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11  
12 **UNITED STATES DISTRICT COURT**  
13 **FOR THE DISTRICT OF NEVADA**

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

15 **Plaintiffs,**

16 **v.**

17 **UNITED STATES PATENT AND**  
**TRADEMARK OFFICE and**  
18 **MICHELLE K. LEE, in her**  
**official capacity as Under Secretary**  
19 **of Commerce for Intellectual Property**  
**and Director of the United States**  
20 **Patent and Trademark Office,**

21 **Defendants.**

Civil Case No: 2:16-cv-01490-RCJ-PAL

**PLAINTIFFS' COMBINED REPLY**  
**IN SUPPORT OF MOTION FOR**  
**SUMMARY JUDGMENT AND**  
**OPPOSITION TO DEFENDANTS'**  
**MOTION FOR SUMMARY**  
**JUDGMENT**

**ORAL ARGUMENT REQUESTED**

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1 Plaintiffs Gilbert P. Hyatt and the American Association for Equitable Treatment,  
2 Inc. (“AAET”), hereby reply in support of their motion for summary judgment (“MSJ”) and  
3 oppose Defendants’ motion for summary judgment (“Opp.”).

#### 4 Introduction

5 The Plaintiffs challenge Section 1207.04 of the *Manual of Patent Examining Procedure*  
6 (“MPEP”), which authorizes an examiner to defeat a patent applicant’s appeal to the Patent  
7 Trial and Appeal Board (“Appeal Board” or “Board”) by acting to reopen prosecution.  
8 According to Defendants, when Congress imposed a mandatory duty that the Appeal Board  
9 “shall...on written appeal of an applicant, review adverse decisions of examiners upon  
10 applications for patents pursuant to section 134(a),” 35 U.S.C. § 6(b)(1), and provided that an  
11 applicant “whose claims has been twice rejected[] may appeal,” 35 U.S.C. § 134(a), it  
12 actually conferred only “the ability to file the appeal,” and not the right to maintain it. Opp.  
13 at 20 n.8. The implausibility of this self-serving interpretation—which tosses every notion of  
14 what it means to have an “appeal” out the window—is why the Federal Circuit and its  
15 predecessor have recognized in case after case that the Patent Act gives applicants an actual  
16 right of appeal, not just the right to file a piece of paper that the agency may choose to  
17 respect or discard at its discretion.

18 MPEP § 1207.04 also conflicts with the Examiner’s Answer Rule, which  
19 unambiguously denies examiners the power to cut short an appeal by reopening prosecution.  
20 That Rule does address the power to reopen prosecution, but vests it in the applicant alone—  
21 consistent with the right of appeal provided by the Act. Moreover, the Examiner’s Answer  
22 Rule also addresses the actions that examiners are authorized to take after an applicant has  
23 filed an appeal brief, without providing that they may act to reopen prosecution, confirming  
24 that they lack that power. The Defendants make no real attempt to dispute the Plaintiffs’  
25 interpretation of the Rule according to well-established canons of construction. Instead, they  
26 insist that examiners are not bound by the plain meaning of the PTO’s own procedural  
27 regulations, a proposition so definitively wrong that Defendants are unable to muster a single  
28 authority that plausibly supports it.

1           Likewise, to defend MPEP § 1207.04, Defendants seek to evade a 1999 amendment to  
2 the Act requiring that any procedural rules the PTO adopts “*shall* be made in accordance  
3 with section 553” of the Administrative Procedure Act, 35 U.S.C. § 2(b)(2) (emphasis  
4 added), the standard boilerplate that Congress has used throughout the U.S. Code to require  
5 agencies to comply with notice-and-comment requirements. According to Defendants, when  
6 Congress amended the Act to add this provision, it intended only to enable the PTO to  
7 undertake notice-and-comment procedures if it so chooses—a power that the agency  
8 possessed prior to the amendment. Recognizing the weakness of this statutory argument,  
9 Defendants insist that MPEP § 1207.04 was not subject to notice and comment because it is  
10 an interpretative rule or perhaps a general statement of policy, even though it interprets  
11 nothing and prescribes procedural requirements and obligations that govern a phase of the  
12 patent application process.

13           Finally, in addition to attacking Mr. Hyatt personally (at 2) for seeking to enforce his  
14 rights against the PTO, Defendants also attack his and AAET’s ability to challenge a  
15 regulation that Defendants have routinely wielded against him. The only one of these  
16 arguments that actually implicates jurisdiction, regarding the Plaintiffs’ standing, is meritless,  
17 given that Mr. Hyatt is a direct subject of regulation under MPEP § 1207.04, that he is  
18 injured by its application, and that a decision by this Court invalidating it will shield him  
19 from further consequences flowing from those administrative actions and from additional  
20 actions taken pursuant to its authority. Likewise, *res judicata* is no bar, given that Mr. Hyatt’s  
21 undue delay action (what Defendants call the “Hyatt Requirement Suit”) challenged  
22 different actions by the agency—its undue delay on 80 of his applications—and not either of  
23 the actions challenged here. And these challenges are timely, the Ninth Circuit having  
24 rejected the same mistaken statute-of-limitations argument proffered by an agency seeking to  
25 evade judicial review of its unlawful actions.

26           MPEP § 1207.04 conflicts with the Patent Act, conflicts with the PTO’s own  
27 regulations, was never lawfully promulgated, and unreasonably authorizes patent examiners  
28

1 to frustrate appellate review of their own decisions. For those reasons, the Plaintiffs' motion  
2 for summary judgment should be granted, and the Defendants' denied.

### 3 Argument

#### 4 **I. MPEP § 1207.04 Unlawfully Conflicts with the Patent Act and Examiner's** 5 **Answer Rule**

##### 6 **A. The Patent Act Does Not Permit the Party Appealed Against To Defeat the** 7 **Appeal**

8 The Patent Act clearly and sensibly affords an applicant the right to appellate review  
9 of an examiner's second rejection of his claims. Defendants' contention that the Act permits  
10 an examiner to defeat an appeal of his own rejections by reopening prosecution is contrary  
11 to the plain meaning of the statutory text, conflicts with decisions of the Federal Circuit, and  
12 is illogical—after all, what's the point of conferring a statutory right of appeal if that appeal  
13 may be defeated by the party alleged to be in error? Congress established the right of appeal  
14 by statute to benefit applicants aggrieved by adverse examiner decisions and so did not leave  
15 it to the agency's discretion to determine whether an appeal is allowed to proceed.

16 As an initial matter, Defendants' assertion (at 15), without any supporting  
17 argumentation, that MPEP § 1207.04 constitutes a statutory interpretation entitled to  
18 deference under *Chevron USA, Inc. v. NRDC*, 467 U.S. 837 (1984), is incorrect.

19 “[A]dministrative implementation of a particular statutory provision qualifies for *Chevron*  
20 deference when it appears that Congress delegated authority to the agency generally to make  
21 rules carrying the force of law, and that the agency interpretation claiming deference was  
22 promulgated in the exercise of that authority.” *United States v. Mead Corp.*, 533 U.S. 218, 226–  
23 27 (2001). Here, Congress delegated the PTO authority to “establish regulations” that “shall  
24 govern the conduct of proceedings in the Office,” but only when those rules are “made in  
25 accordance with section 553 of title 5,” which prescribes notice-and-comment procedures. 35  
26 U.S.C. § 2(b)(2). Because the PTO did not follow those procedures, MPEP § 1207.04 is not  
27 entitled to *Chevron* deference. *See Encino Motorcars, LLC v. Navarro*, 136 S. Ct. 2117, 2125  
28 (2016) (“*Chevron* deference is not warranted...where the agency errs by failing to follow the



1 correct procedures in issuing the regulation.”); *Bahr v. EPA*, 836 F.3d 1218, 1230 (9th Cir.  
2 2016) (similar); *Edwards v. First Am. Corp.*, 798 F.3d 1172, 1179–80 (9th Cir. 2015) (no *Chevron*  
3 deference where an “agency’s interpretation of the statute...is not promulgated in the  
4 exercise of its formal rule-making authority”). Moreover, the PTO itself did not “set out with  
5 a lawmaking pretense in mind when it undertook” to promulgate MPEP § 1207.04. *Mead*,  
6 533 U.S. at 233. To the contrary, the MPEP’s Forward states specifically that the “Manual  
7 does not have the force of law.” See *Christensen v. Harris County*, 529 U.S. 576, 587 (2000)  
8 (explaining that “[i]nterpretations such as those...contained in...agency manuals, and  
9 enforcement guidelines...do not warrant *Chevron*-style deference,” in part because they have  
10 not been “subject to the rigors of the Administrative Procedur[e] Act, including public notice  
11 and comment”) (quotation marks omitted). And MPEP § 1207.04 does not even purport to  
12 interpret any statutory provision, neither quoting nor citing statutory language. For each of  
13 these reasons, it is not entitled to *Chevron* deference as an interpretation of the Act.

14 In any event, *Chevron*’s two-step framework would not save Defendants’ self-serving  
15 interpretation of the Act as permitting examiners to defeat appeals by reopening prosecution.  
16 Under *Chevron*’s first step, a court must determine whether Congress has “directly spoken to  
17 the precise question at issue.” 467 U.S. at 842. If so, “that is the end of the matter; for the  
18 court, as well as the agency, must give effect to the unambiguously expressed intent of  
19 Congress.” *Id.* at 842–43. If not, then at the second step the court must defer to the agency’s  
20 interpretation if it is “reasonable.” *Id.* at 844. Defendants’ interpretation fails both steps.

21 As demonstrated in the Plaintiffs’ motion (at 7–12), the Patent Act resolves the  
22 precise question at issue: whether an applicant whose claims have been twice rejected has the  
23 right to bring and maintain an appeal. Section 6(b) of the Act establishes the Appeal Board  
24 and imposes a mandatory duty that the Appeal Board “shall...on written appeal of an  
25 applicant, review adverse decisions of examiners upon applications for patents pursuant to  
26 section 134(a).” 35 U.S.C. § 6(b)(1) (emphasis added). Section 134(a), in turn, provides that  
27 “[a]n applicant for a patent, any of whose claims has been twice rejected, may appeal from  
28 the decision of the primary examiner to the Patent Trial and Appeal Board.” 35 U.S.C.

1 § 134(a).<sup>1</sup> Taken together, Sections 6(b)(1) and 134(a) provide applicants a statutory right of  
2 review of a second rejection, and no provision of the statute so much as suggests otherwise.

3 Defendants' arguments to the contrary are unpersuasive. In general, Defendants  
4 contend that the term "appeal" as used in the Act confers only the right to file a notice of  
5 appeal, such that the agency may defeat the appeal at its discretion. Opp. at 16–17; *id.* at 20  
6 n.8 (arguing that the Act confers only a "threshold" ability to file the appeal"). But that is not  
7 what "appeal" means. An "appeal" is "[a] proceeding undertaken to have a decision  
8 reconsidered by a higher authority; esp., the submission of a lower court's or agency's  
9 decision to a higher court for review and possible reversal." Black's Law Dict. (10th ed.  
10 2014). And that meaning is well understood in legal practice. *See* MSJ at 11–12. Defendants  
11 fail to identify a single authority adopting their pinched reading of "appeal."

12 The statutory language also rejects Defendants' view that Congress sought to confer  
13 discretion on the PTO concerning appeals. If Congress intended to make an applicant's right  
14 of appeal contingent on the PTO's decision to allow the appeal to proceed, it could have said  
15 so. Instead, the language that it chose imposes an obligation that the Appeal Board  
16 "shall...review adverse decisions of examiners" and confers a commensurate right on  
17 applicants to appeal. 35 U.S.C. § 6(b)(1). This statutory language does not afford the agency  
18 discretion, but restricts it. In particular, it precludes what Defendants seek to do here: nullify  
19 the right of appeal.

20 Defendants' interpretation also clashes with decisions interpreting the statutory text.  
21 They assert (at 16) that *In re Hengehold's* "express holding" is that the Act "does not provide  
22

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23 <sup>1</sup> Defendants' waiver argument (at 17) regarding Section 134 is meritless. The Director  
24 Petition argued that "the Patent Act forecloses a procedure whereby an examiner can, after  
25 appeal is taken, short-circuit that review." A32. It quoted the text of Section 6(b)(1), which in  
26 turn cross-references Section 134, and then discussed the substance of Section 134 in support  
27 of its argument. A31 ("In permitting applicants to bring such administrative appeals...").  
28 Defendants recognized as much in their response denying the petition, devoting as much  
space to addressing Section 134 as Section 6. *See* A10. In any instance, as *In re Hengehold*  
properly explains, the two provisions must be interpreted "in pari materia," 440 F.2d 1395,  
1404 (C.C.P.A. 1971), and it would be a mistake to adopt an interpretation of Section 6 that  
is uninformed by or even clashes with the other provisions of the Act, including Section 134.

1 for any rights” regarding appeals. But that decision specifically reads Section 6 and Section  
2 134 of the Act “in pari materia” to determine “what statutory rights of review an applicant  
3 has and thus what kind of ‘adverse decisions’ of examiners are reviewable by the board on  
4 appeal by applicants.” 440 F.2d 1395, 1404 (C.C.P.A. 1971). It held that applicants have a  
5 “statutory right[] of review” for “the rejection of claims,” but not for other kinds of  
6 dispositions like restrictions and divisions. *Id.* Defendants’ position that *Hengehold* denies  
7 applicants a statutory right of review for the rejection of claims is puzzling, given that the  
8 decision says precisely the opposite.

9 Equally puzzling is Defendants’ contention (at 16–17) that *Hengehold*, which expressly  
10 recognizes a “statutory right of review,” somehow abrogates two subsequent decisions of the  
11 Federal Circuit, *In re Leithem* and *In re McDaniel*, recognizing the same thing. All three  
12 decisions are perfectly consistent on this point. *See* MSJ at 10. Likewise, Defendants’ strained  
13 characterization of those subsequent decisions (at 17)—that they “stand for the proposition  
14 that *if* the appeal reaches the Board’s jurisdiction, *and* is disposed of on the merits, the  
15 applicant must be given a chance to respond if the Board has issued a new rejection not  
16 provided by the examiner”—fails to address the Federal Circuit’s reasoning, which turns on  
17 the statutory right of appellate review. *See In re Leithem*, 661 F.3d 1316, 1319 (Fed. Cir. 2011)  
18 (“[T]he Board’s statutory authority requires the Board to review, on appeal, adverse decisions  
19 of the examiner. 35 U.S.C. § 6(b).”); *In re McDaniel*, 293 F.3d 1379, 1384 (Fed. Cir. 2002)  
20 (“The applicant has the right to have each of the grounds of rejection relied on by the  
21 Examiner reviewed independently by the Board under 35 U.S.C. § 6(b).”). Moreover,  
22 Defendants’ characterization of the court’s statutory interpretation in *Leithem* and *McDaniel*  
23 is nowhere reflected in the statutory text. Both *Leithem* and *McDaniel* adopt a straightforward  
24 interpretation of the Act’s language as conferring a statutory right of review.

25 Rather than take on that interpretation, Defendants prefer to battle a strawman  
26 version of it, that the “Act creates an unavoidable duty for the Board to reach the merits of  
27 rejections.” *Opp.* at 17. But neither those decisions nor the Plaintiffs have ever claimed that  
28 the right of appeal conferred by the Act is absolute, which would run against the common

1 understanding of rights to appeal. To the contrary, the Plaintiffs have consistently recognized  
2 that an appeal to the Board, just like a court appeal, may be cut short if the appealing party  
3 dismisses it (e.g., by electing to reopen prosecution in the face of a new ground of rejection)  
4 or fails to comply with some procedural requirement, such as paying the appeal fee or filing  
5 an appeal brief. *See* MSJ at 11–12. These things are all within the appealing party’s power  
6 and discretion and so do not abrogate his right of appeal—unlike an action by the party  
7 appealed against to defeat an appeal over the appealing party’s objection. Accordingly, it is  
8 unremarkable, and no objection to the Plaintiffs’ statutory interpretation, that the Board may  
9 dispose of appeals on procedural grounds, without reaching the merits. *See* Opp. at 18.

10 It is also no objection that, per PTO rules, the Board does not take jurisdiction of an  
11 applicant’s appeal until the filing of a reply brief or the time for filing such a brief has passed,  
12 37 C.F.R. § 41.35(a). *See* Opp. at 18–19. That rule, in itself, does not abrogate an applicant’s  
13 statutory right of appeal or empower an examiner to reopen prosecution so as to defeat an  
14 appeal. Nor can it trigger any purported “inherent authority” to do so. As Defendants’ own  
15 authority regarding agencies’ inherent power to reconsider their own decisions explains, an  
16 agency “cannot...exercise its inherent authority in a manner that is contrary to a statute.”  
17 *Tokyo Kikai Seisakusho, Ltd. v. United States*, 529 F.3d 1352, 1361 (Fed. Cir. 2008) (citing  
18 cases). Defendants’ claim that examiners possess an inherent authority to defeat an appeal by  
19 reopening prosecution simply assumes that the statute permits them to do so. As shown  
20 above, it does not. Likewise, the PTO Director’s assertion of authority to deny issuance of a  
21 patent that she believes is undue—at least, until a court holds that decision to be in violation  
22 of the Act—says nothing about an applicant’s statutory right of appeal. *See* Opp. at 19.

23 Defendants claim that a Board appeal has a “unique nature” because “the issues are  
24 often still being developed after the notice of ‘appeal’ is filed in patent examination.” Opp.  
25 19–20 (scare quotes in original). Whether or not that is truly unique—in the undersigned  
26 counsel’s experience, the same often occurs in complex litigation—it cannot justify depriving  
27 applicants of their statutory right of appeal. In any instance, examiners are free to “revisit  
28 their earlier patentability decisions,” Opp. at 19, by entering new grounds of rejection in their

1 answering brief, and the applicant may act to reopen prosecution (and thereby terminate his  
2 own appeal) if he believes that that is the most efficient course. 37 C.F.R. § 41.39(b)(1).  
3 Contrary to Defendants’ argumentation, nothing “require[s] the applicant, the examiner, and  
4 the Board to undergo an entire appeal instead of simply reopening prosecution” when  
5 changed circumstances undermine the value of the appeal. *See Opp.* at 21. But it is the  
6 applicant, whose rights are at stake, who gets to decide, not the examiner whose rejections  
7 are being appealed.

8 Finally, even were the Court to find that the Act is ambiguous with respect to an  
9 applicant’s right of appeal, it would still have to reject Defendants’ interpretation denying  
10 such a right as unreasonable. What, after all, is the point of affording applicants a right of  
11 review that the agency may defeat at its own discretion? There is none, given that an agency  
12 could establish an “appeals board” on its own to provide such discretionary review of initial  
13 determinations. *See Vermont Yankee Nuclear Power Corp. v. NRDC*, 435 U.S. 519, 524 (1978)  
14 (“Agencies are free to grant additional procedural rights in the exercise of their discretion.”).  
15 Indeed, some agencies have done just that. *See* 57 Fed. Reg. 5,320 (Feb. 13, 1992)  
16 (establishing Environmental Appeals Board to hear appeals and make certain final decisions  
17 on behalf of EPA Administrator). Defendants’ interpretation of the Act as conferring on  
18 applicants only a right to file a notice of appeal—and not actually the right to maintain an  
19 appeal—must be considered “[a]gainst the backdrop of this established administrative  
20 practice.” *Michigan v. EPA*, 135 S. Ct. 2699, 2708 (2015). So considered, it is unreasonable.

21 Moreover, “an agency interpretation that is ‘inconsisten[t] with the design and  
22 structure of the statute as a whole’ does not merit deference.” *Util. Air Regulatory Grp. v. EPA*,  
23 134 S. Ct. 2427, 2442 (2014) (citation omitted). *See also Nat’l R.R. Passenger Corp. v. Boston &*  
24 *Maine Corp.*, 503 U.S. 407, 417 (1992) (“In ascertaining whether the agency’s interpretation is  
25 a permissible construction of the language, a court must look to the structure and language  
26 of the statute as a whole.”). The Act balances thoroughness of examination with the  
27 applicant’s interest in obtaining timely and efficient review of examiner rejections by  
28 providing that an appeal may be taken after a claim has been “twice rejected.” 35 U.S.C.

1 § 134(a). Defendants’ interpretation upsets that balance, permitting an examiner to reject a  
2 claim twice, reopen examination to enter an additional rejection, and then repeat that  
3 process ad infinitum. Although Congress expected that examiners would exercise care and  
4 diligence in weeding out unmeritorious claims, the approach it took demonstrates that it did  
5 not intend to give them unlimited opportunities to do so.

6 Also relevant is the role of Board review in the overall patent application process. It is  
7 the gateway to judicial review of PTO merits determinations. *See* 35 U.S.C. § 141(a)  
8 (providing a right of appeal for an “applicant who is dissatisfied with the final decision in an  
9 appeal to the Patent Trial and Appeal Board”); *id.* at § 145 (providing a civil action for an  
10 “applicant dissatisfied with the decision of the Patent Trial and Appeal Board”). Defendants’  
11 statutory interpretation permits an examiner, by defeating an appeal, to deny a patent  
12 applicant final agency action that he could challenge in court. That cannot be reconciled  
13 with the “well-settled presumption favoring interpretations of statutes that allow judicial  
14 review of administrative action.” *McNary v. v Haitian Refugee Ctr., Inc.*, 498 U.S. 479, 496  
15 (1991). Only an interpretation that recognizes a right of review avoids these infirmities.

16 **B. The Examiner’s Answer Rule Permits Only the Applicant To Reopen**  
17 **Prosecution**

18 The Examiner’s Answer Rule reflects the Patent Act’s denial of authority to  
19 examiners to defeat an appeal by reopening prosecution. Where new grounds of rejection  
20 arise on appeal, the Rule provides only that examiners may include them in their answer  
21 brief, not that they may reopen prosecution themselves. Authority to reopen prosecution is  
22 expressly vested in the applicant alone. 37 C.F.R. § 41.39(b)(1). And the Rule provides only a  
23 single course of action to examiners once an applicant has appealed a second rejection and  
24 filed an appeal brief: “furnish a written answer to the appeal brief.” *Id.* at § 41.39(a). These  
25 features of the regulatory text compel the conclusion that it denies examiners the authority to  
26 reopen prosecution on their own. By purporting to provide that authority, MPEP § 1207.04  
27 unlawfully conflicts with the Examiner’s Answer Rule.  
28

1 As an initial matter, Defendants’ assertion without argument (at 15) that they are  
2 entitled to deference for their interpretation of the Examiner’s Answer Rule in MPEP  
3 § 1207.04 under *Auer v. Robbins*, 519 U.S. 452, 461 (1997), contradicts their litigation position  
4 that MPEP § 1207.04 “obviously does not arise out of Rule 39.” Opp. at 22. That concession  
5 alone precludes deference.

6 Defendants’ interpretation of the Rule presented in their brief is likewise not entitled  
7 to deference, because the PTO’s own rules of practice before the Patent Trial and Appeal  
8 Board, including the Examiner’s Answer Rule, unambiguously preclude examiners from  
9 defeating appeals by reopening examination. *See Edwards v. First Am. Corp.*, 798 F.3d 1172,  
10 1180 n.4 (9th Cir. 2015) (citing *Christensen v. Harris County*, 529 U.S. 576, 588 (2000)) (“[N]o  
11 *Auer* deference is due when the regulation at issue is unambiguous.”).<sup>2</sup> The regulations  
12 expressly provide the authority to reopen prosecution to applicants alone, thereby denying it  
13 to examiners. *See Iselin v. United States*, 270 U.S. 245, 250–51 (1926) (where statute set out  
14 categories with “particularization and detail,” interpretation that would extend to an  
15 additional category was an impermissible “enlargement” of the statute rather than  
16 “construction” of it). Consistent with that reading, the Examiner’s Answer Rule’s  
17 authorization of only a single action by examiners—filing an answer to the applicant’s  
18 appeal brief—confirms that acting to reopen prosecution is not authorized, according to the  
19 doctrine of *expressio unius est exclusio alterius* (the inclusion of one is the exclusion of others).  
20 *See, e.g., Silvers v. Sony Pictures Entm’t, Inc.*, 402 F.3d 881, 885 (9th Cir. 2005) (en banc)  
21 (“[U]nder traditional principles of statutory interpretation, Congress’ explicit listing of who  
22 may sue for copyright infringement should be understood as an exclusion of others from  
23 suing for infringement.”) (emphases omitted).<sup>3</sup>

24  
25  
26 <sup>2</sup> Plaintiffs also preserve the argument, rejected by current Circuit authority, that *Auer*  
27 deference is inconsistent with the Administrative Procedure Act, general principles of  
28 administrative law, and Article III of the Constitution.

<sup>3</sup> “Regulations are interpreted according to the same rules as statutes, applying traditional  
rules of construction.” *Minnick v. C.I.R.*, 796 F.3d 1156, 1159 (9th Cir. 2015).

1 Defendants' only response to this straightforward application of well-established  
 2 canons of construction is simply to assert that examiners may take actions other than those  
 3 authorized by PTO's own rules. Opp. at 21–22. This argument—that examiners are not  
 4 bound by the PTO's own duly-promulgated regulations—is both astounding in its scope and  
 5 implications and flatly incorrect as a matter of law. *See Portland General Elec. Co. v. Bonneville*  
 6 *Power Admin.*, 501 F.3d 1009, 1036 (9th Cir. 2007) (“It is well settled that an agency is legally  
 7 bound to respect its own regulations, and commits procedural error if it fails to abide them.”)  
 8 (quoting *Esch v. Yeutter*, 876 F.2d 976, 991 (D.C. Cir. 1989)). That far-reaching argument is  
 9 certainly not supported by Defendants' sole cited authority, *Shalala v. Guernsey Mem'l Hosp.*,  
 10 514 U.S. 87, 96 (1995), which holds only that an agency may, in lieu of promulgating  
 11 implementing regulations, employ case-by-case adjudication—hardly so novel a proposition  
 12 and completely irrelevant to the instant case.

13 Finally, it should be noted that Defendants' description of the historic relationship  
 14 between the Examiner's Answer Rule and the MPEP is not complete. They assert (at 6) that  
 15 the Rule was “adopted...with the preexisting ability to reopen prosecution in mind.” But, in  
 16 2004, when the Rule was adopted, the coordinate MPEP provision, Section 1208.02,  
 17 provided an applicant the right to “request reinstatement of the appeal” and thereby  
 18 vindicate his right of appeal.<sup>4</sup> Only subsequently was the MPEP amended to defeat that  
 19 right.

20 Where its own rules of practice authorize only applicants to reopen prosecution, the  
 21 PTO cannot claim that same power for itself, as MPEP § 1207.04 purports to do.

22 **II. The Patent Act Requires That Procedural Rules Like MPEP § 1207.04 Be**  
 23 **Promulgated Through Notice-and-Comment Rulemaking**

24 Section 2(b)(2) could not be clearer: if the PTO establishes regulations “govern[ing]  
 25 the conduct of proceedings in the Office,” those regulations “*shall* be made in accordance  
 26 with section 553” of the Administrative Procedure Act, 35 U.S.C. § 2(b)(2) (emphasis  
 27 added), the very same formulation that Congress has used throughout the U.S. Code to

28 <sup>4</sup> Available at [https://www.uspto.gov/web/offices/pac/mpep/old/E8R0\\_1200.pdf](https://www.uspto.gov/web/offices/pac/mpep/old/E8R0_1200.pdf).



1 require agencies to comply with notice-and-comment requirements. *See* MSJ at 18–20.  
2 Defendants’ argument—that the PTO may establish any procedural rule it chooses without  
3 proceeding through notice-and-comment rulemaking, *see* Opp. at 26—would deprive that  
4 congressional mandate of any force and effect. In Defendants’ view, when Congress  
5 amended the Patent Act to add this requirement, its intention was to change...absolutely  
6 nothing. That self-serving position runs contrary to the most basic rules of statutory  
7 construction, which do not lightly presume that Congress enacts detailed statutory  
8 requirements for no purpose whatsoever, as well as common sense and even Defendants’  
9 own recounting of the legislative history. It must be rejected.

10 **A. Patent Act Section 2(b)(2) Requires Notice-and-Comment Rulemaking for**  
11 **Procedural Rules Like MPEP § 1207.04**

12 Section 2(b)(2) provides that the PTO “may establish regulations, not inconsistent  
13 with law, which—(A) shall govern the conduct of proceedings in the Office; [and] (B) shall  
14 be made in accordance with section 553.” 35 U.S.C. § 2(b)(2). Section 2(b)(2) thus gives the  
15 PTO the power to “establish regulations” governing “the conduct of proceedings.” And if  
16 the PTO chooses to exercise that power, then the regulations “shall be made in accordance  
17 with section 553.” It really is that simple, as Defendants inadvertently concede. *See* Opp. at  
18 27 (Section (2)(b)(2) “requires only that if the USPTO elects to exercise that authority, notice-  
19 and-comment procedures must be used.”) (emphasis omitted).

20 Notably, Defendants devote little space and attention to making what was previously  
21 their central argument against that plain reading of Section 2(b)(2), APA Section 553’s  
22 general exception from notice and comment for “rules of agency...procedure.” *See* A18. As  
23 the Plaintiffs explained in their motion, the language of Section 2(B)(2) follows Congress’s  
24 standard template for requiring notice and comment, one that it routinely applies to the  
25 adoption of procedural rules, in particular. *See* MSJ at 18–19. Because applying the exception  
26 would defeat Congress’s 1999 amendment of Section 2(b), rendering it entirely superfluous,  
27 standard principles of statutory construction and incorporation hold that it must be rejected  
28 on that basis.

1 Defendants' only direct response to that point is to suggest (at 26 n.10) that their  
2 interpretation of Section 2(b)(2) might not render its cross-reference to the APA's notice-and-  
3 comment provision entirely superfluous because the Supreme Court "has questioned the  
4 Federal Circuit's reading of section 2(b)(2)(A) as limited to procedural rulemaking  
5 authority," implying that the PTO might have authority to pass other kinds of rules under  
6 Section 2(b) that might be subject to notice and comment. But *Cuozzo Speed Technologies v. Lee*  
7 says absolutely nothing about the Federal Circuit's reading of section 2(b)(2)(A) other than to  
8 recognize that that provision is expressly limited to "regulations which shall govern  
9 proceedings in the Office," which the different provision before it (Section 316(a)(4)) was not.  
10 136 S. Ct. 2131, 2143 (2016) (quotation marks, alterations, and emphasis omitted). It does  
11 not so much as suggest that Section 2(b) affords the PTO authority to promulgate anything  
12 other than procedural rules—none of which, Defendants maintain, need be subject to notice  
13 and comment.

14 In general, Defendants argue (at 26) that the 1999 amendment "merely authorizes the  
15 agency to establish procedure through regulations" and notice and comment if it so chooses.  
16 But that impermissibly renders the 1999 amendment superfluous in an additional respect. If  
17 the mandate that procedural rules "shall be made in accordance with section 553" is actually  
18 optional, then that language simply restates a power that the agency already had. After all,  
19 even prior to the amendment, the PTO was free to provide notice and an opportunity for  
20 comment on its proposed rules. See *Vermont Yankee Nuclear Power Corp. v. NRDC*, 435 U.S.  
21 519, 524 (1978) ("Agencies are free to grant additional procedural rights in the exercise of  
22 their discretion."). In Defendants' view, Congress amended the law, using imperative  
23 language like "shall," to restate a discretionary power that no one ever doubted the PTO  
24 already possessed.

25 Why would Congress have done such a thing? Defendants never say, but their  
26 discussion of the legislative history of the 1999 amendment may explain their silence. As  
27 Defendants describe (at 27), an early draft of the 1999 amendment provided that the PTO  
28 "may establish regulations, not inconsistent with law, which...shall be made after notice and

1 opportunity for full participation by interested public and private parties.” Somewhere along  
2 the line, that language was replaced with “shall be made in accordance with section 553 of  
3 title 5,” which is Congress’s standard boilerplate for requiring observance of APA notice-  
4 and-comment procedures in rulemaking. *See* MSJ at 18–20 (citing and discussing examples).  
5 The earlier draft confirms that Congress always intended Section 2(b)(2) to require the PTO  
6 to adopt procedural rules through notice-and-comment rulemaking, with the only change  
7 being to substitute Congress’s standard language for requiring notice-and-comment  
8 rulemaking pursuant to the APA. That was the purpose and the effect of the amendment.

9 For that reason, Defendants’ contention (at 26) that an opportunity for notice and  
10 comment would have “no benefit” is better directed at Congress than the Court. It is also  
11 substantially undercut by the PTO’s routine practice of subjecting certain of its procedural  
12 rules to notice and comment, which it apparently has found to confer some benefit. *See, e.g.,*  
13 *Opp.* at 22–23 (discussing the “notice-and-comment discussion surrounding” the Examiner’s  
14 Answer Rule); A6–7 (same).

15 Defendants assert (at 27) that the “plaintiffs’ argument would essentially require the  
16 entire 2600-plus-page MPEP to undergo notice and comment.” But statutes presumptively  
17 apply only prospectively, and Section 2(b)(2) contains no exception to that general rule. *See*  
18 *Two Rivers v. Lewis*, 174 F.3d 987, 993 (9th Cir. 1999) (“[T]he traditional presumption in favor  
19 of prospectivity precludes application of the new statute absent clear congressional intent  
20 favoring such a result.”) (quotation marks omitted).

21 Finally, Defendants’ reliance on dicta from the last sentence of a footnote attached to  
22 the last paragraph of *Acetlion Pharmaceuticals* reflects the lack of support for their position.  
23 Their quoted language addresses an issue that was not briefed by the parties and that was  
24 unnecessary to the decision. *See* MSJ at 21 n.13.

25 **B. MPEP § 1207.04 Is Not an Interpretive Rule**

26 The claim that MPEP § 1207.04 is an interpretative rule, and therefore not subject to  
27 notice and comment, is not even colorable.  
28

1 As an initial matter, Defendants have already conceded that MPEP § 1207.04 is a  
2 procedural rule, not an interpretive rule. *E.g.*, Opp. at 25 (“MPEP § 1207.04 is a rule of  
3 agency procedure”). *See also id.* at 4, (MPEP “lays out, in detail, procedures that guide patent  
4 examination”), 5 (MPEP § 1207.04 part of “procedure[s] for how Board appeals are  
5 conducted”).

6 That was not much of a concession. On its face, MPEP § 1207.04 is not an  
7 interpretive rule. An interpretive rule “clarif[ies] or explain[s] existing law or regulations so  
8 as to advise the public of the agency’s construction of the rules it administers.” *Gunderson v.*  
9 *Hood*, 268 F.3d 1149, 1154 (9th Cir. 2001). “If the rule cannot fairly be seen as interpreting a  
10 statute or a regulation...the rule is not an interpretive rule exempt from notice-and-comment  
11 rulemaking.” *Catholic Health Initiatives v. Sebelius*, 617 F.3d 490, 494 (D.C. Cir. 2010)  
12 (quotation marks omitted). A classic example of an interpretive rule would be an agency’s  
13 determination that a “day planner” falls into the category of “diaries, notebooks and address  
14 books.” *United States v. Mead Corp.*, 533 U.S. 218, 224 (2001) (alteration omitted). By contrast,  
15 a rule that affects how an agency conducts its proceedings is not an interpretive rule. *Yesler*  
16 *Terrace Cmty. Council v. Cisneros*, 37 F.3d 442, 449 (9th Cir. 1994) (holding that HUD “did  
17 more than construe the statute” when it changed how it “make[s] due process  
18 determinations”).

19 MPEP § 1207.04 operates in precisely that fashion. It authorizes an examiner to  
20 reopen prosecution after the applicant has filed an appeal. More than that, it prescribes the  
21 circumstances and procedures for taking such an action, as well as imposing obligations on  
22 patent applicants—for example, that they take certain steps “to avoid abandonment of the  
23 application.” *See Yesler Terrace*, 37 F.3d at 449 (rules that “impose obligations” are  
24 “substantive”). And MPEP § 1207.04 does not purport to be interpreting any statutory or  
25 regulatory language; indeed, Defendants don’t offer any clue as to exactly what language it  
26 may be interpreting, either. The reason for those omissions is that MPEP § 1207.04 is not an  
27 interpretive rule.  
28

1           **C.     MPEP § 1207.04 Is Not a General Statement of Policy**

2           Defendants’ assertion (at 28) that MPEP § 1207.04 represents a “general statement of  
3 policy,” and not a rule at all, barely merits response. Under the APA, a “rule” is an “agency  
4 statement of general or particular applicability and future effect designed to implement,  
5 interpret, or prescribe law or policy *or describing the organization, procedure, or practice*  
6 *requirements of an agency....*” 5 U.S.C. § 551(4) (emphasis added). By contrast, a “general  
7 statement of policy,” such as a federal agency guidance document sent to states that “state  
8 permitting authorities ‘are free to ignore,’” does not establish “binding rules.” *Nat’l Min. Ass’n*  
9 *v. McCarthy*, 758 F.3d 243, 252 (D.C. Cir. 2014). MPEP § 1207.04 prescribes detailed  
10 procedural requirements and obligations that govern a phase of the patent application  
11 process and so, like similar MPEP sections, is unquestionably an APA Rule. *See PerSeptive*  
12 *Biosystems, Inc. v. Pharmacia Biotech, Inc.*, 225 F.3d 1315, 1321 (Fed. Cir. 2000) (“[T]he Manual  
13 of Patent Examining Procedure details the rules of inventorship to be used by examiners.”)  
14 (quotation marks omitted); *Regents of Univ. of New Mexico v. Knight*, 2000 WL 36116751, at  
15 \*10 (D.N.M. June 1, 2000) (“MPEP § 306 is a procedural rule.”).

16           **III.    Defendants’ Challenged Actions Are Reviewable by This Court**

17           **A.     Plaintiffs Have Standing To Challenge Defendants’ Actions Regulating Mr.**  
18                   **Hyatt**

19           Plaintiff Gilbert Hyatt has suffered and continues to suffer from administrative  
20 actions taken pursuant to an unlawful regulatory provision, MPEP § 1207.04, and a decision  
21 by this Court invalidating MPEP § 1207.04 will shield Mr. Hyatt from further consequences  
22 flowing from those administrative actions and from additional actions taken pursuant to that  
23 provision’s authority. As such, Mr. Hyatt and AAET, of which he is a member, have standing  
24 to challenge MPEP § 1207.04, and Defendants’ argument to the contrary is meritless. The  
25 other issues raised by Defendants in their standing argument—*res judicata* and the statute of  
26 limitations—have nothing to do with standing and are addressed in subsequent sections.

1                   **1. Mr. Hyatt’s Standing Cannot Seriously Be Disputed**

2                   There can be no question that Mr. Hyatt, as an object of regulation pursuant to the  
3 underlying PTO regulatory action at issue, MPEP § 1207.04, has standing to challenge both  
4 it and the PTO’s denial of his petition demanding the agency repeal that provision.

5                   A plaintiff has standing if he shows “(1) the existence of an injury-in-fact that is  
6 concrete and particularized, and actual or imminent; (2) the injury is fairly traceable to the  
7 challenged conduct; and (3) the injury is likely to be redressed by a favorable court decision.”  
8 *Ctr. for Biological Diversity v. U.S. Fish & Wildlife Serv.*, 807 F.3d 1031, 1043 (9th Cir. 2015). The  
9 Defendants dispute only the third element. *See Opp.* at 9 (“Plaintiffs lack standing because  
10 this Court cannot redress their alleged injury”). But “a plaintiff is presumed to have  
11 constitutional standing...when it is the direct object of regulatory action challenged as  
12 unlawful.” *Los Angeles Haven Hospice, Inc. v. Sebelius*, 638 F.3d 644, 655 (9th Cir. 2011). This  
13 occurs when the existence of standing does not “depend[] on the unfettered choices made by  
14 independent actors not before the court[].” *Lujan v. Defs. of Wildlife*, 504 U.S. 555, 562 (1992)  
15 (quotation marks omitted). Because resolution of this suit depends only on the choices of the  
16 actors before the Court, Mr. Hyatt presumptively has standing, given that he has been and is  
17 subject not only to PTO procedural rules generally, which would be sufficient to confer  
18 standing, but to MPEP § 1207.04 specifically, in numerous instances with continuing effect.

19                   It would be difficult to imagine a party whose standing to challenge MPEP § 1207.04  
20 is more secure than Mr. Hyatt’s. To demonstrate injury-in-fact, Mr. Hyatt need only show  
21 that he is regularly subject to PTO policies. *Newport Aeronautical Sales v. Dep’t of Air Force*, 684  
22 F.3d 160, 164 (D.C. Cir. 2012) (finding standing because plaintiff is “continually requesting”  
23 documents implicated by policy); *Cary v. Hall*, 2006 WL 6198320, at \*11 (N.D. Cal. Sept. 30,  
24 2006) (finding standing because plaintiff “regularly comments” on permits). Mr. Hyatt has  
25 gone much further, demonstrating that he has been subjected to numerous actions taken  
26 pursuant to MPEP § 1207.04 that continue to injure him to this day. As Defendants  
27 acknowledge, Mr. Hyatt currently has almost 400 patent applications pending before the  
28 PTO and had appealed 80 of those applications to the Appeal Board, only to have the

1 examiners defeat his appeals by reopening prosecution pursuant to MPEP § 1207.04, setting  
2 back action on his applications by years. Compl. ¶¶ 5, 17; Ans. ¶¶ 5, 15, 17. His injuries  
3 persist to this day: Mr. Hyatt has been denied Board action on his applications, Compl. ¶¶ 4–  
4 5, 17; Hyatt Decl. ¶¶ 2–3, and he continues to suffer delay and faces procedural  
5 consequences, including the burdens of participating in the reopened prosecutions and risk  
6 of default for failure to do so, Compl. ¶ 9. *See, e.g.*, 37 C.F.R. § 1.135 (abandonment for  
7 failure to reply to office actions in prosecution). In these ways, Mr. Hyatt has been and  
8 continues to be directly injured by the regulatory provision he challenges, MPEP § 1207.04—  
9 a classic injury-in-fact.

10 Causation and redressability are similarly self-evident. Defendants have regularly used  
11 MPEP § 1207.04 to defeat Mr. Hyatt’s appeals and delay final action on his applications,  
12 causing his injuries. And if MPEP § 1207.04 is struck down, Defendants will not be able to  
13 penalize Mr. Hyatt for any consequences flowing from their applications of that provision  
14 against him—up to and including the loss of his entitlement to issuance of patents—and will  
15 be unable to continue to apply it against him in administrative appeals. In that way, a  
16 favorable judgment would provide considerable relief to Mr. Hyatt—which is, after all, the  
17 reason he brought this suit.

18 Defendants’ arguments to the contrary, while having nothing to do with standing,  
19 underscore Mr. Hyatt’s need for relief in this action. First, they suggest (at 10) that Mr. Hyatt  
20 suffers no injury because he can “seek redress for the 2013 Requirement when he appeals a  
21 final agency action in one of his applications.” But, as Defendants are well aware, Mr. Hyatt  
22 cannot avail himself of this remedy because these same Defendants employ MPEP § 1207.04  
23 in a manner that denies Mr. Hyatt final agency action that he could challenge in court.

24 Second, Defendants suggest (at 10), without quite arguing, that even MPEP § 1207.04  
25 itself does not constitute final agency action that a party subject to it could challenge in  
26 court, but the PTO has actually applied the provision against Mr. Hyatt. That provision is  
27 not “tentative,” but instead an action “from which legal consequences will flow”—and  
28

1 therefore “final” for APA purposes. *Bennett v. Spear*, 520 U.S. 154, 177–78 (1997) (quotation  
2 marks omitted).

3 Third, Defendants assert (at 11) that Mr. Hyatt could bring an unreasonable delay  
4 action under Section 706(1) of the APA. This is likewise irrelevant to standing. It is also  
5 wrong, because Section 706(1) authorizes only claims to “compel agency action unlawfully  
6 withheld or unreasonably delayed,” and not claims challenging unlawful agency actions like  
7 MPEP § 1207.04 or the PTO’s denial of the Director Petition. The APA channels such  
8 claims into the provisions on which the Plaintiffs here rely, including Section 706(2), which  
9 authorizes a court to “hold unlawful and set aside agency action...found to be arbitrary,  
10 capricious, an abuse of discretion, or otherwise not in accordance with law.” 5 U.S.C.  
11 § 706(2).

12 Finally, Defendants argue (at 11) that Mr. Hyatt “cannot be injured by the MPEP”  
13 because reopening examination is discretionary and because examiners have the inherent  
14 ability to reopen prosecution. But, as discussed above and in the Plaintiffs’ motion for  
15 summary judgment (at §§ I, II), the Patent Act and the Examiner’s Answer Rule permit only  
16 applicants, and not examiners, to reopen prosecution. It is only the contrary rule of MPEP  
17 § 1207.04 that is the cause of Mr. Hyatt’s injury. And, in any instance, the actions injuring  
18 Mr. Hyatt were taken in express reliance on MPEP § 1207.04. Hyatt Decl. ¶ 2.

## 19 2. AAET Also Has Standing

20 Defendants argue (at 10) that AAET lacks standing because its injury “is  
21 nonexistent.” The Court need not reach this issue because Mr. Hyatt has standing. And “if  
22 one party has standing in an action, a court need not reach the issue of the standing of other  
23 parties when it makes no difference to the merits of the case.” *Comcast Corp. v. FCC*, 579 F.3d  
24 1, 6 (D.C. Cir. 2009) (quotation marks omitted). *See also Montana Shooting Sports Ass’n v.*  
25 *Holder*, 727 F.3d 975, 981 (9th Cir. 2013).

26 In any event, AAET has organizational standing. “An association has [constitutional]  
27 standing to bring suit on behalf of its members when [1] its members would otherwise have  
28 standing to sue in their own right, [2] the interests at stake are germane to the organization’s



1 purpose, and [3] neither the claim asserted nor the relief requested requires the participation  
2 of individual members in the lawsuit.” *WildEarth Guardians v. U.S. Dep’t of Agric.*, 795 F.3d  
3 1148, 1154 (9th Cir. 2015) (quotation marks omitted). If an organization satisfies these  
4 criteria, it has “standing to assert the claims of its members even where it has suffered no  
5 direct injury from a challenged activity.” *Columbia Basin Apartment Ass’n v. City of Pasco*, 268  
6 F.3d 791, 798 (9th Cir. 2001). Here, Mr. Hyatt, an AAET member, has standing to sue in his  
7 own right; the PTO’s adoption and enforcement of MPEP § 1207.04 implicates AAET’s  
8 commitment to the fair, efficient, and effective administration of laws related to technology,  
9 innovation, and intellectual property; and the “claims proffered and relief requested [do] not  
10 demand individualized proof on the part of [AAET’s] members.” *Columbia Basin*, 268 F.3d at  
11 799 (quotation marks omitted). *See also Ocean Advocates v. U.S. Army Corps of Engineers*, 402  
12 F.3d 846, 861 (9th Cir. 2005).

13 **B. Res Judicata Does Not Bar Suit Over Distinct Actions and Issues**

14 Defendants’ res judicata argument (at 11–12) misses the mark because this suit  
15 challenges distinct agency actions that were not under review in Mr. Hyatt’s undue delay  
16 action against the PTO (what Defendants call the “Hyatt Requirement Suit”).

17 Res judicata, or claim preclusion, only applies where there is “an identity of claims.”  
18 *ProShipLine Inc. v. Aspen Infrastructures Ltd.*, 609 F.3d 960, 968 (9th Cir. 2010) (quotation  
19 marks omitted). And there is only an identity of claims where “the two suits arise out of *the*  
20 *same transactional nucleus* of facts.” *Id.* (quotation marks omitted) (emphasis in original). *See*  
21 *also id.* (“[T]he transactional nucleus element...is outcome determinative.”) (quotation marks  
22 omitted); *Mpoyo v. Litton Electro-Optical Sys.*, 430 F.3d 985, 988 (9th Cir. 2005) (“We have  
23 often held the common nucleus criterion to be outcome determinative under the first res  
24 judicata element.”).

25 This suit challenges two actions: (1) the PTO’s unlawful adoption of MPEP § 1207.04  
26 and (2) the PTO’s denial of the Director Petition. Neither of those actions were the subject of  
27 Mr. Hyatt’s undue delay suit, which challenged (as might be inferred) the PTO’s undue  
28 delay on Mr. Hyatt’s applications—in other words, the “action” under review was the PTO’s

1 indefinite withholding of final agency action on 80 of Mr. Hyatt's petitions, not either of the  
2 actions under review here. *Hyatt v. U.S. Patent & Trademark Office*, 146 F. Supp. 3d 771, 774  
3 (E.D. Va. 2015) (citing 35 U.S.C. § 131). *See also* 5 U.S.C. § 551(13) (defining "agency  
4 action" as "the whole or a part of an agency rule, order, license, sanction, relief, or the  
5 equivalent or denial thereof, or *failure to act*") (emphasis added); *Cobell v. Norton*, 240 F.3d  
6 1081, 1095 (D.C. Cir. 2001) (finding that in Section 706(1) action the agency's "failure...to  
7 act constitutes, in effect, an affirmative act that triggers final agency action review")  
8 (quotation marks omitted). Moreover, the PTO denied the Director Petition a month after  
9 the district court entered judgment in Mr. Hyatt's undue delay suits. Logically, "res judicata  
10 does not apply to claims based on events occurring after the initial lawsuit." *Trujillo v. City of*  
11 *Ontario*, 269 F. App'x 683, 684 (9th Cir. 2008) (mem.).

### 12 **C. Plaintiffs' Challenges Are Timely**

13 Defendants concede (at 15) that Counts III, IV, and V, which challenge the PTO's  
14 denial of the Director Petition, are not time-barred. As for Defendants' challenge to the  
15 timeliness of Counts I and II, their arguments fail both as a matter of law and of fact.

16 The Ninth Circuit has repeatedly recognized that, when "a challenger contests the  
17 substance of an agency decision as exceeding constitutional or statutory authority, the  
18 challenger may do so later than six years following...the *adverse application* of the decision to  
19 the particular challenger." *Wind River Mining Corp. v. United States*, 946 F.2d 710, 715 (9th  
20 Cir. 1991) (emphasis added). Otherwise, agencies would have license to enforce  
21 unconstitutional and *ultra vires* rules and regulations six years after their adoption. *California*  
22 *Sea Urchin Comm'n v. Bean*, 828 F.3d 1046, 1051 (9th Cir. 2016) ("[A]n agency should not be  
23 able to sidestep a legal challenge to one of its actions by backdating the action to when the  
24 agency first published an applicable or controlling rule.").

25 *Northwest Environmental Advocates* holds that denial of a petition for rulemaking, such  
26 as Mr. Hyatt filed here, is an "adverse application" that resets the clock for challenging the  
27 underlying decision. *Nw. Env'tl. Advocates v. EPA*, 537 F.3d 1006, 1019 (9th Cir. 2008). In that  
28 case, an environmental group filed a petition for rulemaking in 1999, asking EPA to repeal a

1 rule promulgated in 1973. *Id.* at 1013. EPA declined the petition, and in 2003 the group  
2 brought suit under the APA challenging both the original 1973 rule as an *ultra vires* action  
3 and “the 2003 EPA Decision on Petition.” *Id.* at 1014. Like Defendants here, EPA conceded  
4 that the statute of limitations did not bar challenge to the 2003 petition denial, but argued  
5 that the challenge to the 1973 rule itself was time barred. *Id.* at 1018. The Ninth Circuit  
6 rejected that position, holding that “EPA’s denial of the Petition for Rulemaking in 2003  
7 was...an ‘adverse application’ of [the Rule] within the meaning of *Wind River*.” *Id.* at 1019.  
8 Thus, the date of the petition denial was “the date of first accrual for purposes of the statute  
9 of limitations under § 2401(a).” *Id.* See also *Winter Wildlands All. v. U.S. Forest Serv.*, 2013 WL  
10 1319598, at \*8 (D. Idaho Mar. 29, 2013) (same).

11 *Northwest Environmental Advocates* dispatches with Defendants’ statute of limitations  
12 argument. Per its holding, December 2015 was “the date of first accrual” for the Plaintiffs’  
13 challenge to MPEP § 1207.04. Needless to say, the Plaintiffs’ June 2016 action was brought  
14 comfortably within 28 U.S.C. § 2401(a)’s six-year window.

15 In addition, and independently, Counts I and II are timely because the PTO restarted  
16 the clock when it reconsidered and made substantive amendments to MPEP § 1207.04 in  
17 2011, 2013, and 2014. When an agency reconsiders an existing rule in a regulatory  
18 proceeding, that also resets the clock for challenging the rule. See, e.g., *Env’tl Prot. Info. Ctr. v.*  
19 *Pac. Lumber Co.*, 266 F. Supp. 2d 1101, 1122 (N.D. Cal. 2003) (“When ‘an agency’s actions  
20 show that it has not merely republished an existing rule...but has reconsidered the rule and  
21 decided to keep it in effect, challenges to the rule are in order.”) (quoting *Pub. Citizen v. Nat’l*  
22 *Reg. Comm’n*, 901 F.2d 147, 150 (D.C. Cir. 1990); *SLPR, LLC v. U.S. Army Corps of Eng’rs*,  
23 2011 WL 1648732, \*5 (S.D. Cal. May 2, 2011) (“Courts have consistently held that the  
24 statute of limitations does not bar review of agency actions that reopen a previously decided  
25 issue when the agency reaches the same decision at a subsequent proceeding.”). In March  
26 2014, the PTO amended MPEP § 1207.04 to provide that a patent examiner may reopen  
27 prosecution based on a new ground of rejection that would be appropriate to include in the  
28 examiner’s answer brief. A64. In addition, the PTO conceded that “the issue of reopening

1 prosecution in an application on appeal has been considered” in additional regulatory  
2 proceedings in 2011 and in 2012–2013. A48 (citing 76 Fed. Reg. 72,270, 72,287 (Nov. 22,  
3 2011); 78 Fed. Reg. 4,212, 4,230–31 (Jan. 18, 2013)). Each of these actions restarts the clock,  
4 such that the Plaintiffs’ claims here are timely for this additional reason.

5 **Conclusion**

6 For the foregoing reasons, the Court should grant the Plaintiffs’ motion for summary  
7 judgment. The Defendants’ motion for summary judgment should be denied.

8 Dated: January 12, 2017

Respectfully submitted,

9 /s/ Andrew M. Grossman

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**Certificate of Service**

I hereby that, on January 12, 2016, a true and correct copy of the foregoing was served via the Court’s ECF system on the following:

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