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UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEVADA

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

Plaintiffs,

v.

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

Defendants.

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

PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT AND MEMORANDUM OF POINTS AND AUTHORITIES

ORAL ARGUMENT REQUESTED

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Pursuant to Rule 56 and the Stipulated Scheduling Order, Plaintiffs Gilbert P. Hyatt and the American Association for Equitable Treatment, Inc., hereby move for summary judgment. In support of this Motion, the Plaintiffs would respectfully show as follows:

Introduction

This action challenges a provision of the *Manual of Patent Examining Procedure* ("MPEP") that the Patent and Trademark Office ("PTO") employs to deny patent applicants their statutory right to appeal patent examiners' final rejections of their claims to the Patent Trial and Appeal Board and thereby indefinitely delay final agency action on their applications, as well as judicial review. Relying on MPEP § 1207.04, the PTO has terminated approximately 80 appeals brought by Plaintiff Gilbert P. Hyatt, causing years-long delays in the review of his applications. The PTO subsequently denied Mr. Hyatt's petition challenging this procedure, contending that an applicant has no right to obtain review of adverse decisions rejecting his claims for a patent.

That contention conflicts with the Patent Act, which does not accord patent examiners the power to avoid review of their rejection decisions. Instead, the Act specifically provides that "[a]n applicant for a patent, any of whose claims has been twice rejected, may appeal from the decision of the primary examiner to the Patent Trial and Appeal Board." 35 U.S.C. § 134(a). It further provides that the Appeal Board "shall…on written appeal of an applicant, review adverse decisions of examiners upon applications for patents pursuant to section 134(a)." 35 U.S.C. § 6(b)(1). As the Federal Circuit and Appeal Board have held, these provisions give applicants a right to obtain appellate review of adverse decisions. The PTO identifies no basis in the statute to support its contrary position underlying MPEP § 1207.04.

Moreover, that position conflicts with the PTO's own duly promulgated regulations. Consistent with the Act, as well as the concept of an "appeal," the PTO's Examiner's Answer Rule provides that, if an examiner includes a new ground of rejection in his appeal brief, the *applicant* may elect to terminate his appeal and reopen prosecution, just as an appellant may voluntarily dismiss an appeal. But, contrary to the Examiner's Answer Rule,

MPEP § 1207.04 grants the same power to examiners, the very parties whose decisions are under review. Given the PTO's acknowledgement that its published regulations trump MPEP provisions, the agency has no authority to disregard its own binding regulation.

Even assuming arguendo that the PTO could adopt MPEP § 1207.04 as a binding regulation, it has failed to follow the notice-and-comment procedures that the Patent Act requires. The Act empowers the PTO to establish regulations to "govern the conduct of proceedings in the Office," on the condition that such regulations "shall be made in accordance with section 553 of title 5," which prescribes notice-and-comment rulemaking. 35 U.S.C. § 2(b)(2). The PTO's response is to ignore this inconvenient restriction on its authority. But the PTO cannot disregard Congress's judgment that the public has a right to participate in crafting its procedures, and it cannot be allowed to enforce rules against applicants that it has never properly promulgated.

MPEP § 1207.04 conflicts with the Patent Act, conflicts with the PTO's own regulations, was never lawfully promulgated, and unreasonably authorizes patent examiners to frustrate appellate review of their own decisions. For those reasons, the Plaintiffs respectfully request that the Court grant their Motion for Summary Judgment, declare that MPEP § 1207.04 is unlawful and cannot be lawfully enforced, and declare that the PTO acted unlawfully when it denied Mr. Hyatt's petition.

Statement of Facts

A. The Patent Application Process

The Constitution empowers Congress to "promote the Progress of Science and useful Arts" by securing to "Inventors the exclusive Right to their…Discoveries." U.S. Const., Art. I, § 8, cl. 8. In exercise of that power, Congress enacted the Patent Act of 1952 so that a person who "invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor…." 35 U.S.C. § 101. Under the Act, a patent applicant whose invention is novel and non-obvious "shall be entitled to a patent." 35 U.S.C. § 102(a).

The Patent Act prescribes the process for an inventor to obtain a patent. It begins when an inventor submits a patent application to the PTO containing a written description of the invention, drawings, and one or more claims that define the invention for which a patent is sought. 35 U.S.C. § 111. A patent examiner then reviews the application's claims to determine if "the applicant is entitled to a patent under the law." 35 U.S.C. § 131. If he is, the examiner "shall issue a patent therefor." *Id.*

Of course, not all applications and claims are granted. When an examiner rejects a claim, he must notify the applicant of the grounds for that determination and provide the applicant with "such information and references as may be useful in judging…the propriety of continuing the prosecution of his application." 35 U.S.C. § 132(a). At that point, the applicant has the right to "request reconsideration or further examination" by filing a "reply" that "present[s] arguments pointing out the specific distinctions believed to render the claims…patentable." 37 C.F.R. § 1.111(a)(1), (b). In conjunction with his reply, the applicant may also amend his application. 35 U.S.C. § 132(a); 37 C.F.R. § 1.111(a)(1). Once the reply has been filed, "the application shall be reexamined." 35 U.S.C. § 132(a).

A second rejection—typically referred to as a "final rejection," although not constituting final agency action—entitles the applicant to "appeal from the decision of the primary examiner to the Patent Trial and Appeal Board." 35 U.S.C. § 134(a). Among the Appeal Board's "duties" is that it "shall…on written appeal of an applicant, review adverse decisions of examiners upon applications for patents pursuant to section 134(a)." 35 U.S.C. § 6(b)(1).

In many respects, the patent appeal process resembles the appeal process in federal court. The applicant initiates the appeal by filing a notice of appeal, 37 C.F.R. § 41.31(a), and then files an initial "appeal brief" in which he develops "[t]he arguments…with respect to each ground of rejection." 37 C.F.R. § 41.37(a), (c)(1). The examiner "may, within such time as may be directed by the Director, furnish a written answer to the appeal brief," referred to as the "examiner's answer." 37 C.F.R. § 41.39(a). The patent applicant then files a

reply brief. 37 C.F.R. § 41.41. At that point, the matter is ripe for decision by the Appeal Board. 37 C.F.R. § 41.50.

Under PTO regulations, this appeals process departs from typical court procedures in two relevant respects. First, the Examiner's Answer Rule, a regulation adopted by the PTO through notice-and-comment rulemaking, permits the examiner, with the approval of the PTO Director, to "include a new ground of rejection" in his answer brief. 37 C.F.R. § 41.39(a)(2). *See also* 76 Fed. Reg. 72,270, 72,298 (Nov. 22, 2011) (amending Rule). A new ground of rejection can include "[e]vidence not relied upon in the Office action from which the appeal is taken." 37 C.F.R. § 41.39(a)(2).

Second, if the examiner includes a "new ground of rejection" in his answer, the applicant has the option of either "[r]equest[ing] that prosecution be reopened before the primary examiner" or maintaining the appeal "by filing a reply brief." 37 C.F.R. § 41.39(b)(1), (2).

The appeal culminates in final agency action when the Appeal Board issues its decision. After that, "[a]n applicant who is dissatisfied with the final decision in an appeal…may appeal the Board's decision to the United States Court of Appeals for the Federal Circuit." 35 U.S.C. § 141(a).

B. PTO Relies on MPEP § 1207.04 To Defeat Appeals from Rejections

The PTO's *Manual of Patent Examining Procedure* ("MPEP") is "a reference work on the practices and procedures relative to the prosecution of patent applications before the USPTO." MPEP, Forward. It "does not have the force of law or the force of the rules in Title 37 of the Code of Federal Regulations." *Id*.

MPEP § 1207, titled "Examiner's Answer," instructs examiners on responding to an applicant's appeal of a second rejection to the Appeal Board. *See* Administrative Record ("A") at A63–65. Unlike the patent appeal procedures contained in the Code of Federal Regulations, MPEP § 1207.04 states that the examiner need not file an answer at all. Instead, it states that the examiner may "*reopen prosecution* to enter a new ground of rejection in response to appellant's brief." A63–64 (emphasis added). When the examiner reopens

prosecution instead of submitting an answer brief, the appeal terminates. A64. The applicant never has the opportunity to file a reply brief, and the review process returns to the patent examiner. *Id.*[1]

Thus, under MPEP § 1207.04, an examiner may frustrate review of patent rejections and delay final agency action indefinitely by reopening prosecution after an appeal has been filed, thereby denying applicants patents to which they may be entitled or judicial review of denials of their applications. The provision has been wielded against Plaintiff Gilbert P. Hyatt in precisely this fashion by repeatedly cutting short his appeals of rejections. *See* Declaration of Gilbert P. Hyatt ("Hyatt Decl.") at ¶¶ 2–4. Patent examiners have relied on MPEP § 1207.04 to reopen prosecution, and thereby terminate Mr. Hyatt's appeals, in proceedings on approximately 80 of his applications. *Id.* at ¶ 2. In most instances, the patent examiners reopened prosecution five or more years after Mr. Hyatt's appeal was filed. *Id.* at ¶ 3. The result has been to indefinitely delay final agency action—whether grants or denials—on Mr. Hyatt's applications.

C. PTO Denies Two Petitions Challenging the Lawfulness of MPEP § 1207.04

On July 16, 2014, Mr. Hyatt filed a "Petition for Rulemaking Pursuant to 5 U.S.C. § 553(e) or for Other Relief Pursuant to 37 C.F.R. § 1.182 to Repeal Parts of MPEP §§ 1204 and 1207" ("Petition"). A50–62. The Petition demanded that the PTO either promulgate a rule repealing MPEP § 1207.04 or declare that the provision is unenforceable. A50.

The Petition argued: (1) that MPEP § 1207.04 is a procedural rule that was not adopted through notice-and-comment rulemaking, as 35 U.S.C. § 2(b)(2)(B) requires, A54–56; (2) that MPEP § 1207.04 conflicts with the requirements of the Patent Act regarding appeals, A52–53; and (3) that MPEP § 1207.04 conflicts with the Examiner's Answer Rule,

[1] In March 2014, the PTO amended MPEP § 1207.04 to provide that a patent examiner may reopen prosecution based on a new ground of rejection that would be appropriate to include in the examiner's answer brief. A64 ("A new ground…includes…a new ground that would be proper…as described in MPEP § 1207.03," "New Ground of Rejection in Examiner's Answer"). *Compare* MPEP § 1207.04 (ed. 8, rev. 9, Aug. 2012) *with* MPEP § 1207.04 (ed. 9, rev. 1, Mar. 2014). In addition, "the issue of reopening prosecution in an application on appeal has been considered" at least two other times in recent years, in 2011 and in 2012–2013. A48 (citing 76 Fed. Reg. at 72,287; 78 Fed. Reg. 4,212, 4,230–31 (Jan. 18, 2013)).

37 C.F.R. § 41.39, which does not permit an examiner to reopen prosecution after appeal, A53–54. The Petition also sought conforming changes to MPEP §§ 1204, 1207, and 1211. A50.

In a six-page decision received on September 9, 2014, the Chief Administrative Patent Judge ("APJ") denied Mr. Hyatt's petition. A44–49. The Chief APJ found that MPEP § 1207.04 is "not inconsistent" with governing statutory and regulatory authority and that the PTO procedural rules need not be adopted through notice-and-comment rulemaking. A45. The Chief APJ also argued that reopening prosecution is necessary to prevent applications from "proceed[ing] to the Board with second-best rejections." A47.

Mr. Hyatt subsequently petitioned the Acting Director of the PTO to review the Chief APJ decision and to undertake a rulemaking pursuant to 5 U.S.C. § 553(e) to repeal MPEP § 1207.04, or to declare it invalid or unenforceable, because it was not properly promulgated and conflicts with governing statutory and regulatory authority. A28–43 (the "Director Petition").

On December 7, 2015, PTO Deputy Director Russell Slifer, acting on behalf of the Director, denied the Director Petition, finding that MPEP § 1207.04 does not conflict with the Patent Act or PTO regulations and that PTO procedural rules need not be adopted through notice-and-comment rulemaking. A1–27. The denial concludes by stating, "No additional filings from Mr. Hyatt on this matter will be entertained." A27.

Legal Standard

Summary judgment is appropriate when the record shows that "there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(a). In reviewing an administrative decision under the APA, "there are no disputed facts that the district court must resolve." *Occidental Eng'g Co. v. INS*, 753 F.2d 766, 769 (9th Cir. 1985). "Instead, the court's function is to 'determine whether or not as a matter of law the evidence in the administrative record permitted the agency to make the decision it did.'" *Great Basin Res. Watch v. Dep't of Interior*, 2014 WL 3696661, at *4 (D. Nev. July 23, 2014) (Jones, J.) (quoting *Occidental Eng'g Co.*, 753 F.2d at 769).

Under the APA, a reviewing court should set aside any agency action that exceeds its statutory authority, or is "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law," or is "without observance of procedure required by law." 5 U.S.C. § 706(2)(B), (C), (D). An agency action "is arbitrary and capricious if 'the agency has relied on factors which Congress has not intended it to consider, entirely failed to consider an important aspect of the problem, offered an explanation for its decision that runs counter to the evidence before the agency, or is so implausible that it could not be ascribed to a difference in view or the product of agency expertise.'" *City of Sausalito v. O'Neill*, 386 F.3d 1186, 1206 (9th Cir. 2004) (quoting *Motor Vehicle Mfrs. Ass'n of U.S. v. State Farm Mut. Auto. Inc. Co.*, 463 U.S. 29, 43 (1983)). Even where agency actions are entitled to some deference, they are not spared a "thorough, probing, in-depth review." *Citizens to Preserve Overton Park v. Volpe*, 401 U.S. 402, 415 (1971). In that probing review, the "court should not attempt itself to make up for [the agency's] deficiencies: 'We may not supply a reasoned basis for the agency's action that the agency itself has not given.'" *State Farm*, 463 U.S. at 43 (quoting *SEC v. Chenery Corp.*, 332 U.S. 194, 196 (1947)).

Argument

I. MPEP § 1207.04 Conflicts with and Exceeds PTO's Authority under the Patent Act (Count II)

In authorizing an examiner to defeat an appeal of his own rejections by reopening prosecution, MPEP § 1207.04 conflicts with Patent Act provisions entitling an applicant to obtain appellate review of an examiner's adverse decision on his application.

Section 6(b) of the Act establishes the Appeal Board and provides, in relevant portion, that the Appeal Board "*shall*…on written appeal of an applicant, review adverse decisions of examiners upon applications for patents pursuant to section 134(a)." 35 U.S.C. § 6(b)(1) (emphasis added). Section 134(a), in turn, provides that "[a]n applicant for a patent, any of whose claims has been twice rejected, may appeal from the decision of the primary examiner to the Patent Trial and Appeal Board." 35 U.S.C. § 134(a).[2] In this way, the Act gives an

[2] The pre-2012 provision similarly provided, "[a]n applicant for a patent, any of whose claims has been twice rejected, may appeal from the decision of the primary examiner to the

applicant the right to obtain appellate review of an examiner's decision rejecting his claims. The Federal Circuit and the Appeal Board's predecessor have recognized as much, without the slightest difficulty. *In re Webb*, 916 F.2d 1553, 1556 (Fed. Cir. 1990) (reasoning that "an examiner's final [*i.e.*, second] rejection…precipitates the statutory right to appeal to the Board"); *Ex parte Lemoine*, 1994 Pat. App. LEXIS 8, *8, 46 U.S.P.Q.2d 1420, 1422–23 (B.P.A.I. Dec. 27, 1994) (holding that a second rejection of a claim for a patent gives the applicant "the right to appeal the rejections").

The statute further contemplates that such appeals will actually be heard in its provision providing that "[e]ach appeal…*shall be heard* by at least 3 members of the Patent Trial and Appeal Board." 35 U.S.C. § 6(c) (emphasis added). The exclusivity of the Appeal Board's review is also reflected in the command that "[o]nly the Patent Trial and Appeal Board may grant rehearings." *Id*. Indeed, the PTO has identified no statutory language supporting the proposition underlying MPEP § 1207.04 that an examiner may frustrate an applicant's right to obtain review of the examiner's own adverse decision. *See* A9–13. Simply to describe that proposition clearly is to understand why Congress is unlikely to have adopted it.

"As the Supreme Court stated in *Freytag v. Commissioner*, 'when we find the terms of a statute unambiguous, judicial inquiry should be complete except in rare and exceptional circumstances.'" *Cox v. West*, 149 F.3d 1360, 1363 (Fed. Cir. 1998) (quoting 501 U.S. 868, 873 (1991)) (alterations omitted). Taken together, Sections 6(b)(1) and 134(a) entitle an applicant to an appeal of a second rejection, and no provision of the statute so much as suggests otherwise. Here, the plain meaning of the statute unambiguously[3] rejects the unlikely proposition on which MPEP § 1207.04 relies. That should be the end of the inquiry.

Board of Patent Appeals and Interferences, having once paid the fee for such appeal." 35 U.S.C. § 134(a) (2002).

[3] The PTO did not argue, in its action denying the Director Petition, that the language of any of the statutory provisions at issue is ambiguous, such that its statutory interpretation might be entitled to deference under *Chevron, U.S.A., Inc. v. Nat. Res. Def. Council, Inc.*, 467 U.S. 837, 842–43 (1984). Accordingly, that argument is foreclosed to it. *See State Farm*, *supra*; *Chenery*, *supra*. Even if the agency were entitled to such deference, it would not make a difference; as

The PTO disagrees, maintaining that neither Section 6(b) nor Section 134(a) precludes an examiner from terminating an appeal of his own adverse decision so as to resume prosecution. A9–10. Section 6(b), it argues, provides only a vehicle for review of adverse examiner decisions. *Id*. And Section 134(a), it argues, "simply affords an applicant the right to file an appeal to the Board," without requiring that the Board "review the rejections that form the basis for the appeal." A10. But the sole authority cited by the PTO (at A9) on this point actually supports Plaintiffs' position. *In re Hengehold*, 440 F.2d 1395 (C.C.P.A. 1971), concerned whether the Appeal Board's predecessor had jurisdiction to consider examiner dispositions other than rejections (e.g., restrictions and divisions). The court read Section 6(b)'s predecessor and Section 134 *in pari materia* to determine "what *statutory rights of review* an applicant has and thus what kind of 'adverse decisions' of examiners are reviewable by the board on appeal by applicants." *Id*. at 1404 (emphasis added). While *Hengehold*'s ultimate holding—the Appeal Board's predecessor possessed no jurisdiction for adverse decisions *other than rejections*—is irrelevant to this case, its reasoning in support of that holding expressly embraces Plaintiffs' position that an applicant has a statutory right of review for rejections.

Taken individually, the PTO's statutory arguments fare no better. If Congress had intended Section 6(b)(1) merely to authorize the Appeal Board to hear appeals, it would have used the word "may," instead of "shall," as it did elsewhere in Section 6 to provide permissive authority. *See* 35 U.S.C. § 6(c) (providing that the Board "may grant rehearings"), (d) (providing that the Secretary of Commerce "may" take certain action regarding judges appointed under the prior statutory regime). By contrast, Section 6(b)(1) provides that the "Board *shall*…review adverse decisions of examiners" and so cannot be read merely to confer authority without obligation. *See, e.g.*, *Lopez v. Davis*, 531 U.S. 230, 241 (2001) ("Congress' use of the permissive 'may'…contrasts with the legislators' use of a mandatory

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explained in the body text, "the intent of Congress is clear" and, in any instance, PTO's statutory construction is not a "permissible" one because it conflicts with the aims and policies of the Patent Act. *See Chevron*, 467 U.S. at 842–43; *Util. Air Regulatory Grp. v. EPA*, 134 S. Ct. 2427, 2442 (2014).

'shall' in the very same section."); *United States ex rel. Siegel v. Thoman*, 156 U.S. 353, 359 (1895) ("In the law to be construed here it is evident that the word 'may' is used in special contradistinction to the word 'shall.'"). Similarly, if Congress intended merely to confer permissive authority in Section 6(b)(1), those other provisions[4] indicate that it knew how to do so. *See, e.g.*, *Meghrig v. KFC Western, Inc.*, 516 U.S. 479, 485 (1996) (applying "Congress knows how to say" canon); *Dole Food Co. v. Patrickson*, 538 U.S. 468, 476 (2003) (same). It did not do so here.

The Federal Circuit has recognized as much. As it explained in *In re Leithem*, 661 F.3d 1316, 1319 (Fed. Cir. 2011), "[t]he Board's statutory authority requires the Board to review, on appeal, adverse decisions of the examiner. 35 U.S.C. § 6(b)." On that basis, the court held that "fairness dictates" that the Board afford an applicant an opportunity to respond when it relies upon a new ground of rejection. *Id*. at 1320. Likewise, *In re McDaniel* held, "[t]he applicant has the right to have each of the grounds of rejection relied on by the Examiner reviewed independently by the Board under 35 U.S.C. § 6(b)." 293 F.3d 1379, 1384 (Fed. Cir. 2002). For that reason, the court found that the Board erred when it selected as a representative claim one that had been denied on different grounds than others it purportedly represented. *Id*. PTO's position in this matter that Section 6(b)(1) confers no right at all cannot be reconciled with the reasoning and holdings of *Leithem* and *McDaniel*.

The PTO's interpretation of Section 134(a) is also untenable. Section 134(a)'s provision that an applicant "may appeal from the decision of the primary examiner to the Patent Trial and Appeal Board" confers, on its face, the right to proceed with such an appeal to any applicant who chooses to file an appeal. *Compare* Fed. R. App. P. 3(a)(1) (providing that an appeal "may be taken only by filing a notice of appeal"). And that right, the

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[4] And other statutory provisions analogous to the one at issue. *E.g.*, 28 U.S.C. § 1292(b) (providing for discretionary interlocutory appeal in the federal courts); 26 U.S.C. § 7482(a)(2) (providing for discretionary interlocutory appeal of Tax Court orders); 28 U.S.C. § 798(b); 28 U.S.C. § 256(b); 31 U.S.C. § 3543(c) ("The judge or justice may grant an injunction or allow an appeal if the judge or justice finds the case requires it."); 7 U.S.C. § 21(o)(2) ("The Commission may on its own initiative or upon petition decline review or grant review and affirm, set aside, or modify such an order of the futures association….").

provision provides, vests when "any of [the applicant's] claims has been twice rejected"—not, as the PTO would have it, after a third or even subsequent rejection. *Compare Util. Air Reg. Grp. v. EPA*, 134 S. Ct. 2427, 2445–46 (2014) (agency lacks authority to depart from "unambiguous numerical thresholds" set by Congress). These features preclude the PTO's interpretation, underlying MPEP § 1207.04, that an applicant has no right to obtain appellate review of an examiner's adverse decision and that the examiner may push back such review until after the third, fourth, or even later rejection.

Rather than address these statutory features, the PTO contends (at A10) that the condition "hav[ing] once paid the fee for such appeal" undermines Plaintiffs' position because it "contemplates that the Board may not reach the merits of an appeal." But an appeal may legitimately be cut short when the *applicant*, faced with a new ground of rejection, elects to reopen prosecution, 37 C.F.R. § 41.39, just as an appellant in court may choose to dismiss an interlocutory appeal. The single-payment condition does not support the inference that an examiner may terminate an appeal any more than it suggests that the PTO Director or a Senator, for that matter, may do so.

Moreover, there is no indication that Congress intended to depart from the standard practice in court proceedings that an appellant's right of appeal cannot be cut short by the appellee's unilateral action. *See* Fed. R. App. P. 42 (only appellant may seek voluntary dismissal). As Justice Jackson explained:

> [W]here Congress borrows terms of art in which are accumulated the legal tradition and meaning of centuries of practice, it presumably knows and adopts the cluster of ideas that were attached to each borrowed word in the body of learning from which it was taken and the meaning its use will convey to the judicial mind unless otherwise instructed. In such a case, absence of contrary direction may be taken as satisfaction with widely accepted definitions, not as departure from them.

Morissette v. United States, 342 U.S. 246, 263 (1952).

The term "appeal," as used in Sections 6(b) and 134(a), is not a novelty, but well-established in legal practice. And among the ideas attached to that term is that, where jurisdiction properly lies, a party suffering an adverse ruling has an appeal of right that only he or the appeals court may terminate—not the party appealed against, even if that party

chooses not to defend the grounds of the decision below. *See, e.g.*, *Greenlaw v. United States*, 554 U.S. 237, 250 n.5 (2008). Likewise, and contrary to the PTO's argumentation (at A11), a right of appeal is not any less a right because the appellant must comply with court rules to avoid waiving it. *See, e.g.*, Fed. R. App. P. 3, 4 (prescribing procedures for filing an "Appeal as of Right"); *United States v. Polishan*, 336 F.3d 234, 239–40 (3d Cir. 2003) (holding that failure to follow rule waived right to appellate review); *Stuart v. Pearce*, 275 F.2d 283, 284 (6th Cir. 1960) (dismissing appeal where appellant failed to pay filing fee and to comply with other court rules). By conferring on an examiner the power to terminate an appeal, the PTO impermissibly deprives applicants of their right to an "appeal" and the Appeal Board of a portion of its commensurate jurisdiction to "review adverse decisions." 35 U.S.C. § 6(b)(1).[5]

In sum, the PTO's position that an examiner may abrogate an applicant's statutory right of review by unilaterally reopening prosecution is rejected by the text of the Act and the Federal Circuit's interpretation of that text. The Court should therefore declare that MPEP § 1207.04 is *ultra vires* and set it aside.

II. MPEP § 1207.04 Conflicts with the Examiner's Answer Rule (Counts II & IV)

When the PTO promulgated the Examiner's Answer Rule, 37 C.F.R. § 41.39, through notice-and-comment procedures, it acted with procedural regularity to bind the public and the agency. MPEP § 1207.04's grant of authority to reopen prosecution cannot be reconciled with that action. MPEP § 1207.04 therefore violates the "elemental principle of administrative law that agencies are bound to follow their own regulations." *Meister v. U.S. Dep't of Agric.*, 623 F.3d 363, 371 (6th Cir. 2010) (quoting *Wilson v. Comm'r of Soc. Sec.,* 378 F.3d 541, 545 (6th Cir. 2004)).

The Examiner's Answer Rule provides the exclusive regulatory framework for an examiner's response to an applicant's appeal brief. It provides that "[t]he primary examiner

[5] By contrast, the PTO regulation providing that the Appeal Board takes jurisdiction upon filing of the reply brief or the expiration of the time to file the reply brief, 37 C.F.R. § 41.35(a), does not intrude on the Board's statutory jurisdiction to "review adverse decisions…pursuant to section 134(a)" or deprive applicants of their right to appeal such decisions. Thus, contrary to the PTO's argumentation (at A12–13), that regulation does not, on its own, conflict with the Plaintiffs' interpretation of the Act.

may, within such time as may be directed by the Director, furnish a written answer to the appeal brief." 37 C.F.R. § 41.39(a).[6] That answer "is deemed to incorporate all of the grounds of rejection set forth in the Office action from which the appeal is taken…, unless the examiner's answer expressly indicates that a ground of rejection has been withdrawn." 37 C.F.R. § 41.39(a)(1). The examiner may also "include a new ground of rejection" in the answer if she "obtain[s] the approval of the Director" of the PTO. 37 C.F.R. § 41.39(a)(2). The examiner's filing of an answer is critical for the appeal to move forward, as the PTO likewise takes the position that "current procedures do not permit an appeal to proceed to the Board without an examiner's answer." MPEP § 1207.02(A)(2). In this regard, the Examiner's Answer Rule reflects the right of an applicant to maintain an appeal.

Neither the Examiner's Answer Rule, nor any other of the Rules of Practice that the PTO has promulgated, provide for an examiner to reopen prosecution after an aggrieved applicant has filed an appeal. But the Examiner's Answer Rule is not silent on the question of reopening prosecution. When an examiner includes a new ground for rejection in the answer, the Rule grants to *applicants*, not examiners, the right to request that the PTO reopen prosecution. 37 C.F.R. § 41.39(b)(1). *See also* MPEP § 1207.03(b) (explaining that an applicant "cannot request to reopen prosecution pursuant to 37 CFR § 41.39(b) if the examiner's answer does not have a rejection that is designated as a new ground of rejection"). The Rule includes detailed procedures for an applicant to follow to reopen prosecution. 37 C.F.R. §§ 41.39(b)(1), 41.40. The Rule is clear, however, that applicants facing a new ground of rejection are not required to request that the PTO reopen prosecution; they may exercise their right to maintain the appeal "by filing a reply brief" after the examiner furnishes an answer. 37 C.F.R. § 41.39(b)(2). Under the Rule's text, the choice to reopen prosecution is committed solely to the applicant's discretion.

[6] The Rule's use of the term "may" reflects that an examiner may always grant an application if he is convinced by the appeals brief that the application is meritorious and the prior grounds of rejection have been overcome.

MPEP § 1207.04 plainly conflicts with the Examiner's Answer Rule. Where the Rule authorizes only applicants to act to reopen prosecution, MPEP § 1207.04 gives examiners unlimited discretion to do so, subject only to the approval of a supervisory patent examiner.

The Examiner's Answer Rule controls. The Examiner's Answer Rule is a notice-and-comment rule that was promulgated to "significantly overhaul[]" the Appeal Board's "operations to address concerns about the duration of proceedings…," 69 Fed. Reg. 49,960, 49,960 (Aug. 12, 2004), and amended in 2011 after notice and public comment, 76 Fed. Reg. 72,270, 72,280–96 (Nov. 22, 2011). By contrast, the MPEP is published by the PTO "to provide…patent examiners, applicants, attorneys, agents, and representatives of applicants with a reference work on the practices and procedures relative to the prosecution of patent applications before the USPTO." MPEP, Foreword. The PTO is adamant that the MPEP "does not have the force of law or the force of the rules in Title 37 of the Code of Federal Regulations." *Id*. Thus, by its own terms, the MPEP is subordinate to the Title 37 rules, including the Examiner's Answer Rule.[7]

There is no way to reconcile MPEP § 1207.04 with the Examiner's Answer Rule. The PTO's principal argument in support of its attempt to do so is that, while "both relate to reopening of prosecution, they do so for different purposes at different stages." A5. MPEP § 1207.04, the PTO argues, "reflects the examiner's discretion to reopen prosecution after considering the applicant's appeal brief but before issuing an examiner's answer," whereas "Rule 39 addresses the contents of that answer" without "discuss[ing] the possible examiner actions that might *precede* filing an examiner's answer." *Id*. (emphasis in original). But the MPEP itself recites the Examiner's Answer Rule as the authority for Section 1207 of the MPEP, including MPEP § 1207.04. *See* MPEP § 1207. In this way, the MPEP itself rebuts the PTO's claim that the Rule and the MPEP provision apply "at different stages." A5.

MPEP § 1207.04 also cannot be reconciled with the PTO's regulation governing "Appeal to the Board," 37 C.F.R. § 41.31(a)(1). That provision provides, "[e]very applicant,

[7] The PTO acknowledges, in the MPEP, that its Title 37 rules "govern the examiners, as well as applicants and their attorneys and agents." MPEP, Introduction.

any of whose claims has been twice rejected, may appeal from the decision of the examiner to the Board by filing a notice of appeal." *Id.* As with the statute, *see supra* § I, the right conferred by this regulatory provision vests by its own terms when "any of [the applicant's] claims has been twice rejected"—not, as MPEP § 1207.04 requires, after a third or later rejection.

The PTO's argument is also inconsistent with its own regulatory scheme. Part 41, Subpart B, of the Title 37 regulations governs *Ex Parte* Appeals and comprehensively occupies the procedure for such actions, including definitions (§ 41.30), the filing of appeals (§ 41.31), the submission of evidence after appeal (§ 41.33), jurisdiction (§ 41.35), appeal briefs (§ 41.37), examiner's answer (§ 41.39), tolling of time for reply briefs (§ 41.40), reply briefs (§ 41.41), appeal fees (§ 41.45), oral hearings (§ 41.47), Appeal Board decisions (§ 41.50), rehearing (§ 41.52), and actions following Appeal Board decisions (§ 41.54). None of these provisions grant an examiner authority to reopen prosecution in response to an appeal brief, least of all the Examiner's Answer Rule, or even suggest such authority. And such authority for examiners cannot be implied, where the regulations expressly provide it for applicants alone. *See Iselin v. United States*, 270 U.S. 245, 250–51 (1926) (where statute set out categories with "particularization and detail," interpretation that would extend to an additional category was an impermissible "enlargement" of the statute rather than "construction" of it).

The PTO also claims that a statement in the preamble to the notice of proposed rulemaking for the Examiner's Answer Rule, which discussed hypothetical scenarios in the context of whether they "meet or do not meet the criteria for making a new ground of rejection in an examiner's answer," supports its view that MPEP § 1207.04 and the Examiner's Answer Rule can somehow be reconciled. *See* 68 Fed. Reg. 66,648, 66,653 (Nov. 26, 2003). The PTO also cites a discussion in the preamble to the final rule which contemplates that an examiner might reopen prosecution in certain circumstances, albeit not all of the circumstances encompassed by MPEP § 1207.04. *See* A7 (citing 69 Fed. Reg. at 49,979–80). But language in the preamble of a regulation, let alone language in the preamble

to a notice of proposed rulemaking, does not control over incompatible regulatory text. *See Entergy Servs., Inc. v. FERC*, 375 F.3d 1204, 1209 (D.C. Cir. 2004) (quoting *Wyoming Outdoor Council v. U.S. Forest Serv.*, 165 F.3d 43, 53 (D.C. Cir. 1999)). If PTO intended to confer broad authority on examiners to reopen prosecution—assuming that it could do so consistent with the Act—it should have amended the Examiner's Answer Rule to provide as much. But it did not, not even when it considered "the issue of reopening prosecution in an application on appeal" in 2011 and 2013. A48.

Finally, even if MPEP § 1207.04 could be superficially reconciled with the Examiner's Answer Rule, it must nonetheless be rejected as an unreasonable interpretation of the Rule and exercise of the PTO's authority. *See Georgia Pacific Corp. v. OSHRC*, 25 F.3d 999, 1004 (11th Cir. 1994). The Patent Act and the PTO's regulations set strict deadlines and priorities for action on applications, so that patents are timely issued to the inventors who are entitled to them. Notably, the Examiner's Answer Rule specifically requires the examiner to file his answer within the time directed by the Director and requires applicants to respond to a new ground of rejection raised in that answer—*i.e.*, to decide whether to reopen prosecution or maintain the appeal—within two months. 37 C.F.R. § 41.39(b).

MPEP § 1207.04 is at odds with this approach. By the time an examiner is called on to answer an appeal, the applicant's patent application has already been rejected on two separate occasions. 35 U.S.C. § 134(a). There is no limit to the number of times the PTO may use this reopening procedure to frustrate an applicant's ability to obtain a final agency decision. And, in practice, examiners take up Section 1207.04's invitation to abuse by delaying patent applications by years. *See Immersion Corp. v. HTC Corp.*, 826 F.3d 1357, 1362 (Fed. Cir. 2016) (noting "how pervasively the Patent Act…specifies time by express reference to days, months, or years"). Statistics published by the PTO in 2010 show that prosecution is reopened after an appeal brief is filed in approximately one-third of all appeals, A38, and examiners have used Section 1207.04 approximately 80 times to short-circuit appeals of patent application rejections filed by Mr. Hyatt, often in cases where the appeals themselves had been pending for five years or more. Hyatt Decl. at ¶¶ 2–4.

Where the examiner reopens prosecution, an applicant is further injured because the examiner may attempt to impose obligations on the applicant that could not otherwise be imposed during an appeal. A53. For example, an examiner might, after reopening, impose requirements on the applicant or otherwise demand submission of new evidence or amended claims as a condition of avoiding rejection or abandonment. A53. Such actions are entirely unreasonable in the context of applications that were already rejected twice before the appeal was even filed. Put simply, the PTO cannot reasonably interpret and apply the Act and its regulations so as to permit it to depart from its regular procedures with respect to some arbitrary class of applications so as to indefinitely delay final action on them.

III. MPEP § 1207.04 Is Invalid Because It Was Not Subject to Notice-and-Comment Rulemaking (Count I)

The same statutory section that authorizes the PTO to "establish regulations" that "shall govern the conduct of proceedings in the Office" requires that those regulations "shall be made in accordance with section 553" of the Administrative Procedure Act. 35 U.S.C. § 2(b)(2). Section 553 requires that agency rules be promulgated through a process of notice in the *Federal Register* and opportunity for public comments ("notice-and-comment" rulemaking). 5 U.S.C. § 553(b), (c). Despite the PTO's acknowledgement that "MPEP § 1207.04 is a rule of procedure," A19, the provision has never been subject to notice-and-comment rulemaking, A18.[8] On that basis, the Court should declare MPEP § 1207.04 unlawful and set it aside. *See* 5 U.S.C. § 706(2).

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

The only tenable reading of Section 2(b)(2) of the Patent Act is that it mandates notice-and-comment rulemaking for procedural rules like MPEP § 1207.04. That interpretation is the only one that gives meaning and effect to the entirety of the statutory text and comports with the interpretation of similar provisions in other statutory schemes.

[8] PTO initially contended that MPEP § 1207.04 *was* promulgated through notice-and-comment rulemaking. A46–47. But, as the Director Petition explained, the Federal Register notices the PTO relied on addressed 37 C.F.R. § 41.39. A36. The PTO abandoned this argument in its denial of the Director Petition. *See* A18.

Section 2(b)(2) authorizes the Commissioner to "establish regulations" that "govern the conduct of proceedings in the Office," provided that those "regulations…shall be made in accordance with section 553 of title 5," which generally prescribes notice-and-comment procedures for rulemaking. *Id*. This type of cross-reference to APA § 553 is Congress's standard way of mandating notice-and-comment rulemaking.[9]

The PTO maintains that this provision does not compel it to follow notice-and-comment procedures for procedural rules like MPEP § 1207.04 because APA § 553 exempts "rules of agency organization, procedure, or practice"—*i.e.*, procedural rules—from its notice-and-comment requirements. 5 U.S.C. § 553(b). But the PTO's proffered interpretation of Section 2(b)(2) as not requiring notice-and-comment rulemaking must be rejected under the "settled rule of statutory interpretation that a statute is to be construed in a way which gives meaning and effect to all of its parts." *Saunders v. Sec'y of Dep't of Health & Human Servs.*, 25 F.3d 1031, 1035 (Fed. Cir. 1994). *See also Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 112 (1991). The issuance of procedural rules is the full scope of the Commissioner's authority under Section 2(b): it "authorizes the Commissioner to promulgate regulations directed only to 'the conduct of proceedings in the [PTO]'; it does NOT grant the Commissioner the authority to issue substantive rules." *Merck & Co. v. Kessler*, 80 F.3d 1543, 1549–50 & n.6 (Fed. Cir. 1996). *See also Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1294 (Fed. Cir. 2011) (same). Accordingly, an interpretation of that provision which exempts rules of procedure—the only rules that the PTO is authorized to promulgate—from notice-and-comment requirements renders the statutory language "shall

[9] *See, e.g.*, 21 U.S.C. § 358(c) (designation of official names for drugs and devices); 2 U.S.C. § 1383(b) (procedural rules for Office of Compliance); 42 U.S.C. § 1437d(j)(2)(A)(i) ("procedures for designating troubled public housing agencies"); 9 U.S.C. § 306(b) ("rules of procedure of the Inter-American Commercial Arbitration Commission"); 12 U.S.C. § 1735f-17(a)(2) (procedures by which a person may ask agency to determine whether a mortgagee is in compliance with legal requirements); 39 U.S.C. § 504(g)(3)(A) ("a procedure for according appropriate confidentiality to information identified by the Postal Service"); 42 U.S.C. § 421(k) (standards for "determining whether individuals are under disabilities" and therefore eligible for benefits). Under the PTO's interpretive approach, all of these provisions relating to agency management or benefits—and these are just a few of the many in the U.S. Code—contain ineffective and superfluous references to 5 U.S.C. § 553.

be made in accordance with section 553 of Title 5" a complete nullity and must be rejected on that basis.

Moreover, the PTO's proffered interpretation makes no sense in light of the Patent Act's history. Congress amended the Patent Act in 1999 specifically to add the notice-and-comment requirement, which did not previously exist. Intellectual Property Communications Omnibus Reform Act of 1999, Pub. L. No. 106-113, App. I, 113 Stat. 1501A-521, 572–73 (codified at 35 U.S.C. § 2(b)(2)(B)) (providing that "regulations…govern[ing] the conduct of proceedings in the Office…shall be made in accordance with section 553 of title 5"). *Compare* 35 U.S.C. § 6(a) (1994) (repealed 1999) (authorizing Commissioner to "establish regulations…for the conduct of proceedings," but making no reference to 5 U.S.C. § 553). "When Congress acts to amend a statute, we presume it intends its amendment to have real and substantial effect." *Stone v. INS*, 514 U.S. 386, 397 (1995). The PTO's interpretation would deprive the amendment of any force, effectively reinstating the pre-amendment law, and must be rejected on that basis.

Courts have routinely construed materially identical cross-references to APA § 553 as mandating notice-and-comment rulemaking. That was the approach of the First Circuit in interpreting the Food Stamp Act's nearly identical cross-reference to APA § 553 in *Levesque v. Block*, 723 F.2d 175, 177 (1st Cir. 1983). Like the Patent Act, the Food Stamp Act authorizes an agency to issue regulations "in accordance with the procedures set forth in section 553 of Title 5." 7 U.S.C. § 2013(c). But Section 553(a)(2) contains an explicit exemption for "a matter relating to…grants [and] benefits," so incorporating Section 553 indiscriminately would have rendered the incorporation itself meaningless. *Levesque*, 723 F.2d at 177. Instead of ratifying that absurd result, the First Circuit interpreted the incorporation of APA § 553 to require notice-and-comment procedures "despite the exemption from APA procedures for grant and benefit programs." *Id.* The Tenth Circuit has given the Food Stamp Act the same reading, *Klaips v. Bergland*, 715 F.2d 477, 483 (10th Cir. 1983) (holding that cross-reference to APA § 553 requires notice-and-comment rulemaking), and that interpretative approach is consistent with general principles of incorporation by reference, *see, e.g.*, *Ramey v. Dir., Office*

of Workers' Comp. Program, 326 F.3d 474, 477 (4th Cir. 2003) (rejecting a similar "double incorporation" theory that would have rendered a statutory provision meaningless).[10] For courts to hold otherwise, as the PTO argues they should, would deprive dozens of statutory cross-references to APA § 553 of any legal effect. *See supra* n.9 (citing statutory provisions that the PTO's approach would nullify).

Indeed, Section 2 of the Patent Act presents an even more clear-cut case of congressional intent against wholesale incorporation than the Food Stamp Act because the procedural-rule exemption of Section 553(b) is *itself subject to an exemption* "when notice or hearing is required by statute." 5 U.S.C. § 553(b). Thus, Section 553(b) expressly recognizes that procedural rules are not exempt from notice-and-comment requirements when an agency's organic statute directs otherwise, as is the case here.[11]

The only case to have addressed the question of whether PTO procedural rules are governed by notice-and-comment requirements held that "the structure of Section 2(b)(2) makes it clear that the USPTO must engage in notice-and-comment rulemaking when promulgating rules it is…empowered to make—namely, procedural rules." *Tafas v. Dudas*,

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[10] The same principle governs contractual provisions that incorporate the law of a given jurisdiction to govern the contract: the parties are presumed to have incorporated "the 'local law' of the chosen state" which excludes "its choice-of-law rules"—otherwise, by incorporating California law, the parties might unwittingly end up having their dispute settled by Missouri law, if California's conflict-of-laws principles so dictate. *See* Restatement (Second) of Conflict of Laws § 187, cmt. h (1971). That would "defeat the basic objectives…which the choice-of-law provision was designed to achieve." *Id.*

[11] Granted, courts have sometimes interpreted statutory cross-references to APA § 553 to incorporate Section 553's exemptions, but only when and to the extent that the exemptions are consistent with the incorporating provision. For instance, the exemption from notice-and-comment rulemaking for interpretive rules has been held to apply to regulations under the Food Stamp Act, *Levesque*, 723 F.2d at 178–79; *Klaips*, 715 F.2d at 483, but that exemption—unlike the grant and benefit exemptions—does not eviscerate the incorporation of Section 553 because the Food Stamp Act authorizes substantive regulations, *see* 7 U.S.C. § 2013(c); *Levesque*, 723 F.2d at 183–85. Similarly, *International Brotherhood of Teamsters v. Peña*, 17 F.3d 1478, 1486 (D.C. Cir. 1994), interpreted the cross-reference to APA § 553 in the Motor Vehicle Safety Act to incorporate a Section 553(a)(1) exemption for regulations pertaining to "foreign affairs," but the agency's regulatory authority under the Motor Vehicle Safety Act is far broader than matters pertaining to foreign affairs and so was not subsumed by the foreign-affairs exemption. These cases do not support incorporation of a Section 553 exemption that would be self-defeating.

541 F. Supp. 2d 805, 812 (E.D. Va. 2008), *district court decision reinstated*, *Tafas v. Kappos*, 586 F.3d 1369 (Fed. Cir. 2009). The PTO contends (at A20) that the Federal Circuit's decisions in *Cooper Technologies Co. v. Dudas*, 536 F.3d 1330, 1336 (Fed. Cir. 2008), and *Animal Legal Defense Fund v. Quigg*, 932 F.2d 920, 930 (Fed. Cir. 1991), conflict with and override *Tafas*, but its reliance is misplaced. Both decisions applied the notice-and-comment exception for *interpretive rules* to Section 2(b) and therefore do not provide guidance in addressing MPEP § 1207.04, which the PTO concedes "is a rule of procedure." *See* A19. The PTO asserts (at A21) that the interpretive-rule exemption is no different from the procedural-rule exemption, but the difference is obvious and significant: Section 2(b) of the Patent Act expressly authorizes the PTO to promulgate rules that "govern the conduct of proceedings in the Office," and thus incorporating the interpretive-rule exemption does not exhaust the universe of rulemaking that must "be made in accordance with section 553 of title 5."[12] 35 U.S.C. § 2(b)(2)(B).[13]

Moreover, *Animal Legal Defense Fund*, 932 F.2d at 931, was decided before the Patent Act was amended in 1999 in favor of an explicit notice-and-comment rulemaking requirement, and thus it did not address the current statute. *Cooper Technologies* followed *Animal Legal Defense Fund* without considering the effect of 1999 amendments—the Federal Circuit, in fact, was not briefed on APA § 553 in that case—and its treatment of the issue was not central to the holding because the PTO rule under scrutiny *had gone through notice-and-comment rulemaking*. 536 F.3d at 1337. The question in *Cooper Technologies* was not whether notice-and-comment was required for interpretive rules, but rather what degree of

[12] An "interpretive rule" does not depend on an express statutory grant of authority, *see Animal Legal Defense Fund*, 932 F.2d at 930; *Gen. Elec. Co. v. Gilbert*, 429 U.S. 125, 141 (1976), so the PTO may issue interpretive rules under its inherent authority.

[13] *Actelion Pharmaceuticals Ltd. v. Kappos*, 972 F. Supp. 2d 51, 58 n.9 (D.D.C. 2013), asserts, without any reasoning, that the PTO "was not required to use notice-and-comment rulemaking to devise [a challenged rule] because it is a procedural rule, not a substantive rule." That statement is dicta, in light of the court's jurisdictional holding, and the interpretation of Section 2(b) was not addressed by the parties, given the plaintiff's argument that the APA, irrespective of any Patent Act provision, required the PTO to conduct notice-and-comment procedures for all legislative rules.

deference to give to an interpretive rule. *See* 536 F.3d at 1335–38. The portions of *Cooper Technologies* that the PTO relies on, aside from being off point, are dicta.

B. MPEP § 1207.04 Is Not an Interpretive Rule or Guidance Document

The PTO argues in the alternative that MPEP § 1207.04 is a "policy statement" or an "interpretive rule." A23–25. That argument is impossible to square with the text and function of MPEP § 1207.04, let alone the PTO's repeated acknowledgment that MPEP § 1207.04 is in fact a "procedural rule." A20. *See also* A19 ("MPEP § 1207.04 is a rule of procedure."). As a procedural rule, MPEP § 1207.04 falls within the notice-and-comment requirement for rules that "govern the conduct of proceedings in the Office." 35 U.S.C. § 2(b)(2)(A). *See also supra* § III.A.

In arguing to the contrary, the PTO relies exclusively on language from cases distinguishing interpretive rules from substantive rules. *See Nat'l Org. of Veterans' Advocates, Inc. v. Sec'y of Veterans Affairs*, 260 F.3d 1365, 1374 (Fed. Cir. 2001) ("A determination of whether the Final Rule is substantive or interpretive is significant."); *Chrysler Corp. v. Brown*, 441 U.S. 281, 302 n.31 (1979) (distinguishing "substantive rules" that "'implement' the statute" from "'interpretive rules' and 'general statements of policy,'" which "do not have the force and effect of law"). But that is not the relevant distinction here, where the PTO has *no* authority to promulgate substantive rules. *See Merck & Co.*, 80 F.3d at 1549–50. The question, instead, is whether MPEP § 1207.04 is a rule that "govern[s] the conduct of proceedings in the Office," 35 U.S.C. § 2(b)(2)(A), and so must "be made in accordance with section 553 of title 5," *id.* § 2(b)(2)(B). It surely is—governing "the examiner's discretion to reopen prosecution after considering the applicant's appeal brief," A5—and that should be the end of the inquiry.

In any instance, the PTO's assertions (at A24) that MPEP § 1207.04 is an interpretive rule because it (1) "does not impose any 'obligations or prohibitions on regulated entities,'" and (2) "leaves discretion open to examiners…to reopen prosecution on a case-by-case basis" misstate the applicable standard. The proper inquiry is whether the PTO is "merely explicating" its statutory or regulatory directives or whether "the agency is adding

substantive content of its own." *Am. Hosp. Ass'n v. Bowen*, 834 F.2d 1037, 1045 (D.C. Cir. 1987). *See also Sweet v. Sheahan*, 235 F.3d 80, 91 (2d Cir. 2000) ("Interpretive rules…merely clarify an existing statute or regulation.") (quotation marks omitted). Notably, "when Congress delegates to an agency the power to promulgate rules, the agency adopts regulations with legislative effect." *Id.* (quotation marks and alterations omitted).

In this instance, the PTO acted pursuant to such a delegation, 35 U.S.C. § 2(b)(2) (PTO "may establish regulations" to "govern the conduct of proceedings in the Office"), and the rule at issue adds substantive content of its own (the right to "reopen prosecution" for the purpose of "enter[ing] a new ground of rejection") that goes well beyond clarifying any statutory or regulatory provision. The PTO concedes this point in acknowledging (at A5) that the Examiner's Answer Rule, 37 C.F.R. § 41.39—the only statutory or regulatory provision even arguably being "explicated"—does not address the topics addressed in MPEP § 1207.04. According to the PTO, they have "different purposes" and address "different stages" of the appeals process. A5.

MPEP § 1207.04 is therefore not merely an interpretive rule or guidance document, but rather a rule that "govern[s]" the patent appeals process in its own right. 35 U.S.C. § 2(b)(2). As such, it is subject to the notice-and-comment requirement of Section 2(b)(2)(B).

IV. PTO Unlawfully Denied the Director Petition (Counts III–V)

Mr. Hyatt petitioned the PTO to comply with the unambiguous text of the Patent Act by promulgating procedural agency rules through notice-and-comment rulemaking, 35 U.S.C. § 2(b)(2)(B), and removing barriers to the Appeal Board's "review [of] adverse decisions" by patent examiners, 35 U.S.C. § 6(b)(1). Like the Environmental Protection Agency's dismissive treatment of a rulemaking petition in *Massachusetts v. EPA*, the PTO responded with "a laundry list of reasons" to "avoid its statutory obligation." 549 U.S. 497, 533–34 (2007). But a laundry list of reasons irreconcilable with the statutory text is not a "reasoned justification" for rejecting a petition that demands an agency "comply with [a] clear statutory command"—it is an unlawful justification. *Id.* Accordingly, this Court should declare that the PTO acted unlawfully when it denied the Director Petition.

Under the APA, "an agency must provide a reasoned explanation for its refusal to initiate rulemaking." *Horne v. U.S. Dep't of Agric.*, 494 F. App'x 774, 777 (9th Cir. 2012) (quotation marks and alterations omitted). While this explanation is entitled to some deference, a court "will set aside an agency's decision to deny a petition for rulemaking…if it is 'arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law.'" *Elec. Privacy Info. Ctr. v. U.S. Dep't of Homeland Sec.*, 653 F.3d 1, 5 (D.C. Cir. 2011) (citing 5 U.S.C. § 706(2)(A)). An agency arbitrarily and capriciously denies a petition when it commits "plain errors of law, suggesting that the agency has been blind to the source of its delegated power." *Am. Horse Prot. Ass'n, Inc. v. Lyng*, 812 F.2d 1, 5 (D.C. Cir. 1987) (quotation marks omitted). *See also id.* at 6 (finding USDA acted arbitrarily and capriciously by denying petition based on balancing test not authorized by statute); *Massachusetts*, 549 U.S. at 534–35 (finding EPA acted arbitrarily and capriciously by relying on non-statutory rationales to reject petition); *Common Cause v. FEC*, 692 F. Supp. 1391, 1396 (D.D.C. 1987) (remanding petition for rulemaking to FEC because agency's reasons for denying petition violated plain meaning of FECA); *Horne*, 494 F. App'x at 777 (9th Cir. 2012) (remanding petition to USDA because agency relied on a "district court's decision" instead of providing its own reasoned explanation).

The PTO's denial of the Director Petition asking it to comply with the clear commands of the Patent Act and its own regulations is unsupportable. For the reasons discussed above, MPEP § 1207.04 is invalid because it conflicts with the plain meaning of the Patent Act, which confers on applicants a right of review for claims that have been twice rejected. *See supra* § I. It cannot be reconciled with the PTO's lawfully promulgated Examiner's Answer Rule. *See supra* § II. And it fails to satisfy the Act's clear command that regulations to "govern the conduct of proceedings in the Office…shall be made in accordance with section 553 of title 5," 35 U.S.C. § 2(b)(2). *See supra* § III. In each of these respects, the PTO's denial of the Director Petition commits plain errors of law. On that basis, the Court should declare that the PTO's denial of the Director Petition was unlawful and order Defendants to cease enforcing and withdraw MPEP § 1207.04.

Conclusion

For the foregoing reasons, Plaintiffs are entitled to summary judgment.

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Respectfully submitted,

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UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEVADA

GILBERT P. HYATT, et al., Plaintiffs, v. UNITED STATES PATENT AND TRADEMARK OFFICE et al., Defendants.	Civil Case No. 2:16-cv-01490-RCJ-PAL **Declaration of Gilbert P. Hyatt**

Pursuant to 28 U.S.C. § 1746, I, Gilbert P. Hyatt declare and state as follows:

1. I am an engineer, scientist, and inventor who resides in Clark County, Nevada. I am the inventor and holder of more than 70 patents issued by the United States Patent and Trademark Office ("PTO").

2. I have patent applications pending before the PTO. In approximately 80 of my patent applications, I have timely appealed patent examiners' final rejections

to the Patent Trial and Appeal Board ("Appeal Board") or its predecessor. However, those appeals were defeated when, instead of filing examiner answers, the examiners reopened prosecution pursuant to Section 1207.04 of the *Manual of Patent Examining Procedure* ("MPEP").

3. In most instances, the patent examiners reopened prosecution five or more years after the appeals were filed.

4. Patent examiners have used MPEP § 1207.04 to reopen prosecution of my applications during an appeal as recently as October 31, 2013.

5. I am a member of the American Association for Equitable Treatment, Inc. ("AAET").

6. AAET is a non-profit corporation that operates as a social-welfare organization pursuant to Section 501(c)(4) of the Internal Revenue Code.

7. AAET was founded to promote and advocate for the fair, efficient, and effective administration of laws related to technology, innovation, and intellectual property, including the Patent Act and related statutes.

8. AAET's principal office is located in Clark County, Nevada.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 7th day of November, 2016.

Gilbert P. Hyatt

Gilbert P. Hyatt