

No. 18-1285

IN THE
Supreme Court of the United States

GILBERT P. HYATT and AMERICAN ASSOCIATION FOR
EQUITABLE TREATMENT, INC.,

Petitioners,

v.

ANDREI IANCU, in his official capacity as Director of
the U.S. Patent and Trademark Office,

Respondent.

**On Petition for a Writ of Certiorari to the
United States Court of Appeals
For the Federal Circuit**

REPLY BRIEF FOR PETITIONERS

ANDREW M. GROSSMAN
Counsel of Record
MARK W. DELAQUIL
BAKER & HOSTETLER LLP
1050 Connecticut Ave., N.W.
Washington, D.C. 20036
(202) 861-1697
agrossman@bakerlaw.com

TABLE OF CONTENTS

	Page
REPLY BRIEF FOR PETITIONERS.....	1
I. The Question Presented Warrants Review....	3
II. Petitioners' Standing Cannot Seriously Be Doubted.....	10
CONCLUSION.....	13

TABLE OF AUTHORITIES

CASES

<i>In re Alappat</i> , 33 F.3d 1526 (Fed. Cir. 1994)	5
<i>Baldwin Co. v. Robertson</i> , 265 U.S. 168 (1924)	8
<i>Butterworth v. United States ex rel. Hoe</i> , 112 U.S. 50 (1884)	8
<i>City of Los Angeles v. Lyons</i> , 461 U.S. 95 (1983)	11–12
<i>Cuozzo Speed Techs., LLC v. Lee</i> , 136 S. Ct. 2131 (2016)	3
<i>Kappos v. Hyatt</i> , 566 U.S. 431 (2012)	8
<i>Lujan v. Defenders of Wildlife</i> , 504 U.S. 555 (1992)	10–11
<i>McNary v. Haitian Refugee Ctr., Inc.</i> , 498 U.S. 479 (1991)	9
<i>NB ex rel. Peacock v. District of Columbia</i> , 682 F.3d 77 (D.C. Cir. 2012)	13
<i>SAS Inst., Inc. v. Iancu</i> , 138 S. Ct. 1348 (2018)	3
<i>Susan B. Anthony List v. Driehaus</i> , 573 U.S. 149 (2014)	12–13
<i>United States ex rel. Steinmetz v. Allen</i> , 192 U.S. 543 (1904)	8

STATUTES AND RULES

35 U.S.C. § 6	4, 5, 8, 10
35 U.S.C. § 134	1, 4, 8, 10
35 U.S.C. § 141	9
35 U.S.C. § 145	8
37 C.F.R. § 41.54	5
MPEP § 14-1-6.2 (1948)	5–6
MPEP § 1207.04	<i>passim</i>
MPEP § 1207.04 (8th ed., rev. 3, 2005).....	6
MPEP § 1208.02 (8th ed., rev. 2, 2004).....	6

OTHER AUTHORITIES

Chad Gilles, <i>30% of Appeal Briefs Result in an Allowance or Reopening of Prosecution</i> , BigPatentData, Sep. 5, 2018.....	7
---	---

REPLY BRIEF FOR PETITIONERS

The Patent and Trademark Office concedes that the Patent Act “confer[s] a right of administrative appeal on a patent applicant ‘any of whose claims have been twice rejected.’” BIO.13 (quoting 35 U.S.C. § 134(a)). And yet it insists that the Act is no bar to a PTO rule that authorizes the agency to deprive applicants of that right at its discretion by blocking their appeals from ever reaching the Patent Trial and Appeal Board and by requiring applicants to endure at least a third round of rejections before attempting again to appeal. The PTO does not dispute that the question of that rule’s lawfulness is both important and recurring, nor could it, given that the PTO applies MPEP § 1207.04 to block thousands of appeals per year. The plain and recurring conflict between what the law requires (as now acknowledged by the PTO) and the challenged rule, Manual of Patent Examining Procedure (“MPEP”) § 1207.04, that the decision below upheld demonstrates the necessity of the Court’s review.

The PTO’s jumble of defenses of the decision below only confirms the need for review. The PTO claims its rule is supported by patent examiners’ “statutory duty” to assess patentability, without identifying any authority that overrides applicants’ statutory appeal rights. It claims that examiners, in blocking appeals, are somehow exercising the Board’s authority when they act to prevent the Board from ever assuming jurisdiction. To bolster its authority, it grievously misstates the history of its regulation in this area, claiming that the 1948 MPEP propounded a similar policy

when, in fact, it stated *the opposite*: that the right to cut short appeals belongs to applicants alone. It avoids addressing this Court's holding in *Steinmetz v. Allen* that recognized and enforced a patent applicant's statutory right of appeal, attempting instead to distinguish that decision on the basis that it did not review the conflicting rule the PTO adopted a century later. And, ultimately, it defends the reasoning of the decision below that, as an agency, it has the power to condition the public's exercise of statutory rights on its discretionary permission—an audacious claim that neither the court below nor the PTO has been able to support with legal authority.

The PTO fares no better with its attempt to avoid review by challenging Petitioners' standing. Petitioner Gilbert Hyatt is a patent applicant and therefore an object of MPEP § 1207.04, which regulates patent applicants' appeal rights. The Act confers on applicants the right to invoke the Appeal Board's jurisdiction by filing an appeal following a second examiner rejection, but MPEP § 1207.04 deprives applicants of that right by treating an applicant's appeal as a mere suggestion that may not ever result in the Board's assuming jurisdiction. Given that Hyatt has numerous patent applications pending in examination and subject to rejections that he intends to appeal, his standing cannot be seriously questioned.

The decision below upholds a PTO rule that contravenes clear statutory limits on the PTO's authority, that blocks patent applicants from obtaining independent review by the Appeal Board and the courts,

and that the PTO has recently come to wield to defeat a substantial percentage of appeals. This Court’s review is therefore required to resolve a fundamental question of patent procedure that is of exceptional importance to the operation of the patent system. *See, e.g., SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348 (2018) (addressing question of patent procedure following Federal Circuit review); *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131 (2016) (same).

I. The Question Presented Warrants Review

The decision below upholds a PTO rule that deprives patent applicants of their clear statutory right of appeal following a second examiner rejection, a right that serves as the gateway to judicial review. Seeking to avoid the Court’s scrutiny of that decision, the PTO resorts to conflating patent examiners’ authority with the Appeal Board’s, misstating its history of regulation in this area, and ultimately claiming unlimited discretion for agencies to condition the public’s exercise of statutory rights on agency permission. This hodgepodge of unpersuasive defenses only confirms the error of the decision below and need for this Court’s intervention, particularly given the lack of any dispute by the PTO that the question presented is both important and recurring.

A. The PTO’s principal argument that patent examiners’ “statutory duty” to assess patentability overrides applicants’ appeal rights contravenes the Act. BIO.10. The Act provides generally that applications be examined and that examiners enter rejections of

unpatentable claims. 35 U.S.C. §§ 131, 132. But it circumscribes that authority by providing specifically that, after any claim has been “twice rejected,” the applicant “may appeal from the decision of the primary examiner to the Patent Trial and Appeal Board,” *id.* § 134(a), and the Board “shall review [the] adverse decisions of examiners,” *id.* § 6(b). The PTO identifies no statutory indication that the duty to assess patentability comes at the expense of appeal rights. To the contrary, the “twice rejected” trigger for the applicant’s right of appeal precisely limits the amount of back-and-forth examination applicants are required to endure before appealing.

Indeed, the PTO itself acknowledges (at 13) that Section 134(a) “confer[s] a right of administrative appeal on a patent applicant ‘any of whose claims have been twice rejected.’” Yet it also acknowledges (at 4) that the application of MPEP § 1207.04 requires the examiner to enter a new rejection. Therefore, every time that MPEP § 1207.04 is applied, the applicant is necessarily blocked from obtaining an appeal when his claims have been “twice rejected” and is forced to endure *at least three rejections* before again attempting to reach the Board. That violates the very appeal right that the PTO acknowledges the Act to confer.

Rather than address this plain-as-day conflict between its litigation position and what it acknowledges actually to be the law, the PTO argues at length that it makes no difference because *the Appeal Board* may remand appeals for further prosecution without deciding their merits. BIO.11–13. But that has nothing

to do with the authority of examiners, or ultimately the PTO Director, to block appeals from ever reaching the Board. The Board is a separately appointed body not under the decisional control of the PTO Director that serves to provide independent review of examiner decisions in *ex parte* appeals. *See generally* 35 U.S.C. § 6. Examiners do not exercise the Board's authority any more than litigants may exercise this Court's; instead, they are subject to its decisions. 37 C.F.R. § 41.54.¹ And, whatever the extent of the Board's authority to remand appeals instead of deciding them on the merits, for the Board to exercise that authority it must obtain jurisdiction over them in the first place, which is precisely what MPEP § 1207.04 blocks. *See* BIO.3–4.

B. The PTO's representation that its rules have long authorized examiners to block appeals by reopening prosecution is false. The 1948 edition of the MPEP that it repeatedly cites (at 4, 11, 20) recognized that an examiner's identification of a new ground of rejection in an appeal brief "would give the appellant [i.e., the applicant] the option of reopening prosecution" and that, in that instance, "the appellant [i.e., the applicant] may proceed with the appeal or may request that case be returned to the Examiner for resumed

¹ Whether or not the PTO Director is subject to Board decisions, *see generally In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994), he is but a single member of the Board and lacks authority to control the decisions that the Act requires to be rendered by three-member panels, 6 U.S.C. § 6(a), (c).

prosecution.” MPEP § 14-1-6.2 (1948).² So far as examiners’ authority is concerned, it authorized only “Supervisory Examiners” to “*recommend* that the appeal be held in abeyance and the prosecution reopened.” *Id.* (emphasis added). The PTO’s representation to the Court (at 13) that the 1948 MPEP “authorized [patent examiners] to reopen prosecution in response to an applicant’s appeal brief” is the exact opposite of what it actually states.

That same general approach remained in force through the 2004 edition of the MPEP. Although that version permitted an examiner to “reopen prosecution to enter a new ground of rejection,” it expressly recognized and observed the applicant’s right to “reinstatement of the appeal.” MPEP § 1208.02 (8th ed., rev. 2, 2004).³

That changed only in 2005 with the adoption of MPEP § 1207.04, which eliminated the applicant’s right to reinstate the appeal. MPEP § 1207.04 (8th ed., rev. 3, 2005).⁴ That change was not, as the PTO characterizes it (at 14), “inconsequential,” for at least three reasons. First, and no small thing, that change denied applicants’ statutory right of appeal. Pet.12–

² Available at https://www.uspto.gov/web/offices/pac/mpep/old/EOR0_1400.pdf.

³ Available at https://www.uspto.gov/web/offices/pac/mpep/old/E8R0_1200.pdf.

⁴ Available at https://www.uspto.gov/web/offices/pac/mpep/old/E8R3_1200.pdf.

16. Second, the PTO subsequently expanded the circumstances in which prosecution may be reopened, including for new grounds of rejection that are not appropriate for the examiner's answer. App.91. Third, the change was in fact enormously consequential: whereas examiner recommendations to reopen prosecution had been exceedingly rare, the PTO now terminates thousands of appeals by fiat every year.⁵

Even if the PTO's representations concerning its history of regulation in this area were accurate, that would only mean that it has been violating applicants' statutory appeal rights for decades, as opposed to merely 14 years, and that the frequency of those violations has surged of late. Pet.18–19. That is no argument against review.

C. The PTO identifies zero support for its audacious claim (at 12) that requiring its permission to exercise a statutory right is merely a "condition" that it has "unquestioned" "authority to establish." The consequences of that proposition are staggering, given the myriad statutory rights administered by federal agencies, in general, and the PTO, in particular. The acceptance of that claim by the court below, in the absence of any supporting authority, App.20, cries out for review.

⁵ Chad Gilles, *30% of Appeal Briefs Result in an Allowance or Reopening of Prosecution*, BigPatentData, Sep. 5, 2018, <https://bigpatentdata.com/2018/09/30-of-appeal-briefs-result-in-an-allowance-or-reopening-of-prosecution/>.

D. The PTO attempts to distinguish this Court’s recognition of patent applicants’ appeal rights in *U.S. ex rel. Steinmetz v. Allen*, 192 U.S. 543 (1904), on the ground that the Court “did not consider the USPTO’s practice of reopening prosecution after appeal,” BIO.18—a policy that the PTO adopted over a century thereafter. It has nothing to say, however, about the Court’s interpretation of the materially identical predecessors of Section 6 and 134 as imposing a “duty...to grant the appeal” that was sufficiently “ministerial” that it could be enforced through mandamus. *Id.* at 565–66. Its refusal to address that holding of *Steinmetz* reflects the clear conflict between that holding and the holding of the decision below denying applicants’ appeal rights. Given that the PTO does not dispute that there has been no material change in the law since *Steinmetz*, *see* Pet.16–17, review is warranted to enforce the Court’s precedent.

E. Finally, the PTO’s attempt to downplay MPEP 1207.04’s impact on applicants’ right to judicial review is unpersuasive, in part because it ignores one of the two vehicles for judicial review authorized by the Act. Section 145 establishes a cause of action “to compel [the PTO] to issue a patent.” *Baldwin Co. v. Robertson*, 265 U.S. 168, 179 (1924); *see generally* *Kappos v. Hyatt*, 566 U.S. 431 (2012); *Butterworth v. United States ex rel. Hoe*, 112 U.S. 50 (1884). But an applicant has recourse to that remedy only following “the decision of the Patent Trial and Appeal Board in an appeal under section 134(a).” 35 U.S.C. § 145. The

Board, of course, is incapable of rendering such a decision when the PTO applies MPEP § 1207.04 to block its exercise of jurisdiction. Likewise, the Act's other judicial review provision, Section 141, also requires a Board decision as a prerequisite to court jurisdiction. 35 U.S.C. § 141(a). The PTO's claim (16) that blocking the Board from rendering such decisions "is more likely to hasten than to delay an applicant's opportunity to seek judicial review" is, to say the least, baffling.

The PTO disputes (at 15) that MPEP § 1207.04 permits it to "block judicial review indefinitely," but never explains why that is not the case. As described above, the Act conditions judicial review on a decision by the Board, and MPEP § 1207.04 authorizes the PTO to block the Board's exercise of jurisdiction (*see* BIO.3–4), so that it cannot issue a decision that would permit the applicant to obtain judicial review. Accordingly, were there any doubt about whether the Act confers appeal rights on applicants following a section rejection, the "well-settled presumption favoring interpretations of statutes that allow judicial review of administrative action," *McNary v. Haitian Refugee Ctr., Inc.*, 498 U.S. 479, 496 (1991), would require rejecting PTO's assertion of authority in MPEP § 1207.04 to block Board appeals and judicial review. In effect, PTO concedes the point, arguing (at 17) that the presumption is inapplicable based on the potential availability of mandamus-type relief, which the Court has never regarded as an adequate substitute for ordinary review as authorized by statute.

II. Petitioners' Standing Cannot Seriously Be Doubted

The PTO does not dispute that this case squarely presents the issue of patent applicants' appeal rights under the Patent Act, that that issue has been fully exhausted through administrative and lower court proceedings, and that no further percolation of that issue through the lower courts is likely, given the Federal Circuit's exclusive jurisdiction over questions of patent law. Pet.20–22. Nonetheless, the PTO urges (at 19–22) the Court to deny review on the ground that Petitioners lack standing. That argument cannot be taken seriously: Petitioner Gilbert Hyatt is a patent applicant and therefore an object of the rule at issue, which has been applied to him repeatedly.⁶

A. Because Hyatt “is himself an object of the action...at issue,” there can be “little question” that it “has caused him injury, and that a judgment preventing or requiring the action will redress it.” *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 561–62 (1992). Hyatt is a patent applicant, with numerous applications pending before the PTO, including many pending in examination that have received multiple rounds of rejections. *See, e.g.*, App.2. The Patent Act confers on applicants the right to invoke the Board's jurisdiction by filing an appeal following a second rejection. 35 U.S.C. §§ 134(a), 6(b). The challenged rule denies patent applicants that right; instead, it treats

⁶ Hyatt is a member of Petitioner American Association for Equitable Treatment, Inc., and its standing is derivative of his.

an applicant’s appeal as a mere suggestion that may not ever result in Board jurisdiction. Pet.7–8; BIO.4. That injury—the PTO’s refusal to treat an applicant’s appeal as necessarily invoking the Board’s jurisdiction—recurs every time an applicant like Hyatt files an appeal. Because the Patent Act’s appeal rights unquestionably “are designed to protect some threatened concrete interest of his that is the ultimate basis of his standing”—specifically, Hyatt’s right to issuance of patents as authorized by the Act—“he assuredly can” seek to “enforce [those] procedural rights.” *Lujan*, 504 U.S. at 573 n.8.

B. The PTO’s reliance on *City of Los Angeles v. Lyons*, 461 U.S. 95 (1983), to argue (at 19–20) that Hyatt’s injury is only “speculative” is misplaced, in three separate respects.

1. First, unlike the plaintiff in *Lyons*, Hyatt seeks to enforce a procedural right, and so it is enough that the right at issue “serves to protect his concrete interests,” irrespective of whether lawful observance of that right will necessarily vindicate his underlying interest in obtaining patents. *Lujan*, 504 U.S. at 572 n.3. Hyatt properly seeks to enforce his right to file an appeal that invokes the Appeal Board’s jurisdiction and thereby provides a gateway to judicial review, and those things indisputably serve to protect his right to patents under the Act.

2. Second, unlike in *Lyons*, the PTO’s unlawful action here is “[a]ccompanied by...continuing, present adverse effects,” 461 U.S. at 102, based on MPEP

1207.04's distortion and drawing out of patent prosecution. Pet.20. By deviating from the fundamental structure Congress prescribed for patent prosecution, authorizing piecemeal rejections, and shrugging off a key check that promotes the PTO's own diligence, MPEP § 1207.04 imposes additional prosecution costs and delay on all applicants, including Hyatt, regardless of how the PTO chooses to apply that rule in a given application.

3. Third, where the plaintiff in *Lyons* claimed standing to obtain relief from an alleged *de facto* policy based on being subjected *once* to a “chokehold” by a single officer, 461 U.S. at 104, Hyatt challenges an official PTO policy that has been applied to him *eighty* times, by numerous PTO examiners, App.4. Instead of *Lyons*, the apt precedent is *Susan B. Anthony List v. Driehaus*, 573 U.S. 149 (2014). There, the Court found the plaintiff faced a “credible threat of enforcement” sufficient to support pre-enforcement review based on the “history of past enforcement” against the same party, the fact that enforcement “proceedings are not a rare occurrence,” and the fact that the government had not “disavowed” future enforcement against the plaintiff. *Id.* at 164–67. The circumstances here are materially indistinguishable: MPEP § 1207.04 has been applied repeatedly to block Hyatt's appeals; the PTO applies it not rarely but regularly, blocking about 14 percent of all patent appeals per year, Pet.18; and the PTO declines (and has refused in other litigation) to disavow future application of it against Hyatt. Based on nothing more than the

number of Hyatt's pending applications and the great frequency with which the PTO applies MPEP § 1207.04 to block appeals, it is a near certainty that the PTO will again block one of Hyatt's appeals. *See NB ex rel. Peacock v. District of Columbia*, 682 F.3d 77, 84 (D.C. Cir. 2012). At a minimum, there is a "substantial risk that the harm will occur." *Driehaus*, 573 U.S. at 158 (quotation marks omitted).

CONCLUSION

The Court should grant the petition.

Respectfully submitted,

ANDREW M. GROSSMAN
Counsel of Record
MARK W. DELAQUIL
BAKER & HOSTETLER LLP
1050 Connecticut Ave., N.W.
Washington, D.C. 20036
(202) 861-1697
agrossman@bakerlaw.com

JULY 2019