

Impact of the En Banc Hyatt v. Kappos Decision on Patent Prosecution

By Rick Neifeld, Neifeld IP Law, PC¹

The Court of Appeals for the Federal Circuit (CAFC) issued a significant patent law decision on 11/8/2010, affording patent applicants whose claims have been denied by the United States Patent and Trademark Office (USPTO) additional rights of review. This case suggests filing appeals in response to final actions, in situations where that would have previously been inadvisable.

The decision is Hyatt v. Kappos, Docket No. 2007-1066 (Fed. Cir. 11-8-2010)(en banc). This is an en banc decision reversing a prior decision of a panel of three judges of the CAFC.

CASE SUMMARY

The Board of Patent Appeals and Interferences (BPAI) of the USPTO rendered a final decision on Hyatt's appeal. The BPAI final decision maintained rejections of certain claims for lack of support (under 35 USC 112). United States Code (USC) authorizes a District Court suit under 35 USC 145 or an appeal to the CAFC under 35 USC 141, as options to challenge a BPAI final decision. Hyatt filed a suit in the District Court under 145 challenging the BPAI decision. In the District Court, Hyatt submitted a new declaration showing support in the specification for the rejected claims. The District Court excluded the new declaration as inadmissible evidence on the theory that it should have been presented in the USPTO. The District Court held against Hyatt based upon the record before the BPAI. Hyatt then appealed from the District Court to the Court of Appeals for the Federal Circuit (CAFC), arguing that the declaration should have been considered by the District Court. A three member panel of the CAFC affirmed the District Court's conclusion that the declaration was inadmissible. However, the CAFC later decided to rehear the case en banc. The issue on rehearing was what if any limits exist to introduction of new evidence during a District Court suite under 145 challenging a final decision of the BPAI. On 11/8/2010, the en banc CAFC reversed its panel decision, holding that there is "no limitation on an applicant's right to introduce new evidence before the district court [in a 145 action], apart from the evidentiary limitations applicable to all civil actions contained in the Federal Rules of Evidence and Federal Rules of Civil Procedure. ... we reject the ... proposal that only "new evidence that could not reasonably have been provided to the [USPTO during examination] ...in the first instance" is admissible in a § 145 action."

IMPACT

This decision might have a substantial impact on patent practice, for the following reasons. It is burdensome to place a patent application in the best position for appeal, prior to close of prosecution. Evidence submitted after close of prosecution is not necessarily entered, and usually is only entered by the examiner if it will result in allowance. On the other hand, if an applicant chooses to obtain entry of late submitted evidence, there is a substantial actual cost. The applicant can obtain entry of late submitted evidence by filing a request for continued prosecution (RCE). Filing an RCE also has a negative impact on patent term. This is because the filing of an RCE cuts off one of the three alternatives for the application to obtain patent term

¹I can be reached via telephone at 703-415-0012 or via the firm's web site.

adjustment (addition to the base 20 years from filing date term due to USPTO delays in issuance). Accordingly, many applicants that currently choose to appeal, do so, even though they know that evidence not in the record might improve their chance of success on appeal.

Under case law prior to the en banc Hyatt decision, there would have been very little chance to obtain entry of that additional evidence in District Court challenge to a BPAI final decision adverse to patentability. Now, however, such evidence is admissible in the District Court challenge, as a matter of right. Thus, an applicant considering options in response to a final rejection in which probative evidence is not of record, is now assured that, if they lose the BPAI appeal, the evidence not considered during the BPAI appeal, will be entered in a follow on District Court action to determine if the rejections should be reversed. Further, all time consumed during a successful court action, including a District Court action under 145 and the original BPAI appeal, will be added to the base, 20 year from filing date, term of the patent. These factors weigh towards the filing of a BPAI appeal instead of continuing prosecution via the RCE route.

According to statistics provided by the acting Chief Judge of the BPAI at the AIPLA Inter Partes Proceedings in the USPTO Committee meeting in October 2010, the BPAI docketed in 15,344 appeals in 2009, but decided only 6734 docketed appeal, and had a current inventory of 17,754 docketed and undecided appeals. From those statistics it appears that the time from the BPAI docketing to decision for a newly docketed case is now between 2 and 3 years, and is likely to rise. Moreover, the time from filing an appeal to BPAI docketing of the appeal is on the order of years. Accordingly, a BPAI appeal is normally now a several year process. Given the impact of this new CAFC case, more appeals to the BPAI may be filed than otherwise would have occurred, thereby further increasing the duration of each BPAI appeal.

ADVICE

It remains advisable to place an application in the best possible condition for allowance in response to a first office action, since a second office is normally final, and finality normally precludes admission of new evidence. However, in situations where new not admitted evidence may be probative on patentability, the applicant should consider the fact that the evidence ultimately will be admitted if a District Court action is filed in response to a negative BPAI decision, when considering how to respond to a final office action.

However, the appeals process is a multi year process, and if unsuccessful, will have consumed a substantial fraction of the base 20 years from filing date patent term for any claims in the application that stood allowed prior to appeal. Whether to place allowed claims in a continuation application to avoid the appeals associated delay in issuance, and the possibility for obviousness-type double patenting term limitation for related cases, are additional factors to consider in deciding whether to appeal from a final rejection.

ran

Date/time code: November 9, 2010 (12:41pm)

Y:\Library\LAW\FirmPublicationsAndPresentationsAndLectureMaterials\RickNeifeld\articles\Hyatt_v_KapposEnBanc.wpd