Carlo Bianchi & Co.*, 373 U.S. at 717 (Congress's purpose "would be frustrated if either side were free to withhold evidence at the administrative level and then introduce it in a judicial proceeding.").

where a registrant is trying to challenge [an agency decision] on the basis of facts not presented to the local board. In such a case, the smooth functioning of the system may well require that [such challenges] be barred.").

The regime created by the court of appeals also hinders the PTO's effectiveness by excusing violations of the agency's rules of practice. "Proper exhaustion demands compliance with any deadlines and other critical procedural rules because no adjudicative system can function effectively without imposing some orderly structure on the course of its proceedings." *Woodford v. Ngo*, 548 U.S. 81, 90-91 (2006). The PTO's rules allow applicants to submit new evidence in response to an examiner's rejection, see 37 C.F.R. 41.33(d)(1), but they also provide that arguments not timely presented to the Board are forfeited, see 37 C.F.R. 41.37(c)(1)(vii), and they limit the circumstances in which new evidence may be submitted after an appeal has been taken, see 37 C.F.R. 41.33(d)(1); see also 37 C.F.R. 41.39(b)(1), 41.50(a)(2)(i) and (b)(1). An applicant who has received an adverse Board decision may also submit new evidence to the PTO by filing a request for continued examination or a continuation application. See 37 C.F.R. 1.53(b), 1.114. Those procedures afford applicants various opportunities to present evidence that becomes available as the administrative process unfolds, but they also facilitate the PTO's orderly administration of its examination process by imposing limitations on the time and manner of presentation. By mandating district-court consideration of evidence that an applicant failed without cause to present to the agency in a timely fashion, the court of appeals' decision undermines the PTO's control of its own proceedings.

2. *Permitting de novo review of issues involving new evidence conflicts with longstanding principles of deference to agency authority and expertise*

a. A court reviewing an agency's decision "is not generally empowered to conduct a *de novo* inquiry into the matter being reviewed and to reach its own conclusions based on such an inquiry." *Lorion*, 470 U.S. at 744; see *INS v. Orlando Ventura*, 537 U.S. 12, 16 (2002) (per curiam). Rather, agency factual findings, made within the agency's sphere of delegated authority and expertise, are subject only to deferential review. See, e.g., 5 U.S.C. 706; *Interstate Commerce Comm'n v. Union Pacific R.R.*, 222 U.S. 541, 548 (1912). Such review "frees the reviewing courts of the time-consuming and difficult task of weighing the evidence, * * * gives proper respect to the expertise of the administrative tribunal and * * * helps promote the uniform application of the statute." *Consolo*, 383 U.S. at 620-621.

Those rationales apply with full force to review of the PTO's decision whether to issue a patent. See *Zurko*, 527 U.S. at 160-162. In considering a patent application, a PTO examiner with specialized expertise in the relevant scientific or technical fields must analyze the application and relevant material, and "must make various factual determinations" based on a technical evaluation of the invention and knowledge of the state of the art in the relevant fields. *Microsoft*, 131 S. Ct. at 2242. The PTO's decision to deny a patent reflects the conclusion of both the examiner and a Board panel of expert patent judges that the application does not satisfy the Patent Act's requirements. Those determinations should not be overturned by a generalist district judge absent a clear demonstration that the PTO was wrong. See *Morgan*,

153 U.S. at 125 (when the evidence is “doubtful[,] the decision of the Patent Office must control”).

The justifications for deferential review continue to be relevant even when a Section 145 plaintiff challenges the PTO’s decision based on evidence that the PTO did not consider. Respondent argues that in such cases, “there is no prior decision on that record for the district court to review.” Br. in Opp. 29. But even when the plaintiff’s challenge rests on new evidence, the PTO *has* made a decision within its delegated authority on the ultimate question of patentability, and it has applied its expertise to the evidence before it. The presence of new evidence alone therefore does not justify discarding the bedrock principle that a court should not overturn the agency’s decision without a high degree of confidence that the agency erred. See *Orlando Ventura*, 537 U.S. at 16; *Morgan*, 153 U.S. at 124.

This Court’s decision in *Microsoft* demonstrates that, even when a disappointed patent applicant establishes a satisfactory reason for presenting to the district court evidence that was not before the PTO, the court’s review should still reflect appropriate deference to the agency’s authority and expertise. 131 S. Ct. at 2250-2251. The Court in *Microsoft* held that a party challenging the validity of a patent in the context of an infringement suit must establish invalidity by clear and convincing evidence, even when it relies on evidence of invalidity that was not before the PTO when it granted the patent. *Id.* at 2444-2451. The Court observed that the presumption of validity of a granted patent, 35 U.S.C. 282, is grounded in “the basic proposition that a government agency * * * was presumed to do its job,” *Microsoft*, 131 S. Ct. at 2243 (quoting *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359 (Fed.

Cir.), cert. denied, 469 U.S. 821 (1984) (*American Hoist*)). The Court acknowledged that, when an invalidity challenge is based on new evidence, the PTO's "considered judgment may lose significant force" because "the PTO did not have all material facts before it." *Id.* at 2251. Rather than lowering the standard of proof when new evidence is admitted, however, the Court held that the standard should remain the same in all actions, but that "new evidence supporting an invalidity defense may 'carry more weight.'" *Ibid.* (quoting *American Hoist*, 725 F.2d at 1360).

The same principles should apply when a Section 145 plaintiff presents new evidence that it had no opportunity to submit to the PTO. This Court has long recognized that challenges to patent grants and denials are "closely" related. See *Morgan*, 153 U.S. at 123; see also *Radio Corp. of Am. v. Radio Eng'g Labs., Inc.*, 293 U.S. 1, 9 (1934) (*RCA*). Both are in substance attacks on the PTO's disposition of a patent application, see *Morgan*, 153 U.S. at 124, and both require the court to review the "various factual determinations" made by PTO examiners with expertise in the relevant fields, *Microsoft*, 131 S. Ct. at 2242. Just as it is possible to accommodate administrative-deference concerns while accounting for new evidence in the invalidity context, it is possible to do so in Section 145 actions. See pp. 44-46, *infra*; *Morgan*, 153 U.S. at 124-125; *RCA*, 293 U.S. at 7-9.

b. The court of appeals held that, whenever a Section 145 plaintiff introduces new evidence, the district court should "make de novo fact findings with respect to factual issues to which the new evidence relates." Pet. App. 31a. Because questions of patentability are either heavily reliant on factual components or are treated as "entirely factual," see *id.* at 47a (Dyk, J., dissenting),

that approach permits the district court to substitute its judgment for that of the PTO not only on subsidiary factual issues where the new “evidence conflicts with any related Patent Office finding,” *id.* at 32a, but also on ultimate questions of patentability such as anticipation or the adequacy of the written description, both of which the Federal Circuit treats as questions of fact. See *Cordis Corp. v. Boston Scientific Corp.*, 561 F.3d 1319, 1331-1332, 1335 (Fed. Cir.), cert. denied, 130 S. Ct. 748, and 130 S. Ct. 749 (2009). The Federal Circuit’s approach thus allows disappointed patent applicants to treat the expert agency’s decision as a mere “tryout on the road” rather than as the “main event.” Cf. *Wainwright v. Sykes*, 433 U.S. 72, 90 (1977).

Combined with this Court’s decision in *Microsoft*, moreover, the court of appeals’ interpretation of Section 145 creates an irrational asymmetry between judicial review of patent grants and review of patent denials. Under the Federal Circuit’s decision, factual determinations underlying the PTO’s denial of a patent receive no deference whenever new evidence is introduced, even though (under *Microsoft*) factual determinations underlying the grant of a patent receive deference even when the challenger presents new evidence of invalidity. That inconsistency is especially unjustifiable because a party challenging a granted patent often will have had no opportunity to present evidence of invalidity to the PTO, see *Microsoft*, 131 S. Ct. at 2251-2252, while an unsuccessful patent applicant who brings a Section 145 action will generally have had the opportunity (indeed, multiple opportunities) to present evidence of patentability to the agency examiner.

The court of appeals adopted a two-tiered approach, in which the district court in a Section 145 suit should

apply de novo review only “[w]hen new evidence is introduced,” and should apply the deferential APA standard “when no party introduces new evidence.” Pet. App. 31a-32a. Although that aspect of the court’s decision might reduce the sheer number of Section 145 cases in which a de novo standard applies, it exacerbates the ill effects of the court’s erroneous determination that the plaintiff may introduce new evidence without limitation. By holding that a more plaintiff-friendly standard of review applies when the plaintiff introduces evidence for the first time in district court, even when the plaintiff had a reasonable opportunity to present the relevant information to the agency, the court of appeals created an affirmative incentive for patent applicants to withhold relevant evidence from the PTO, or to create new evidence later, in order to improve their chances of success in court. This case illustrates the point, as the result of the court of appeals’ approach is that respondent may obtain de novo review of the PTO’s conclusions on the written description requirement simply by proffering a declaration containing arguments that respondent could have presented to the PTO.

As the court of appeals (Pet. App. 33a) and respondent (Br. in Opp. 26) have observed, certain countervailing incentives—*e.g.*, the applicant’s desire to maximize his chances of success in the agency proceedings, and the added expense associated with Section 145 actions—may encourage applicants to present all their evidence to the PTO and thereby mitigate the practical impact of the court’s decision. But the existence of such incentives does not distinguish disappointed patent applicants from plaintiffs who challenge other types of agency action. Such plaintiffs likewise have an interest in prevailing before the agency and thereby avoiding the expense of

a lawsuit, but those incentives have never been thought to be sufficient to eliminate the need for rules regarding exhaustion and timely presentation of evidence. In any event, a rule that rewards applicants for withholding evidence from the agency does substantial harm to the patent system even if it does not affect every applicant's behavior. The Federal Circuit's approach would create the strongest incentive to "bypass the PTO" in those "cases where the patent is commercially significant and the costs of a separate proceeding can be justified"—yet those are the cases in which "PTO review is most important." Pet. App. 79a-80a (Dyk, J., dissenting).

II. CONGRESS'S REENACTMENT OF SECTION 145 IN THE PATENT ACT OF 1952 SHOULD BE UNDERSTOOD TO INCORPORATE THE PREVAILING JUDICIAL PRACTICE OF LIMITING THE INTRODUCTION OF NEW EVIDENCE AND APPLYING A DEFERENTIAL STANDARD OF REVIEW

This Court in *Morgan* made clear that suits brought under R.S. 4915 were proceedings for judicial review of agency action. Consistent with that understanding, early twentieth century courts regularly excluded evidence that plaintiffs had failed without cause to present to the PTO, and they applied a deferential standard of review even when new evidence was admitted. When Congress recodified R.S. 4915 as Section 145, "mak[ing] no fundamental change in the various appeals and other review of Patent Office action," *Senate Report* 7, it adopted that settled judicial practice.

**A. This Court’s Analysis Of R.S. 4915 In *Morgan* Supports
Limitations On New Evidence And Deferential Review
Of The PTO’s Factfindings**

1. As discussed above, this Court recognized in *Morgan* that the “bill in equity” authorized under R.S. 4915 was “something more than a mere appeal.” 153 U.S. at 124. An R.S. 4915 suit was “an application to the court to set aside the action of one of the executive departments of the government,” made in the exercise of its delegated authority and expert judgment. *Ibid.* A judicial proceeding to overturn such a determination, the Court explained, “is something in the nature of a suit to set aside a judgment, and as such is not to be sustained by a mere preponderance of evidence.” *Ibid.* Rather, any error in the agency’s decision must be established “by testimony which in character and amount carries thorough conviction.” *Id.* at 125.

The *Morgan* Court’s characterization of equity proceedings under R.S. 4915 as “something in the nature of a suit to set aside a judgment,” 153 U.S. at 124, is telling. Under the principles of federal equity practice that prevailed at the time, a suit to set aside a judgment was brought as a “bill of review” or as an “original bill in the nature of a bill of review.”⁵ A district court presented with such a bill would not rehear arguments or evidence that had been adjudicated in the prior proceeding, nor would it consider new evidence that could have been

⁵ The “bill of review” and “original bill in the nature of a bill of review” were particular types of “bill[s] in equity”—the equity proceeding authorized by R.S. 4915. See, e.g., *Barrett v. Failing*, 111 U.S. 523, 528 (1884) (referring to “a bill in equity * * * in the nature of a bill of review for newly discovered evidence”); Benjamin J. Shipman, *Handbook of the Law of Equity Pleading* §§ 207-208, at 303 (1897); *id.* §§ 215-220, at 309-315.

produced during that proceeding in the exercise of reasonable diligence. In *Beard v. Burts*, 95 U.S. 434 (1877), for example, the Court noted “the general rule in equity” that “[t]he facts are not open for a re-trial [under a bill of review], unless the bill asserts that new evidence has been discovered, not obtainable before the first trial by the exercise of reasonable diligence.” *Id.* at 436; see *Scotten v. Littlefield*, 235 U.S. 407, 411 (1914); 2 Thomas Atkins Street, *Federal Equity Practice* § 2119, at 1256 (1909) (*Federal Equity Practice*); *id.* § 2150, at 1272; Benjamin J. Shipman, *Handbook of the Law of Equity Pleading* §§ 215-220, at 309-315 (1897). In addition, a bill of review could not be obtained unless the new evidence clearly established the claimant’s right to relief. See *Southard v. Russell*, 57 U.S. (16 How.) 547, 567, 569 (1854) (new evidence must be “decided and controlling” on the disputed questions); *Federal Equity Practice* § 2151, at 1272 (To obtain leave to file a bill of review, new evidence “must be so controlling in its effect” as to “probably induce a different conclusion” on the merits.). In characterizing a bill in equity under R.S. 4915 as “something in the nature of a suit to set aside a judgment,” the Court in *Morgan*, 153 U.S. at 124, thus embraced a conception of the statute that is fundamentally inconsistent with the Federal Circuit’s.⁶

⁶ The court of appeals dismissed the significance of the *Morgan* Court’s analogy on the ground that the bill authorized under R.S. 4915 was not a bill of review in the technical sense, since it was not a mechanism by which a court could “reverse its own decree.” See Pet. App. 27a. The point of the analogy, however, was that, like a suit to set aside a court’s own prior judgment, the bill in equity authorized by R.S. 4915 was a mechanism to attack a governmental decision that had already been made. See *Morgan*, 153 U.S. at 124 (explaining that a suit under R.S. 4915 is “a proceeding to set aside the conclusions reached by the administrative department”).

2. The Federal Circuit relied on this Court’s decision in *Butterworth v. United States*, 112 U.S. 50 (1884), as well as later decisions citing *Butterworth*, which the court viewed as establishing that new evidence was admissible without limitation in R.S. 4915 proceedings. See Pet. App. 23a-24a; Br. in Opp. 16. In *Butterworth*, the Court stated in dicta that an R.S. 4915 proceeding was “heard upon all competent evidence adduced and upon the whole merits.” 112 U.S. at 61 (citing, *e.g.*, *In re Squire*, 22 F. Cas. 1015, 1016 (C.C.E.D. Mo. 1877) (No. 13,269)). Contrary to the court of appeals’ view, however, *Butterworth* and the subsequent decisions on which the Federal Circuit relied, see Pet. App. 25a, 41a (citing *Hoover Co.*, 325 U.S. at 83, and *In re Hien*, 166 U.S. 432, 439 (1897)), shed no light on the extent to which new evidence was admissible in R.S. 4915 proceedings or on the standard of review that applied in such suits.

Rather, in stating that an R.S. 4915 action was not “confined to the case as made in the record of” the Patent Office, the decisions on which the court of appeals relied simply distinguished between a bill in equity under R.S. 4915 and a direct appeal under Rev. Stat. § 4911 (1878) (R.S. 4911) (Section 141’s predecessor). *Butterworth*, 112 U.S. at 61 (describing R.S. 4915 proceeding and other review avenues in the course of determining the Secretary of the Interior’s authority to overrule a Patent Office decision); *Hoover Co.*, 325 U.S. at 83 (holding that an R.S. 4915 action is a proceeding to review the PTO’s decision, and citing *Butterworth* in observing that, unlike an appeal, an R.S. 4915 action “may include evidence not presented in the Patent Office”); *Hien*, 166 U.S. at 439 (noting the admissibility of new evidence in R.S. 4915 proceedings in order to “distin-

guish[] the proceeding by bill in equity under section 4915 from an appeal under section 4911”); *Gandy v. Marble*, 122 U.S. 432, 439 (1887) (holding that timeliness rule governing direct appeals applied to R.S. 4915, even though it “is not a technical appeal from the Patent Office, nor confined to the case as made in the record of that office”). But while those decisions made clear that the introduction of new evidence in Section 4915 proceedings was not *categorically* foreclosed, they did not suggest that the plaintiff could introduce such evidence after failing without cause to present it to the agency.

B. Under R.S. 4915, The Prevailing Judicial Practice Following *Morgan* Was To Exclude Evidence That The Plaintiff Had Failed Without Cause To Present To The PTO

1. In the years between *Morgan* and the enactment of the Patent Act of 1952, federal courts repeatedly held that plaintiffs in R.S. 4915 proceedings were not entitled to introduce evidence that they had failed without cause to present to the PTO. Although the courts used varying formulations to describe that rule, they consistently grounded it in the principle that an administrative agency should have the opportunity to make its decision on a complete record.

In *Boucher Inventions, Ltd. v. Sola Elec. Co.*, 131 F.2d 225, 227 (D.C. Cir. 1942), cert. denied, 318 U.S. 770 (1943), for example, the court stated that “[t]he practice, under Section 4915 as well as within the Patent Office itself, contemplates a full disclosure to that office, so far as is reasonably possible.” The court explained that, “[w]hile the 4915 suit is de novo and permits introduction of evidence not presented to the Patent Office, it does not contemplate the suppression or the withholding

of evidence so readily available * * * or oversight of such glaring proportions.” *Ibid.*; see *Schilling v. Schwitzer-Cummins Co.*, 142 F.2d 82, 84-85 (D.C. Cir. 1944).

Similarly in *Barrett Co. v. Koppers Co.*, 22 F.2d 395, 397 (3d Cir. 1927), the court excluded evidence that had been intentionally withheld from the Patent Office even though it was “wholly within [the plaintiffs’] possession and control at the interference proceeding.” The court explained that “[t]he law has established Patent Office tribunals peculiarly qualified to try issues of priority of invention,” and that withholding evidence from the agency in order to present it in an R.S. 4915 action “made it impossible for [the Patent Office] to render what they, the plaintiffs, now maintain is the right decision.” *Ibid.*⁷

Subsequent decisions applied the *Barrett* standard while reaffirming that the rule served to protect the integrity of the Patent Office’s administrative processes.⁸

⁷ Relying on the *Barrett* court’s statement that “plaintiffs in this action * * * are estopped to offer” the withheld evidence, 22 F.2d at 397, respondent contends (Br. in Opp. 21-22) that the court applied equitable estoppel rather than administrative-review principles. The court in *Barrett*, however, did not discuss or require a showing of the elements of equitable estoppel, such as prejudice to the opposing party. See 22 F.2d at 397; cf. *Ashwander v. TVA*, 297 U.S. 288, 323 (1936) (discussing equitable estoppel). Rather, the *Barrett* court grounded its exclusion of evidence on its view that permitting withholding would undermine the PTO’s expertise and authority. See 22 F.2d at 397-398.

⁸ The judicial consensus on this point was not unanimous. In *Minnesota Mining & Mfg. Co. v. Carborundum Co.*, 155 F.2d 746 (3d Cir. 1946), the court refused to exclude evidence that had been available to the plaintiffs at the time of the Patent Office proceeding, stating that to do so would “change the nature of an R.S. Section 4915 proceeding.” *Id.* at 748. Despite that lack of uniformity, however, the prevailing practice

In *Globe-Union, Inc. v. Chicago Tel. Supply Co.*, 103 F.2d 722 (7th Cir. 1939) (*Globe-Union*), the court observed that “all pertinent evidence, actually available, should be submitted in the first instance,” because “[t]o permit partial presentation before the Patent Office is to sanction the destruction of administrative justice.” *Id.* at 728; see *Knutson v. Gallsworthy*, 164 F.2d 497, 508-509 (D.C. Cir. 1947) (stating that “[t]he rule is well settled that new and additional evidence may be received in a civil action under Section 4915, but it is equally well settled that a party may not successfully offer to the court evidence withheld from the Patent Office”) (footnote omitted); *Greene v. Beidler*, 58 F.2d 207, 209-210 (2d Cir. 1932) (holding that district court erred in finding for plaintiff based on evidence not presented to the Patent Office); see also Pet. App. 74a-78a (Dyk, J., dissenting); *Schering Corp. v. Marzall*, 101 F. Supp. 571, 573 (D.D.C. 1951); *Etten v. Kauffman*, 32 F. Supp. 186, 187 (W.D. Pa. 1940), *aff’d*, 121 F.2d 137 (3d Cir. 1941); *O’Donnell v. United Shoe Mach. Corp.*, 2 F. Supp. 178, 181 (D. Mass. 1933); 2 Anthony William Deller, *Walker on Patents: Deller’s Edition* § 214, at 971 (1937) (noting that an R.S. 4915 proceeding is “*de novo*,” but “a party to an interference suit, who withheld certain evidence which was available to him, in the Patent Office proceedings, was not permitted to introduce such evidence in a subsequent suit under section 4915”).

When courts admitted new evidence in R.S. 4915 proceedings, moreover, they applied *Morgan’s* deferential standard of review rather than reviewing the Patent Of-

was to exclude evidence that the plaintiff had failed without cause to present to the Patent Office.

office's findings de novo.⁹ In *Globe-Union*, the court held that, because new evidence relating to the date on which the patentee had reduced his invention to practice “casts a heavy shadow of suspicion” over the evidence on which the Patent Office had relied, the plaintiff had “overcome the interference-judgment by ‘testimony which in character and amount carries thorough conviction.’” 103 F.2d at 729 (quoting *Morgan*, 153 U.S. at 125); see *Minnesota Mining & Mfg. Co. v. Carborundum Co.*, 155 F.2d 746, 748 (3d Cir. 1946) (citing *Morgan* and stating that “[t]he question therefore is whether all competent evidence, ‘new’ and ‘old’, offered to the District Court carries ‘thorough conviction’ that the Patent Office erred”); *Schilling*, 142 F.2d at 85; *Nichols v. Minnesota Mining & Mfg. Co.*, 109 F.2d 162, 163, 166 (4th Cir. 1940) (district court admitted new testimony and had experiments conducted under its direction, and “properly applied the rule of *Morgan v. Daniels*” to newly available evidence); *Dowling v. Jones*, 67 F.2d 537, 538-539 (2d Cir. 1933) (L. Hand, J.); *Gold v. Newton*, 254 F. 824, 828 (2d Cir. 1918), cert. denied, 249 U.S. 608 (1919).

⁹ When no party objected to the admission of new evidence, courts considered that evidence in addition to the record before the PTO, applying *Morgan*'s “thorough conviction” standard of review to the record as a whole. See, e.g., *Abbott v. Shepherd*, 135 F.2d 769, 774 (D.C. Cir. 1942); see also *S. & S. Corrugated Paper Mach. Co. v. George W. Swift, Jr., Inc.*, 176 F.2d 358, 360 (3d Cir. 1949) (noting “additional testimony,” but stating that “we do not find any substantial difference” between the new evidence and the administrative record, and finding that new evidence did not create a “thorough conviction” that the Patent Office had erred) (citation omitted). In such cases, the courts had no occasion to address any limitations on the admissibility of evidence that had not been presented to the Patent Office.

**C. When Congress Reenacted R.S. 4915 As Section 145, It
Adopted The Prevailing Judicial Understanding Of
R.S. 4915**

1. In the Patent Act of 1952, Congress readopted without material change the provisions governing judicial review of Patent Office decisions, reenacting R.S. 4915 as Section 145. The reports accompanying the 1952 Act explained that the statute effected “no fundamental change in the various appeals and other review of Patent Office action.” *Senate Report* 7. Because “Congress is presumed to be aware of an administrative or judicial interpretation of a statute and to adopt that interpretation when it re-enacts a statute without change,” *Forest Grove Sch. Dist. v. T.A.*, 129 S. Ct. 2484, 2492 (2009) (quoting *Lorillard v. Pons*, 434 U.S. 575, 580 (1978)), Section 145 should be understood to incorporate the prevailing judicial view that admitting new evidence without limitation and engaging in de novo review would be inconsistent with administrative-law principles. See, e.g., *California Research Corp. v. Ladd*, 356 F.2d 813, 821 n.18 (D.C. Cir. 1966) (interpreting Section 145 to establish a proceeding that “may not be conducted in disregard of the general policy of encouraging full disclosure to administrative tribunals”); see also *DeSeversky v. Brenner*, 424 F.2d 857, 858 n.5 (D.C. Cir. 1970) (“Although each side ‘may strengthen its case with additional material’ the plaintiff may not submit for the first time evidence which he was negligent in failing to submit to the Patent Office.”).

The inference that Congress intended Section 145 to be governed by established administrative-law principles is particularly strong because Congress reenacted Section 145 only six years after enacting the APA, which synthesized and codified the concepts of deferential judi-

cial review that had developed over the preceding years. See *Zurko*, 527 U.S. at 157-158. The pre-1952 limitations on judicial consideration of evidence that could have been presented to the Patent Office, and the courts' deferential review of Patent Office decisions, were simply the application to a particular agency proceeding of more general principles reflected in the APA. See 5 U.S.C. 704, 706. It is therefore particularly unlikely that Congress intended, *sub silentio*, to make new evidence admissible without limitation in Section 145 proceedings, and to treat such evidence as a justification for *de novo* reconsideration of the PTO's conclusions.

2. In construing Section 145 to allow introduction of new evidence without limitation, the court of appeals relied heavily on testimony offered in the congressional hearings that preceded the 1927 amendments to the Patent Act.¹⁰ See Pet. App. 14a-18a. In those hearings, witnesses supporting and opposing the proposed amendments offered a variety of views about the characteristics of judicial proceedings under R.S. 4915. The court of appeals read that testimony to reflect an understanding that "an applicant [could] freely introduce new evidence to the district court." Pet. App. 16a.

As this Court has repeatedly made clear, isolated hearing testimony, particularly the testimony of opponents of proposed legislation, is not reliable evidence of congressional intent and carries little weight in the interpretation of federal statutes. *Bryan v. United States*, 524 U.S. 184, 196 (1998); *Kelly v. Robinson*, 479 U.S. 36, 51 n.13 (1986). In any event, the testimony on which the court of appeals relied does not establish that the wit-

¹⁰ In the 1927 amendments, Congress retained R.S. 4915 without making material changes. Pet. App. 14a-18a; see pp. 4-5, *supra*.

nesses understood new evidence to be admissible without limitation in R.S. 4915 proceedings. Witnesses testified that litigants proceeding under R.S. 4915 could “supplement [the administrative record] by additional evidence.” Pet. App. 16a (citation omitted) (quoting testimony of chairman of Patent Section of ABA Legislation Committee). Those observations, however, simply reflected the settled understanding that proceedings under R.S. 4915, unlike direct appeals under R.S. 4911, were not categorically limited to the administrative record. See pp. 33-34, *supra*.

Nor is it significant that some witnesses characterized R.S. 4915 suits as “de novo” proceedings. See, e.g., Pet. App. 16a-17a. Courts have often described R.S. 4915 and Section 145 actions as “de novo” proceedings even while affirming that administrative-law principles preclude the introduction of new evidence that was reasonably available during the PTO proceeding. See, e.g., *DeSeversky*, 424 F.2d at 858 & n.5; *Globe-Union*, 103 F.2d at 728 (describing R.S. 4915 as a “de novo” proceeding while acknowledging limits on admissibility of new evidence). Witnesses’ use of the term in 1926 is particularly unrevealing, since the “relevant linguistic conventions” of administrative law “were less firmly established before adoption of the APA.” *Zurko*, 527 U.S. at 156.

Much of the testimony on which the court of appeals relied, moreover, reflects the understanding that R.S. 4915 served primarily as a safety valve, allowing the plaintiff to introduce oral testimony that could not have been introduced before the Patent Office.¹¹ For

¹¹ The Patent Office did not (and the PTO still does not) entertain oral testimony in ex parte proceedings. Although oral testimony was some-

instance, one witness emphasized that R.S. 4915 was “a valuable thing in the unusual case” because it permitted private litigants to “take evidence in a court,” thereby allowing the applicant to “make up a record in addition to that he has been enabled to furnish the examiners in the Patent Office.” *To Amend Section 52 of the Judicial Code and Other Statutes Affecting Procedure in Patent Office: Hearing on H.R. 6252 and H.R. 7087 Before the House Comm. on Patents*, 69th Cong., 1st Sess. 21 (1926) (statement of ABA representative Charles Howson). The Commissioner of Patents likewise testified that disappointed applicants “want these witnesses to come before the court so that the court can see them.”¹² *Procedure in the Patent Office: Hearing on H.R. 7563 and H.R. 13487 Before the House Comm. on Patents*, 69th Cong., 2d Sess 15 (1926) (statement of Commissioner Thomas Robertson); see *id.* at 11. The witnesses’ recognition that R.S. 4915 proceedings served that function in no way implied that R.S. 4915 plaintiffs could introduce evidence that they had failed without cause to present to the agency.

times permitted in interference proceedings, cross-examination of witnesses was not allowed. See Pet. App. 64a-65a (Dyk, J., dissenting) (summarizing testimony regarding Patent Office practice).

¹² An R.S. 4915 proceeding would thus permit the introduction of oral testimony to supplement the depositions presented to the Patent Office when, for instance, a priority dispute turned on an inventor’s testimony as to when he had invented the device in question, such that the district court’s ability to make credibility determinations based on observing the witnesses would materially aid the resolution of the case. See, e.g., *Pintarelli v. Brogan*, 65 F. Supp. 281, 283-284 (D.R.I. 1946) (using “the advantage of hearing the oral testimony of witnesses” whose depositions were presented to the Patent Office in order to resolve who had invented the device first).

III. NEW EVIDENCE SHOULD BE ADMITTED IN A SECTION 145 SUIT ONLY IF ITS PROPONENT HAD NO REASONABLE OPPORTUNITY TO PRESENT IT TO THE PTO, AND THE COURT SHOULD OVERTURN THE PTO'S DECISION ONLY IF THE EVIDENCE CLEARLY ESTABLISHES THAT THE AGENCY ERRED

A. Consistent with established exhaustion principles, the plaintiff in a Section 145 suit should be permitted to introduce new evidence only if he had no reasonable opportunity to present that evidence to the PTO in the first instance. That rule respects the PTO's primary decisionmaking authority, increases the incentive for patent applicants to compile a full factual record in the agency proceedings, and limits the frequency with which courts must consider new information without the benefit of the agency's expertise. See pp. 21-24, *supra*. Under that approach, Section 145 still provides a useful supplement to Section 141 appeals by allowing a disappointed applicant to introduce evidence that was not reasonably available to him during the examination proceedings.

Contrary to respondent's contention (Br. in Opp. 25-26), restricting the admissibility of new evidence in Section 145 actions will not deprive disappointed patent applicants of full and fair judicial review. The PTO examination process consists of iterative exchanges between the examiner and the applicant, as claims are amended in response to initial rejections and invalidity concerns are addressed. 35 U.S.C. 131-132; 37 C.F.R. 1.105, 1.130, 1.131. If the examiner rejects an application, its final office action must explain the reasons for the rejection. 37 C.F.R. 1.113. PTO rules then afford applicants several opportunities to introduce new evi-

dence designed to overcome the rejection, see p. 24, *supra*, limiting applicants' ability to present new evidence only after the matter is on appeal to the Board, 37 C.F.R. 41.33.¹³ Enforcement of these procedural rules is central to the PTO's efficient conduct of its examination process and its ability to allocate its resources, and analogous rules are a ubiquitous feature of federal agency practice. Limiting the admission of new evidence in Section 145 proceedings simply requires patent applicants to comply with the same sorts of evidence-presentation rules that are routinely imposed on parties who appear before other agencies.

B. When a Section 145 plaintiff introduces relevant new evidence that he had no reasonable opportunity to present to the PTO, the appropriate judicial response may depend on the nature of the evidence. When the evidence consists of materials (such as published prior art) that the PTO can consider as part of its examination process, the court ordinarily should remand the case to the PTO to allow the agency to consider the evidence in the first instance. See Pet. App. 52a n.4 (Dyk, J., dis-

¹³ Respondent contends (Br. in Opp. 26) that the Board's decision in this case contained additional reasoning that could be rebutted only through the introduction of new evidence. Respondent was on notice, however, that he bore the burden of demonstrating error before the Board, and that his opportunities to introduce new evidence on appeal would be limited under PTO rules. When the Board's decision is based on a "new ground of rejection," 37 C.F.R. 41.50(b), such that the applicant lacked a "fair opportunity to react to the thrust of the rejection," *In re Kronig*, 539 F.2d 1300, 1302-1303 (C.C.P.A. 1976), PTO rules allow the applicant to reopen prosecution and submit new evidence in response. 37 C.F.R. 41.50(b)(1). If an applicant receives a Board decision that he believes has that effect, the proper course would be to present that issue to the Board. Respondent never did that here, even though he requested that the Board rehear its initial decision.

senting). That approach is consistent with the principles that generally govern judicial review of agency action, see *Lorion*, 470 U.S. at 744, and it conserves judicial resources by enabling the PTO to correct any errors in its prior decision. See *McKart*, 395 U.S. at 193-195. It is also consistent with the understanding of Section 145 that prevailed before the en banc court's decision in this case. See, e.g., *Putman v. Dudas*, 539 F. Supp. 2d 414, 416-421 (D.D.C. 2008) (remanding on the basis of the PTO's statement that reopening the examination was appropriate in light of evidence of patentability not considered during the initial examination process).

When the plaintiff in a Section 145 suit introduces relevant and non-cumulative new evidence that the PTO may not consider (such as oral testimony, see 37 C.F.R. 1.2), remanding to the agency is not a useful option, and the district court must evaluate the new evidence in the first instance. To the extent the new evidence differs from the information that was before the PTO, the court may give it more weight in the analysis. Cf. *Microsoft*, 131 S. Ct. at 2251. But the court should overturn the agency's decision only if the new evidence, considered together with the administrative record, creates a "thorough conviction" that the PTO erred. See *Morgan*, 153 U.S. at 125; pp. 25-27, *supra*. This approach recognizes that the agency's decision should not be reversed unless the court has a high degree of confidence that the decision was incorrect, while permitting the court to give effect to the fact that the district court has before it a fuller record than the PTO.

That approach conforms judicial review of patent denials to review of patent grants. Under *Microsoft*, the presumption that a granted patent is valid can be rebutted only by "clear and convincing evidence" of invalidity,

even when the defendant in an infringement suit introduces evidence that was not before the PTO when it granted the patent. 131 S. Ct. at 2251. In applying the “clear and convincing evidence” standard, however, the judge or jury may give greater weight to evidence that the PTO had no opportunity to consider. *Ibid.* Because judicial review of patent grants is “closely” related to review of patent denials, *Morgan*, 153 U.S. at 123, applying the *Morgan* “thorough conviction” standard in all Section 145 proceedings creates an appropriate symmetry with the *Microsoft* approach. See p. 28, *supra*.

Employing the “thorough conviction” standard in all Section 145 suits also avoids instituting a “standard of [review] that would rise and fall with the facts of each case.” *Microsoft*, 131 S. Ct. at 2250. Under the Federal Circuit’s approach, Section 145 functions as a judicial-review proceeding subject to the APA when the plaintiff does not rely on new evidence; but when new evidence is introduced, the district court must engage in de novo review of any issues to which that evidence pertains. Pet. App. 30a-31a. The *Microsoft* Court rejected just such a “variable standard” as “unusual and impractical,” stating that Congress “would have said so expressly” if it had intended to adopt such a regime. 131 S. Ct. at 2250. A variable standard would be even more anomalous here, since a Section 145 plaintiff (*i.e.*, a disappointed patent applicant) typically has had a far greater opportunity than the defendant in an infringement suit to develop the record before the PTO. In the Section 145 context, affording a more favorable standard of review when new evidence is introduced effectively rewards and encourages the withholding of evidence from the PTO. See pp. 23-24, *supra*.

The court of appeals did not even suggest a policy rationale that might have led Congress to adopt the odd judicial-review scheme that the court's decision creates. In particular, the court identified no reason to believe that the usual policy justifications for exhaustion requirements and deferential review of agency action are somehow absent here. To the contrary, given the technical and fact-intensive nature of the issues involved, and the expert judgments that are reflected in PTO patentability decisions, the concerns that generally underlie those administrative-law principles apply with particular force to Section 145 suits. And the review scheme fashioned by the Federal Circuit can be expected to cause precisely the harms those principles are intended to prevent. The court of appeals therefore erred in construing Section 145 to deviate from well-established principles of administrative review.

CONCLUSION

The judgment of the court of appeals should be vacated and the case remanded for further proceedings.

Respectfully submitted.

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