

2017-1722

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

**GILBERT P. HYATT AND
AMERICAN ASSOCIATION FOR EQUITABLE TREATMENT, INC.,**
Plaintiffs-Appellants

v.

**UNITED STATES PATENT AND TRADEMARK OFFICE AND
JOSEPH MATAL, in his Official Capacity Performing the Functions and Duties of
the Under Secretary of Commerce for Intellectual Property and Director of the
United States Patent and Trademark Office,**
Defendants-Appellees

Appeal from the United States District Court for the District of Nevada,
Case No. 2:16-cv-01490.

BRIEF FOR APPELLEES

NATHAN K. KELLEY
Solicitor

THOMAS W. KRAUSE
Deputy Solicitor

MOLLY R. SILFEN
ROBERT J. MCMANUS
Associate Solicitors

Office of the Solicitor
U.S. Patent and Trademark Office
Mail Stop 8, P.O. Box 1450
Alexandria, Virginia 22313
(571) 272-9035

June 12, 2017

Attorneys for Appellees

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STATEMENT OF RELATED CASES

There are no other appeals in connection with this case that have previously been before this Court or that are currently pending in any other court. There are also no related cases pending in this or any other court that will directly affect, or be directly affected by, this Court's decision in this appeal.

INTRODUCTION

Over twenty years ago, shortly before a series of patent reforms went into effect, plaintiff Gilbert Hyatt filed several hundred related patent applications with the USPTO. Over the course of many years, Mr. Hyatt went on to amend those applications repeatedly, in a manner that this Court and a district court in separate suits have recently described as “extraordinary,” with the applications ultimately containing more than 115,000 total claims. The size and volume of these applications, and especially their interconnectedness and shifting nature, posed significant challenges for the USPTO.

Since 2012, the USPTO has devoted substantial institutional resources to the project of bringing Mr. Hyatt’s applications to final resolution in a coordinated and consistent manner. Fourteen examiners have been devoted full-time to examining Mr. Hyatt’s applications. In 2013, the examiners issued in almost all of Mr. Hyatt’s applications a “Requirement” that sought answers from Mr. Hyatt on the interrelationships among his applications so the agency could treat his applications consistently and accurately. In 80 of his approximately 400 total applications, Mr. Hyatt had most recently filed an appeal brief to the USPTO Patent Trial and Appeal Board (“Board”). To implement the coordinated approach, the examiners reopened prosecution in those applications per MPEP § 1207.04—the provision Mr. Hyatt challenges here.

Mr. Hyatt has made clear his displeasure with the mechanism the USPTO chose to achieve expedited and accurate examination of his applications. He has sued the Office of Management and Budget alleging that his having to respond to the Requirements constitutes a violation of the Paperwork Reduction Act. *See Hyatt v. Office of Mgmt. and Budget*, No. 2:16-cv-01944-JAD (D. Nev.) (pending). He has unsuccessfully sued the USPTO, challenging the publication of the Requirements. *See Hyatt v. USPTO*, 797 F.3d 1374 (Fed. Cir. 2015). He has unsuccessfully sued the USPTO alleging unreasonable delay in the 80 applications that had prosecution reopened by the Requirements. *Hyatt v. USPTO*, 146 F. Supp. 3d 771 (E.D. Va. 2015). And here, he alleges that the USPTO lacks authority to reopen prosecution at all once a notice of appeal to the Board has been filed. As the district court recognized, this suit suffers from fatal defects.

As an initial matter, plaintiffs allege only one injury—the reopening in 2013 of prosecution in 80 of Mr. Hyatt’s applications. But, to the extent this suit is about that alleged injury, Congress implemented a specific review scheme for patent applicants, and Mr. Hyatt must raise his alleged injury in the context of a particular patent application, not in a freestanding collateral attack on the agency’s ongoing proceedings through a challenge to agency procedures. And any allegation that he is prevented from obtaining review has already been resolved by a final court decision in the Eastern District of Virginia, based on the same 2013

reopening of prosecution in the same 80 applications; neither Mr. Hyatt nor anyone else is free to relitigate that claim, as the district court here determined.

To the extent this suit is only about the agency's denial of Mr. Hyatt's petition for rulemaking, *res judicata* still applies. Additionally, the provision plaintiffs challenge has been in effect since at least 1953. They cannot now challenge the USPTO's adoption of a policy over 60 years ago, especially because Mr. Hyatt has known about that policy for decades.

Nonetheless, plaintiffs invite this Court to reach the merits of their claims. Even if this Court were to review the merits, plaintiffs' claims should be rejected. The provision plaintiffs challenge—allowing an examiner to reopen prosecution with the permission of a supervisor—is reasonable and necessary to the USPTO's ability to process patent applications, does not conflict with the USPTO's statutory and regulatory authority, and was appropriately adopted as guidance without notice and comment. An applicant's appeal to the Board may present changed circumstances that make reopening prosecution the more efficient course, whether because the applicant raises new issues in the appeal brief or because the examiner determines that he should modify the existing rejections. The challenged provision simply restates the examiner's inherent authority to reconsider his decisions by allowing him to reopen prosecution before an appeal passes from his jurisdiction to

the Board's. And it presents no conflict with a regulation that was written with the challenged provision in mind, where the two were designed to work together.

STATEMENT OF THE ISSUES

1. The only injury plaintiffs allege is the USPTO's 2013 reopening of prosecution in Mr. Hyatt's 80 applications. Do plaintiffs lack a cause of action over that allegation, where USPTO examination decisions can only be raised in the context of review of a Board decision in those particular applications?

2. Was the district court correct in explaining that plaintiffs' claims are all precluded by the Virginia court's final decision that, in the context of the 2013 USPTO action in Mr. Hyatt's 80 applications, Mr. Hyatt "has no right to an examination free from . . . reopened prosecution"?

3. Are plaintiffs' claims about the USPTO's adoption of the MPEP provision and policy-based claims barred by the six-year statute of limitations, when plaintiffs complain about a policy enacted over 60 years ago, and Mr. Hyatt has known about that policy for decades?

4. If plaintiffs can overcome the procedural problems with review in this posture, was it reasonable for the USPTO to deny Mr. Hyatt's petition to repeal an MPEP provision that merely reflects the agency's inherent authority to reconsider its patentability decisions?

STATEMENT OF THE CASE

A. Statutory and regulatory background

1. The USPTO is governed by the Patent Act and its own regulations, and the MPEP provides further guidance

The Patent Act established the USPTO, making the USPTO “responsible for the granting and issuing of patents,” and authorizing it to establish regulations to “govern the conduct of proceedings in the Office.” 35 U.S.C. § 2(a)(1), (b)(2)(A). The USPTO—like all federal agencies operating under the Administrative Procedure Act (APA)—may also adopt guidance, consistent with its statutes and regulations, covering “interpretative rules, general statements of policy, or rules of agency organization, procedure, or practice.” 5 U.S.C. § 553(b)(A). To adopt guidance, the USPTO is not required to provide the public with notice and an opportunity to comment. *Id.*

The Manual of Patent Examination Procedure (MPEP)¹ is a more-than-2600-page (excluding appendices) document that lays out, in detail, procedures that guide patent examination by the USPTO. It interprets relevant regulations, provides explanations of specific scenarios that may arise, and gives patent examiners guidance on how to respond to certain situations.

¹ The MPEP is publicly available at <http://www.uspto.gov/web/offices/pac/mpep/>, including current and archived versions. Unless noted otherwise, citations refer to the current version.

2. Before any patent can issue, each application must undergo a back-and-forth examination process

The USPTO examines patent applications and is charged with determining when patents should issue. *See, e.g., In re Alappat*, 33 F.3d 1526, 1535 (Fed. Cir. 1994) (en banc). The USPTO, beginning with an examiner who has the relevant scientific or technical competence, examines the application. *In re Berg*, 320 F.3d 1310, 1315 (Fed. Cir. 2003). If the examiner believes the claims are unpatentable for any reason, he is *obligated* to reject them. *Alappat*, 33 F.3d at 1535.

Patent examination (or “prosecution”) thus generally consists of a back-and-forth between the patent examiner and the applicant. The examiner initially looks at each pending claim and reviews it for compliance with the Patent Act’s directives and USPTO rules. *See, e.g., 35 U.S.C §§ 101, 102, 103, 112.* After initial examination, the examiner sends the applicant an “office action,” which may allow or reject each claim. If claims are rejected, the applicant may respond with amendments, evidence of patentability, arguments in favor of patentability, or some combination of those. The goal of this back-and-forth communication is to either reach an agreement on allowable claims or have the examiner and the applicant set forth their positions in the administrative record for appeal to the Board. 35 U.S.C. § 134. Beyond the statutory mandate that an applicant be allowed to appeal, Congress did not give a procedure for how Board appeals are conducted.

For an application to reach the Board's jurisdiction, the applicant must file a notice of appeal and an appeal brief, the examiner may file an "examiner's answer," and the applicant may file a reply brief. 37 C.F.R. §§ 41.37(a), 41.39(a), 41.41(a). Only after the reply brief is filed or the time for filing a reply brief expires does jurisdiction over the application pass from the examiner to the Board. 37 C.F.R. § 41.35(a). USPTO regulations thus contemplate that an applicant's filing of an appeal does not transfer jurisdiction to the Board. *See, e.g.*, 37 C.F.R. § 41.31(c). Consistent with those regulations, before jurisdiction passes to the Board, the examiner may realize that something about the appealed rejection requires further attention. For example, he may determine upon reading the applicant's appeal brief that the existing rejection lacks merit, that there is a different statutory basis for rejecting the applicant's claims, or that there is some other reason (e.g., an equitable reason) beyond those already stated that the application should not be allowed to issue as a patent. Thus, procedures exist for the examiner to enter new grounds of rejection in response to the applicant's appeal brief.

One route is outlined in Rule 39, 37 C.F.R. § 41.39. Rule 39, titled "Examiner's answer," provides information about the content of the examiner's answer, including that it may include a new ground of rejection. *Id.* at § 41.39(a)(2). Rule 39 then provides the procedural choices available to the

applicant if the answer includes a new ground, specifically that the applicant can either (1) request that prosecution be reopened or (2) maintain the appeal by filing a reply brief responding to the new ground. *See id.* at § 41.39(b). Rule 39 does not specify that it is the only procedural option for the examiner to issue a new ground of rejection before jurisdiction passes to the Board.

MPEP § 1207.04, titled “Reopening of Prosecution After Appeal,” explains that the “examiner may, with approval from the supervisory patent examiner, reopen prosecution to enter a new ground of rejection in response to appellant’s brief. A new ground as used in this subsection includes both a new ground that would not be proper in an examiner’s answer . . . and a new ground that would be proper (with appropriate supervisory approval).” Appx108-109. The subsection clarifies what may constitute a “new ground of rejection,” citing MPEP § 1207.03. *See* Appx109; MPEP § 1207.03(a) (listing “factual situations that constitute a new ground of rejection” and those that don’t).

The substance of the MPEP guidance regarding reopening of prosecution to enter a new ground of rejection predates Rule 39. Rule 39 was enacted pursuant to notice-and-comment rulemaking; it was first proposed in November 2003 and became final in August 2004. A version of MPEP § 1207.04, which is substantively similar to the current version, was issued soon after that in August 2005. *See* MPEP § 1207.04 (Aug. 2005). But before Rule 39 was proposed and

adopted, MPEP § 1208.02 explained that an “examiner may, with approval from the supervisory patent examiner, reopen prosecution to enter a new ground of rejection after appellant’s brief or reply brief has been filed.” *See, e.g.*, MPEP § 1208.02 (Feb. 2003); MPEP § 1208.02 (Aug. 2001). Indeed, the MPEP has contained the same or similar guidance going back to at least 1953. *See* MPEP § 1208.01 (Nov. 1953) (“A new ground of rejection (new reference or otherwise) may be introduced after appeal either by reopening the prosecution or by including the rejection in the Examiner’s Answer”). The USPTO thus adopted Rule 39 with the preexisting ability to reopen prosecution in mind. Appx51-54.

B. A brief history of Mr. Hyatt’s patent applications and suits

1. Mr. Hyatt filed approximately 400 patent applications and proceeded to expand them to contain approximately 115,000 claims

Plaintiff Gilbert Hyatt is the named inventor on an extended family of approximately 400 pending patent applications that were filed in 1995 or earlier. Appx8 ¶ 9; *Hyatt v. USPTO*, 146 F. Supp. 3d 771, 773 (E.D. Va. 2015) (“*Hyatt Requirement Suit*”). Mr. Hyatt’s applications represent a unique situation in the history of the USPTO. As originally filed, each of Mr. Hyatt’s approximately 400 applications contained around 20 to 100 claims. *Id.* at 776. Over time, Mr. Hyatt repeatedly amended his applications, such that in August 2013, his web of interconnected applications contained a total of approximately 115,000 claims. *Id.*

at 773, 776; *Hyatt v. USPTO*, 797 F.3d 1374, 1377 (Fed. Cir. 2015) (“*Hyatt Publication Suit*”).

This number is unprecedented for any single applicant. *Hyatt Requirement Suit*, 146 F. Supp. 3d at 781. For comparison, in 2015, only about 5% of patents issued contained more than 30 claims. See Dennis Crouch, “Compact Patents,” <http://patentlyo.com/patent/2015/06/compact-patents.html> (dated June 9, 2015; last visited May 10, 2017). Indeed, each of Mr. Hyatt’s applications constitutes one of the largest claim sets the USPTO has ever encountered. *Hyatt Requirement Suit*, 146 F. Supp. 3d at 776; see *Hyatt Publication Suit*, 797 F.3d at 1377 (discussing Mr. Hyatt’s “remarkable number of claims”).

2. The USPTO issued the Requirements to collectively and consistently treat Mr. Hyatt’s applications

Given the unprecedented size, volume, and interconnectedness of Mr. Hyatt’s applications, in 2012, the USPTO dedicated twelve full-time patent examiners solely to examining Mr. Hyatt’s patent applications. *Hyatt Requirement Suit*, 146 F. Supp. 3d at 778; see *id.* at 779 (later fourteen examiners). In August 2013, the USPTO began issuing the Requirements in Mr. Hyatt’s applications. The Requirements recited the “confluence of multiple factors” that made examination of Mr. Hyatt’s applications “unmanageable,” including (i) the number of related pending applications, (ii) the length of the specifications and number of applications incorporated by reference, (iii) the number of claims, (iv) the

multiplication of claims over the course of prosecution, and (v) the similarity of claims. *Id.* at 778 (quoting Requirements).

To remove those barriers to effective examination, the Requirements instructed Mr. Hyatt to (i) select a number of claims from each of his twelve “families” (i.e., groups of related applications with nearly identical specifications), not to exceed 600 claims per family absent a showing that more claims are necessary, (ii) identify the earliest possible priority date and supporting disclosure for each selected claim, and (iii) present a copy of the selected claims to the USPTO. *Hyatt Requirement Suit*, 146 F. Supp. 3d at 778. Most of Mr. Hyatt’s applications were before examiners at the time of the Requirements, but in 80, Board appeal briefs had been filed. To resolve the impediments to effective examination collectively and consistently, the Requirements also reopened prosecution in those 80 applications.

3. Like the current action, the *Hyatt Requirement Suit* sought an order cancelling the reopening of prosecution in his 80 applications

In February 2014, Mr. Hyatt filed the *Hyatt Requirement Suit* against the USPTO in Nevada district court, alleging that the USPTO’s reopening of prosecution under MPEP § 1207.04 to issue the Requirements the 80 applications in which appeal briefs had been filed constituted unreasonable delay. Mr. Hyatt requested “the Court to order the PTO not to reopen prosecution on the appeals or

otherwise delay final resolution on the merits of the appeals as presented to the [Board] in each of these 80 appealed patent applications.” *Hyatt v. USPTO*, No. 2:14-cv-00311-LDG, Compl., ECF No. 2-1 at 18 [10-18] (D. Nev. Feb. 27, 2014). The Nevada court, lacking jurisdiction, transferred the case to the Eastern District of Virginia. *Hyatt v. USPTO*, No. 2:14-cv-00311-LDG, 2014 WL 4829538 (D. Nev. Sept. 30, 2014) (relying on *Telecommunications Research and Action Center v. FCC*, 750 F.2d 70 (D.C. Cir. 1984) (“*TRAC*”) and its progeny).

The Virginia court granted summary judgment to the USPTO in November 2015, determining that the USPTO “has already done what it is statutorily required to do, namely to cause an examination of the applications. Indeed, the Requirements [which reopened prosecution after appeal] expressly state that they were issued to achieve this very purpose.” *Hyatt Requirement Suit*, 146 F. Supp. 3d at 783. According to the court, Mr. Hyatt “has no right to an examination free from . . . reopened prosecution.” *Id.* at 785 & n.33 (citing MPEP § 1207.04 for support).

Mr. Hyatt did not appeal the Virginia court’s decision, and it is now final.

4. Mr. Hyatt sought to repeal MPEP § 1207.04 to avoid the USPTO’s decision to reopen prosecution in his 80 applications

Mr. Hyatt filed a petition in the USPTO in July 2014 seeking to repeal MPEP § 1207.04, arguing that MPEP § 1207.04 is inconsistent with the USPTO’s

statutes and regulations and invalid because it was issued without notice and an opportunity to comment. Appx95-107. The USPTO denied Mr. Hyatt's petition, and he sought reconsideration. Appx73-94. The USPTO denied the reconsideration request. Appx46-72.

Plaintiffs filed this suit in Nevada district court in June 2016, asserting that MPEP § 1207.04 is invalid. Plaintiffs' only asserted injury was that, by reopening prosecution in Mr. Hyatt's 80 applications, the USPTO had "cause[d] years-long delays in the review of" Mr. Hyatt's patent applications. Appx8 [¶5]; *see* Appx10 [¶17]; Appx118.

The Nevada court dismissed the case. The court explained that plaintiffs' "present claims are precluded" by the Virginia court's earlier final decision. That decision identically addressed the USPTO's reopening of prosecution in Mr. Hyatt's 80 applications, "discussed the reopening of prosecution generally and cited § 1207.04 in particular." Appx4. The Nevada court quoted the Virginia court's explanation that Mr. Hyatt "has no right to an examination free from . . . reopened prosecution." *Id.*

The Nevada court further explained that Nevada district courts "simply have no subject matter jurisdiction to determine Plaintiffs' claims." Appx4. Citing *TRAC*, the court explained that "an order invalidating the reopening of prosecution under § 1207.04 would affect the jurisdiction of the [Board] to review the

applications at issue and ultimately the jurisdiction of the U.S. District Court for the Eastern District of Virginia or the U.S. Court of Appeals for the Federal Circuit to further review the applications.”² *Id.* Thus, not only was the suit precluded, but the Nevada court lacked jurisdiction to hear it regardless. Plaintiffs appealed to this Court.

SUMMARY OF THE ARGUMENT

Plaintiffs’ only alleged injury—the reopening in 2013 of prosecution in 80 of Mr. Hyatt’s applications—must be redressed through the statutory scheme designed for review of agency action in a particular patent application, not through a freestanding collateral attack on the agency’s ongoing proceedings via a petition for rulemaking. And plaintiffs have conceded that they are collaterally attacking the proceedings in Mr. Hyatt’s applications: They stated to the district court that if they win in this case, the USPTO “will not be able to penalize Mr. Hyatt for any consequences flowing from [the 2013 reopening of prosecution in 80 of his applications] . . . including [by denying] his entitlement to issuance of patents.” Appx198. This Court lacks jurisdiction, and Mr. Hyatt does not have a cause of

² The USPTO agrees with the Nevada court that it lacked jurisdiction under *TRAC*, which requires that the court whose jurisdiction might be affected by a decision make the decision in the first place. And that reasoning underscores why a remand to the Nevada court would be inappropriate in any circumstance. However, because this Court would have had jurisdiction in the first instance under *TRAC* and its progeny, the USPTO will not further argue, here, that basis for a lack of jurisdiction.

action, to collaterally attack the agency's proceedings simply because he does not like the action the USPTO has taken.

Furthermore, the particular collateral attack—that the USPTO was not allowed to reopen prosecution by issuing the Requirements in 2013—has been resolved by a final court decision. This suit is precluded, both as an as-applied challenge and a freestanding challenge to the USPTO's decision not to undertake rulemaking. Plaintiffs assert that the two cases are different because Mr. Hyatt sought review in the first case of his particular 80 applications, whereas here he seeks review of a decision on his freestanding petition. But for both cases, he seeks to redress the same alleged injury—the reopening of prosecution in 2013 in his 80 applications—and the two cases arise out of the same set of facts. He cannot be allowed two bites at the same apple.

Plaintiffs' assertion that the USPTO improperly denied Mr. Hyatt's petition relies heavily on attacking the procedure used to adopt the policy in MPEP § 1207.04 and the policy itself. Attacks on the procedure and policy of the MPEP provision are time-barred. The policy plaintiffs challenge has been in effect for decades; plaintiffs' response is that they should be allowed to litigate the policy anyway because Mr. Hyatt chose challenge it via petition. That argument, if correct, would allow any party to challenge any agency policy, regardless of timeliness, simply by first petitioning the agency. That is not the law.

Despite the district court's decision and the reviewability hurdles, plaintiffs attempt to place the merits of their claims before this Court. But the challenged MPEP provision is lawful, and the USPTO reasonably denied Mr. Hyatt's petition. Giving the examiner the ability to reopen prosecution while he still has jurisdiction over the application to ensure that the application is in proper condition for an appeal simply restates the agency's inherent authority to reconsider its decisions. It does not impair the applicant's right to take an appeal; it does not conflict with the USPTO's statutory and regulatory authority; and it was lawfully drafted without notice and comment.

ARGUMENT

A. Standard of Review

This Court reviews a dismissal for lack of subject matter jurisdiction according to the law of the regional circuit. *Madey v. Duke University*, 307 F.3d 1351, 1358 (Fed. Cir. 2002). The Ninth Circuit reviews those dismissals de novo. *Hughes v. United States*, 953 F.2d 531, 535 (9th Cir. 1992). This Court and the Ninth Circuit also review determinations of claim preclusion de novo. *Acumed LLC v. Stryker Corp.*, 525 F.3d 1319, 1323 (Fed. Cir. 2008).

This Court may affirm a judgment on alternative legal grounds that were argued to the district court but not decided. *SEC v. Chenery*, 318 U.S. 80, 88 (1943) (“[I]n reviewing the decision of a lower court, it must be affirmed if the

result is correct although the lower court relied upon a wrong ground or gave a wrong reason.” (quotation marks omitted)).

If this Court were to review the merits of the USPTO’s determination not to engage in the rulemaking Mr. Hyatt requested, that review is “extremely limited” and “highly deferential.” *Massachusetts v. EPA*, 549 U.S. 497, 527 (2007). An “agency’s refusal to institute rulemaking proceedings is at the high end of the range of levels of deference given to agency action under the arbitrary and capricious standard.” *Preminger v. Secretary of Veterans Affairs*, 632 F.3d 1345, 1353 (Fed. Cir. 2011) (“*Preminger II*”).

B. Plaintiffs’ claims as applied to Mr. Hyatt’s 80 applications are unreviewable

1. Mr. Hyatt cannot challenge an agency action in his 80 applications that is not the agency’s final action and, when issued, must be reviewed through the review process prescribed by Congress.

In this case, the only injury plaintiffs allege is that the USPTO wrongly reopened prosecution in 80 of Mr. Hyatt’s applications in 2013 after he had filed appeal briefs in those applications.³ Appx8 [¶5] (alleging that by reopening

³ Plaintiff the American Association for Equitable Treatment (AAET) has asserted no injury, current or prospective, and lacks standing to be in this case at all. AAET has not shown that it meets any of the threshold requirements to sue under the APA, such as suffering any “legal wrong” or being “adversely affected or aggrieved” by USPTO action. 5 U.S.C. § 702. AAET does not allege that it was party to Mr. Hyatt’s applications or his petitions or that it has any patent applications pending. It asserts merely that it was “founded in 2016 to promote

prosecution in Mr. Hyatt’s 80 applications, the USPTO had “cause[d] years-long delays in the review of” Mr. Hyatt’s patent applications); *see* Appx10 [¶17]; Appx118. With respect to that alleged injury, Congress has prescribed a particular route for review of agency action within a particular application: After a final Board decision, an applicant can seek judicial review in this Court or the Eastern District of Virginia. 35 U.S.C. §§ 141, 145. The Patent Act precludes review of actions outside that prescribed route. And, in a related but distinct procedural defect, even if the APA’s route of review were available, Mr. Hyatt has no cause of action under the APA because he has not received a final agency action in any of the 80 applications.

On the first issue, Congress may—and often does—displace the APA’s default cause of action by providing a detailed scheme for administrative and judicial review of agency action. As the Supreme Court has explained, judicial review under the APA will not lie where “congressional intent to preclude judicial review is fairly discernible in the statutory scheme.” *Block v. Cmty. Nutrition Inst.*, 467 U.S. 340, 351 (1984) (quotation marks omitted); *see Elgin v. Dep’t of Treasury*, 132 S. Ct. 2126, 2133 (2012).

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.” Appx9 [¶10]. Yet “a mere interest in a problem . . . is not sufficient by itself to render the organization adversely affected or aggrieved.” *Sierra Club v. Morton*, 405 U.S. 727, 739 (1972) (marks omitted).

Here, the “Patent Act expressly provides an intricate scheme for administrative and judicial review of PTO patentability determinations that evinces a clear Congressional intent to preclude” other actions under the APA. *Pregis Corp. v. Kappos*, 700 F.3d 1348, 1358 (Fed. Cir. 2012); see *Elm 3DS Innovations, LLC v. Lee*, No. 1:16-cv-1036, 2016 WL 8732315 at *4 (E.D. Va. Dec. 2, 2016) (“Collateral APA attacks in the district court on ongoing [USPTO] proceedings improperly contravene the Congressional intent to confer . . . jurisdiction [over review of those proceedings] solely on the Federal Circuit.”). Congress defined two routes of judicial review under the Patent Act. “An applicant who is dissatisfied with the *final decision*” of the Board may appeal to this Court. 35 U.S.C. § 141(a) (emphasis added). Alternatively, *after a Board decision*, an applicant may bring an action in the Eastern District of Virginia. *Id.* § 145. In either case, an applicant must have a final Board decision, and in no circumstance may the District of Nevada hear the applicant’s claims. The Nevada district court therefore correctly recognized that it did not have jurisdiction over this suit. Appx4; cf. *TRAC*, 750 F.2d at 74-79.

Relatedly, even if APA review were not displaced, the APA authorizes judicial review only of “final agency action for which there is no other adequate remedy in court.” 5 U.S.C. § 704. “A preliminary, procedural, or intermediate

agency action or ruling not directly reviewable is subject to review on the review of the final agency action.” *Id.*

As this Court recently reiterated, for an agency action to be final, two requirements must be met. “First, the action must mark the consummation of the agency’s decisionmaking process—it must not be of a merely tentative or interlocutory nature. And second, the action must be one by which rights or obligations have been determined, or from which legal consequences will flow.” *Automated Merchandising Systems, Inc. v. Lee*, 782 F.3d 1376, 1380 (Fed. Cir. 2015) (quoting *Bennett v. Spear*, 520 U.S. 154, 177-78 (1997)) (internal quotation marks omitted). Neither requirement is met here.

First, as in *Automated Merchandising Systems*, “[a]n ultimate merits determination regarding the validity of any of the patent claims at issue has not yet been reached in any of the . . . proceedings.” 782 F.3d at 1380; *see also Franklin v. Massachusetts*, 505 U.S. 788, 797 (1992) (“The core question is whether the agency has completed its decisionmaking process, and whether the result of that process is one that will directly affect the parties.”). Allowing APA review in federal district court of the USPTO’s reopening examination in the underlying examinations would result in exactly the type of piecemeal judicial review that the final agency action requirement is designed to avoid. *See DRG Funding Corp. v. Sec’y of Hous. & Urban Dev.*, 76 F.3d 1212, 1214 (D.C. Cir. 1996) (The

requirement of “final agency action[.] . . . serves several functions. It allows the agency an opportunity to apply its expertise and correct its mistakes, it avoids disrupting the agency’s processes, and it relieves the courts from having to engage in piecemeal review which is at the least inefficient and upon completion of the agency process might prove to have been unnecessary.” (citation and internal quotation marks omitted)).

Second, the USPTO’s reopening of prosecution is not an action “by which ‘rights or obligations have been determined,’ or from which ‘legal consequences will flow.’” *Bennett*, 520 U.S. at 178. Mr. Hyatt “has lost no patent rights from” reopening. *Automated Merchandising Systems*, 782 F.3d at 1381. The “only direct consequence that flows” is that Mr. Hyatt must comply with the Requirement before appealing to the Board. *Id.* In other words, it is an interlocutory procedural ruling, not a final determination on the merits.

Plaintiffs cite a number of cases to argue that a decision on a petition cannot be appealed at the end of a Board appeal but must instead be filed as a separate APA challenge in district court. Br. 15. But this Court recently rejected the same argument in *Automated Merchandising Systems*. The Court explained that the USPTO’s interlocutory petition decision was not an appealable final agency action. 782 F.3d at 1381 (“[A]n agency’s imposition of the burden of participating in administrative proceedings is not enough to render that action final.”). The Court

further explained that its conclusion was not altered by the fact that earlier cases—like the ones plaintiffs cite, which did not address the APA’s final-agency-action requirement—may have addressed the merits of appeals from decisions on petitions. *Automated Merchandising Systems*, 782 F.3d at 1381; *Cf. In re Makari*, 708 F.2d 709, 711 (Fed. Cir. 1983) (Court determining that it could not consider a direct appeal from a petition decision standing alone, while recognizing that “[i]f the board affirms the [underlying] rejection in whole or in part, Makari may appeal that decision to this court under 35 U.S.C. § 141”).

Even under the APA, then, Mr. Hyatt may seek redress for the 2013 Requirement when he appeals a final agency action in one of his applications. *See Florida Power & Light Co. v. Lorion*, 470 U.S. 729, 743 (1985) (“[R]eview of orders resolving issues preliminary or ancillary to the core issue in a proceeding should be reviewed in the same forum as the final order resolving the core issue.”); *In re James*, 432 F.2d 473, 476 (CCPA 1970) (Lane, J., concurring) (“The fact that a given Patent Office determination is not a decision under section 141 does not mean that such determination is not reviewable in this court. Such determinations are reviewable here if they are logically related to a decision under section 141, either on patentability, or on priority.” (citations omitted)). Plaintiffs, like the plaintiffs in *Automated Merchandising Systems*, cannot have premature review. 782 F.3d at 1380-81.

Finally, to the extent that Mr. Hyatt asserts that the USPTO's ability to reopen prosecution hampers his ability to *receive* an appealable final agency action, he sought redress for that concern in his suit for unreasonable delay under the APA—the equivalent of a mandamus petition—and lost. *Hyatt Requirement Suit*, 146 F. Supp. 3d at 783 (suit is “in the nature of mandamus”). And it makes sense that a mandamus petition or its equivalent would be the only way to interfere with ongoing agency proceedings that are not yet final. Only extraordinary circumstances justify intervening before the agency has come to a final decision. Plaintiffs may not, through this lawsuit, collaterally attack the USPTO's reopening of prosecution in 2013.

2. Because another federal court has already adjudicated Mr. Hyatt's alleged injury, plaintiffs' claims are separately barred by res judicata

Given Mr. Hyatt's complaint in the *Hyatt Requirement Suit* and the Virginia court's decision denying relief, plaintiffs' complaint in this case is also barred by res judicata. The Nevada court here correctly explained that “the present claims are precluded.” Appx4. The *Hyatt Requirement Suit* arose from precisely the same facts and sought the same relief.

In that suit, Mr. Hyatt asserted that the 2013 reopening of prosecution with the Requirement, and the USPTO's ability to reopen prosecution in the future, were in fact an attempt to “den[y] Mr. Hyatt a final determination on the merits”

and create “further interminable delays.” *Hyatt v. USPTO*, Case No. 2:14-cv-00311-LDG, Dkt. No. 2-1 at 15 [19]-17 [4] (D. Nev. Feb. 27, 2014); *see Hyatt Requirement Suit*, 146 F. Supp. 3d at 778, 780 (focusing on argument that USPTO should not have been allowed to reopen prosecution in 2013 in Mr. Hyatt’s 80 applications because it prevented his applications from receiving a Board decision). Similarly, here, Mr. Hyatt asserts that he “has been denied Board action on his applications, and he continues to suffer delay and faces procedural consequences, including the burdens of participating in the reopened prosecutions and risk of default for failure to do so.”⁴ Appx198; *see* Br. 31 (describing this case as combatting USPTO’s attempt “to indefinitely delay final action on” an “arbitrary class of applications,” such as Mr. Hyatt’s own); Br. 2.

Mr. Hyatt’s prayer for relief in the *Hyatt Requirement Suit* requested “the Court to order the PTO not to reopen prosecution on the appeals or otherwise delay final resolution on the merits of the appeals as presented to the [Board] in each of these 80 appealed patent applications.” *Hyatt v. USPTO*, Case No. 2:14-cv-00311-LDG, Dkt. No. 2-1 at 18 [10-18]. Here too he seeks to prevent the USPTO from reopening prosecution “to cause years-long delays in the review of patent applications,” for example in “approximately 80 denials of patent applications filed

⁴ Mr. Hyatt has recourse in court if any of his applications become abandoned because of his failure to respond to a USPTO action. *See Star Fruits S.N.C. v. United States*, 393 F.3d 1277, 1281 (Fed. Cir. 2005) (reviewing Director’s decision to abandon application for abuse of discretion).

by inventor Mr. Hyatt.” Appx8 [¶8]; *see* Appx10 [¶17]; Appx182 (seeking to “shield him[self] from further consequences flowing from” the reopening of prosecution in the 80 applications in 2013). Thus, this suit and the *Hyatt Requirement Suit* arise out of the same transactional nucleus of facts.

The Virginia district court determined that the USPTO in Mr. Hyatt’s 80 applications “is now doing all that it is required to do” (*Hyatt Requirement Suit*, 146 F. Supp. 3d at 783) and that Mr. Hyatt “has no right to an examination free from . . . reopened prosecution” (*id.* at 785 & n.33 (citing MPEP § 1207.04)). To the extent that Mr. Hyatt believed that the MPEP provision describing the USPTO’s ability to reopen prosecution in those applications was invalid for any reason, Mr. Hyatt should have raised it then because that issue is inextricably intertwined with the issues he did raise. *See, e.g., Finch v. Hughes Aircraft Co.*, 926 F.2d 1574, 1577 (Fed. Cir. 1991) (“Count I of the complaint arises out of substantially the same subject matter as the 1980 complaint (i.e., the same patents), and thus is barred by res judicata because it *could* have been, but was not, raised in the 1980 complaint.”); *Stewart v. U.S. Bancorp*, 297 F.3d 953, 959 (9th Cir. 2002).

Plaintiffs have added extra events to their description of this lawsuit—such as the USPTO’s 2015 denial of Mr. Hyatt’s petition (Br. 8-9 n.2)—to assert that their claims are not barred. But those extra events do not change that the only injury Mr. Hyatt alleges here is the same injury he asserted in the *Hyatt*

Requirement Suit. Indeed, Mr. Hyatt asserted that his petition was “related to issues pending” in the *Hyatt Requirement Suit*. Appx97.

It does not matter that Mr. Hyatt had not yet received a final denial of his petition while the *Hyatt Requirement Suit* was pending (Br. 8-9 n.2). Plaintiffs’ later “artful drafting . . . cannot disguise the crux of the controversy,” which arose before Mr. Hyatt filed the *Hyatt Requirement Suit*.⁵ *Tahoe-Sierra Preservation Council, Inc. v. Tahoe Regional Planning Agency*, 322 F.3d 1064, 1077-81 & n.12 (9th Cir. 2003) (after court decision arising out of agency’s alleged failure to follow a plan, plaintiffs returned to court and emphasized another alleged failure that occurred after the first court decision; suit was precluded). Mr. Hyatt had an obligation to raise any basis for remedying his alleged 2013 injury in that suit, even if it meant, for example, seeking a stay of the *Hyatt Requirement Suit*. See, e.g., *Palka v. City of Chicago*, 662 F.3d 428, 436-438 (7th Cir. 2011) (claim preclusion applies even though agency had not yet issued right-to-sue letter at time of first court decision because plaintiff could have taken steps to preserve the claim and combine the two actions, such as by seeking a stay of the first action); *Tahoe-*

⁵ Plaintiffs wrongly assert that the USPTO did not “contend[] below that the judgment in [the Virginia] case precluded Plaintiffs-Appellants’ challenge to the PTO’s *subsequent* denial of the Director Petition” (Br. 8-9 n.2). The USPTO explained to the district court precisely what it explains here—that it does preclude the challenge to the petition decision. Appx211.

Sierra Preservation Council, 322 F.3d at 1079; *Laurel Sand & Gravel, Inc. v. Wilson*, 519 F.3d 156, 162-163 (4th Cir. 2008).

If Mr. Hyatt believed that MPEP § 1207.04, which supports the USPTO's ability to reopen prosecution in his 80 applications, was invalid, he should have raised it in the *Hyatt Requirement Suit*. Thus, Mr. Hyatt's complaint is barred by res judicata. The same is true for AAET, as it alleges standing based on Mr. Hyatt's standing (Appx200).

C. Review of the USPTO's denial of Mr. Hyatt's petition for rulemaking is precluded and untimely, and the decision was reasonable in any event

For the same reasons discussed above, which we will not repeat here, plaintiffs' challenge to the USPTO's decision on Mr. Hyatt's freestanding petition for rulemaking is precluded by res judicata. Further, plaintiffs' challenge to the USPTO's adoption of the MPEP provision is time-barred. And the agency's decision not to repeal the MPEP provision was reasonable in any event.

1. Plaintiffs' arguments about the USPTO's adoption of the MPEP provision and policy-based arguments are time-barred

Plaintiffs' arguments about the USPTO's adoption of the MPEP provision (Br. 31-40) and policy-based arguments (Br. 24-26) are time-barred. "[E]very civil action commenced against the United States shall be barred unless the complaint is filed within six years after the right of action first accrues." 28 U.S.C. § 2401(a).

This statute of limitations applies to facial challenges to agency regulations brought under the APA. *See Preminger v. Secretary of Veterans Affairs*, 517 F.3d 1299, 1307 (Fed. Cir. 2008) (“*Preminger I*”); *Wind River Mining Corp. v. United States*, 946 F.2d 710, 712-13 (9th Cir. 1991); *Cordis Corp. v. Kappos*, No. 1:11-cv-127, 2011 WL 4369118, *4 (E.D. Va. Sept. 16, 2011) (dismissing facial challenge to USPTO regulation as time-barred).

The statute of limitations begins to run on a facial challenge when the regulation is promulgated. *Preminger I*, 517 F.3d at 1307; *Dunn-McCampbell Royalty Interest, Inc. v. Nat’l Park Serv.*, 112 F.3d 1283, 1287 (5th Cir. 1997). That is because the person bringing suit is deemed to have notice of the regulation as of that date. *Dunn-McCampbell*, 112 F.3d at 1287 (“[F]iling a document in the Federal Register is sufficient to give notice of the contents to any person subject to or affected by it.”).

Here, plaintiffs challenge MPEP § 1207.04. But the substance of that provision has been in the MPEP since at least 1953. *See supra* 9. Plaintiffs assert that the provision conflicts with several statutes and regulations: 35 U.S.C. §§ 6(b)(1), 6(c), and 134(a), and 37 C.F.R. §§ 41.39 and 41.31(a)(1). Br. 17-22, 26-31. But those provisions have all been in the law for many years as well—the

substance of the statutory provisions was enacted in 1952, and the substance of the regulations was enacted in 2004.⁶

Thus, here, the statute of limitations began to run in 1953 or, at the latest, when the USPTO promulgated Rules 39 and 31(a)(1), in 2004. Plaintiffs filed their complaint in 2016, twelve years later, long after the six-year statute of limitations had expired.

Nor do plaintiffs have any claim to equitable tolling. Mr. Hyatt has known of the USPTO practice since at least 1983, when an examiner reopened prosecution in one of Mr. Hyatt's applications after an appeal brief had been filed. *See* U.S.

⁶ The substance of § 6(b)(1) was enacted, as 35 U.S.C. § 7, in 1952. *Compare* 35 U.S.C. § 7 (1952) (The “Board . . . on written appeal of the applicant, shall review adverse decisions of examiners upon applications for patents.”) *with* 35 U.S.C. § 6(b) (2012) (The “Board shall—(1) on written appeal of an applicant, review adverse decisions of examiners upon applications for patents pursuant to section 134(a).”). The substance of § 6(c) was also part of 35 U.S.C. § 7 in 1952. *Compare* 35 U.S.C. § 7 (1952) (“Each appeal shall be heard by at least three members of the [Board], the members hearing such appeal to be designated by the Commissioner [now Director]. The [Board] has sole power to grant rehearings.”) *with* 35 U.S.C. § 6(c) (2012) (“Each appeal . . . shall be heard by at least 3 members of the [Board], who shall be designated by the Director. Only the [Board] may grant rehearings.”). The substance of § 134(a) was enacted in 1952. *Compare* 35 U.S.C. § 134 (1952) (“An applicant for a patent, any of whose claims has been twice rejected, may appeal from the decision of the primary examiner to the [Board], having once paid the fee for such appeal.”) *with* 35 U.S.C. § 134(a) (2012) (“An applicant for a patent, any of whose claims has been twice rejected, may appeal from the decision of the primary examiner to the [Board], having once paid the fee for such appeal.”). And Rules 39 and 31(a)(1) have been substantially the same since they were promulgated in 2004. *See* Appx133 (plaintiffs stating that amendments to Rule 39 did not change the examiners' authority regarding reopening prosecution).

Patent Application No. 06/160,872, office action of Dec. 27, 1983, at 2, *available at* portal.uspto.gov/pair/PublicPair. And it does not help that Mr. Hyatt recently filed a rulemaking petition. “If parties were free simply to file petitions, await their denial, and then be assured of jurisdiction in the court of appeals, there would be little incentive to comply with the procedural provisions of the [Act] that require direct appeals from a regulation to be made within the statutory time period.” *Nader v. EPA*, 859 F.2d 747, 753 (9th Cir. 1988).

The time bar unquestionably operates against any challenge to the USPTO’s procedure in adopting MPEP § 1207.04 (Br. 31-40), which has been on the books for decades. Mr. Hyatt’s belated petition seeking repeal of MPEP § 1207.04 cannot excuse the delay in his challenge to the procedure the USPTO used to adopt it. As this Court has explained, an “untimely challenge to a rule may preclude judicial review of any procedural infirmities in creating the rule, even if the rule later is the subject of an agency’s denial of a petition to amend or rescind the rule.” *Preminger II*, 632 F.3d at 1353 n.10; *see Preminger I*, 517 F.3d at 1307 (rejecting continuing violation theory). Other circuits agree. *E.g.*, *Wind River*, 946 F.2d at 715; *NLRB Union v. Fed. Labor Relations Auth.*, 834 F.2d 191, 196 (D.C. Cir. 1987). Such alleged “procedural infirmities in creating” a rule include the USPTO’s choice to publish MPEP § 1207.04 without notice and comment.

The grounds for challenges to the procedure in adopting a rule “will usually be apparent to any interested citizen within a six-year period following promulgation of the decision; one does not need to have a preexisting [specific claim] . . . to discover procedural errors in the adoption of a policy.” *Wind River*, 946 F.2d at 715. “Countenancing such challenges . . . would on balance waste administrative resources and unjustifiably impair the reliance interests of those who conformed their conduct to the contested regulation.” *NLRB Union*, 834 F.2d at 196. The USPTO and its millions of applicants have such a strong interest in finality. Thus, plaintiffs’ argument that “MPEP § 1207.04 Is Invalid Because It Was Not Subject to Notice-and-Comment Rulemaking” (Br. 31-40) cannot be raised now.

The time bar also applies against plaintiffs’ policy-based arguments that the MPEP provision is “unreasonable” (Br. 24-26). In *Wind River*, the Ninth Circuit explained that, “if [a] person wishes to bring a policy-based facial challenge . . . , that too must be brought within six years of” promulgation of the rule. 946 F.2d at 715. As discussed above, that clock, which began ticking in 1953, expired long ago.

The statute of limitations for constitutional and statutory challenges can restart when a party is challenging an agency rule *as applied to him*. *Terran ex rel. Terran v. Sec’y of Health & Human Servs.*, 195 F.3d 1302, 1311 (Fed. Cir. 1999).

But it does not restart for policy-based challenges or challenges to the procedure used to adopt a provision. And to the extent Mr. Hyatt is challenging the agency's application of MPEP § 1207.04 to him in 2013, he has no cause of action and is precluded from raising such an as-applied challenge, as explained above. The facial challenge is time-barred.

Plaintiffs also cannot challenge MPEP § 1207.04 simply because the USPTO has amended it in recent years. The entire MPEP is continually being revised to account for changes in the law. That process does not mean that the policies within the MPEP or even within the revised section have all been revisited. Plaintiffs point to a revision in 2014 (Br. 6 n.1), but that revision had nothing to do with the issue plaintiffs have with the provision. And the agency's consideration of *other rules* in 2011 and 2012-13 (*id.*) certainly does not restart the clock. *See Public Citizen v. Nuclear Regulatory Comm'n*, 901 F.2d 147, 150 (D.C. Cir. 1990) (agency does not "revisit" provisions when it explicitly declines to discuss them in a rulemaking); *Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals*, 76 Fed. Reg. 72270, 72287 (Nov. 22, 2011) (Final rule declined to adopt a suggested change regarding an examiner's option "to reopen prosecution after filing of an appeal brief" because it was "outside the scope of the proposed rules. The proposed rules do not address reopening of prosecution by the examiner after filing of an appeal brief.").

2. The USPTO reasonably denied Mr. Hyatt's petition

This Court's review of the USPTO's decision to deny Mr. Hyatt's rulemaking petition is "extremely limited" and "highly deferential." *See supra* 17. This Court has explained that a denial of a petition for rulemaking is adequate when the agency simply explains the facts and policy concerns underlying its decision. *Preminger II*, 632 F.3d at 1354. Here, the USPTO explained that MPEP § 1207.04 does not conflict with the USPTO's statute or regulations; it merely states explicitly the agency's inherent authority to reconsider its decisions, particularly in light of Congress's statutory directive to issue only valid patents; and it prevents a waste of resources of the applicant and the USPTO in adjudicating a dispute that is no longer relevant. *See Appx*54-63. That explanation was more than sufficient.

Plaintiffs assert that MPEP § 1207.04 conflicts with 35 U.S.C. §§ 6(b)(1) and 134(a) and Rule 39. The substance of MPEP § 1207.04 has coexisted with those two statutory provisions since just after the Patent Act was enacted in 1952, *see supra* 28-29 & n.6, and Rule 39 was written with the already-existing MPEP provision in mind. There is no conflict.

a. MPEP § 1207.04 is consistent with the Patent Act

The Patent Act gives the broad outlines of the patent examination process, in which an examiner first examines an application, and if the applicant is dissatisfied

with the examiner's decision and his claims have been twice rejected by the examiner, he may appeal the rejection to the Board. *See* 35 U.S.C. § 134(a). The Patent Act establishes the Board and lists its "Duties," including "review[ing] adverse decisions of examiners." 35 U.S.C. § 6(b)(1).

The USPTO regulations governing appeals to the Board explain that jurisdiction passes to the Board only after the applicant files a reply brief or the time for filing one passes. 37 C.F.R. § 41.35(a). As already discussed, an examiner may realize before then that something about an appealed rejection requires adjustment. Thus, procedures exist for the examiner to enter new grounds of rejection in response to the applicant's appeal brief, rather than requiring the applicant, the examiner, and the Board to undergo an entire appeal before the examiner has the chance to issue the appropriate rejection on remand. The examiner may follow the route outlined in Rule 39 and issue a new ground of rejection in the examiner's answer, or he may follow the route discussed in MPEP § 1207.04 and reopen prosecution to issue it.

The agency's decision to reopen prosecution instead of filing an answer does not violate either section 6 or section 134(a) of the Patent Act. As an initial matter, section 6 does not create any rights; rather, it "provides in general terms an

organization or vehicle for review of adverse decisions.”⁷ *In re Hengehold*, 440 F.2d 1395, 1404 (CCPA 1971) (referring to predecessor § 7); Appx54-55. And plaintiffs forfeited the chance to assert a right under 35 U.S.C. § 134(a) by failing to raise that provision at the agency. Appx76-77; *see also* Appx55 (“But even if Mr. Hyatt had based his argument upon 35 U.S.C. § 134(a), it would fail”); *Advocates for Highway and Auto Safety v. Federal Motor Carrier Safety Admin.*, 429 F.3d 1136, 1150 (D.C. Cir. 2005) (“[A] party will normally forfeit an opportunity to challenge an agency rulemaking on a ground that was not first presented to the agency for its initial consideration.”).

Even if the argument were not waived, nothing in section 134(a) or elsewhere in the Patent Act requires the Board to reach the merits of rejections, simply because a notice of appeal has been filed. As the USPTO explained to Mr. Hyatt, even though an applicant may file a notice of appeal, there are a number of reasons the Board may never hear that appeal or may hear it at a later time. Appx55-58. Within section 134(a) itself, the applicant must have claims that have

⁷ Plaintiffs wrongly focus on Congress’s use of the word “shall” before listing the Board’s duties in section 6(b), in alleged contrast with sections 6(c) and 6(d), which use the word “may” (Br. 19-20). Section 6(c) states, “*Only the Patent Trial and Appeal Board may grant rehearings.*” 35 U.S.C. § 6(c) (emphasis added). That statement does not contrast with the word “shall”; it shows that *no one other than the Board* may grant rehearings. And section 6(d) uses the word “may” precisely because it is completely “in the Secretary’s discretion”; the Secretary of Commerce may decide to take a certain action but may decide not to. On the other hand, section 6(b) is not permissive; it prescribes a list of duties exclusive to the Board.

been twice rejected and must have “once paid the fee” for an appeal. Appx55. And, in fact, section “134(a)’s recognition that the applicant need only have ‘once paid the fee’ for an appeal recognizes that an applicant’s appeal might be reinstated later, after further action by the USPTO, but that the applicant in that situation need not pay the fee again for that particular appeal.”⁸ Appx55.

Moreover, as the USPTO explained to Mr. Hyatt, the Patent Act and USPTO regulations impose time limits and requirements for the contents of an applicant’s brief. Appx56 (citing 35 U.S.C. §§ 133, 41(a)(6), 2(b)(2)(A) & (B); 37 C.F.R. §§ 41.4, 41.35(b)(5), 41.37, 41.45); *see also* 37 C.F.R. § 41.31(c) (“Questions relating to matters not affecting the merits of the invention may be required to be settled before an appeal can be considered.”). An applicant’s failure to comply with those requirements prevents an applicant from having an appeal heard by the Board and in some cases results in abandonment of the application, even though the applicant has filed a “written appeal” as specified in section 6. Appx56; *see, e.g., In re Riggs*, 457 F. App’x 923, 925 (Fed. Cir. 2011) (unpublished) (discussing approvingly the rules that require that an appeal be “properly prepare[d]” before it reaches the Board).

⁸ Plaintiffs asserted in the district court that having “once paid the fee” for an appeal applies only to when the applicant chooses to reopen prosecution under Rule 39. Appx128. But as explained above, that statutory language long predates Rule 39. *Supra* 28-29 & n.6. Thus, the statute cannot be limited to the Rule 39 circumstance.

Furthermore, as explained above, the Board does not take jurisdiction over an appeal until either the applicant files a reply brief or the time for filing one passes pursuant to 37 C.F.R. § 41.35(a), which plaintiffs have never challenged (*see* Appx129 n.5). Indeed, plaintiffs recognize that an appellate body can only hear an appeal “where jurisdiction properly lies,” in this case once the time for filing a reply brief passes. Br. 20. The examiner remains the USPTO official responsible for considering the merits of the application when a Board appeal brief is filed. Examiners thus possess an inherent ability to revisit their earlier patentability decisions. Appx57; *see, e.g., Tokyo Kikai Seisakusho, Ltd v. United States*, 529 F.3d 1352, 1360-61 (Fed. Cir. 2008) (“[T]he courts have uniformly concluded that administrative agencies possess inherent authority to reconsider their decisions, subject to certain limitations, regardless of whether they possess explicit statutory authority to do so.”); *Last Best Beef, LLC v. Dudas*, 506 F.3d 333, 340-41 (4th Cir. 2007).

That legal principle has particularly strong application in the patent examination context, given that the Director “has an obligation to refuse to grant a patent if he believes that doing so would be contrary to law.” *Alappat*, 33 F.3d at 1535; *see Blacklight Power, Inc. v. Rogan*, 295 F.3d 1269, 1273 (Fed. Cir. 2002) (approving reopening after issue fee was paid and observing that “[t]he object and policy of the patent law require issuance of valid patents”); *see* 37 C.F.R.

§ 1.104(a) (it is the examiner's duty to perform a "complete" examination). Nothing in section 6 or 134(a) precludes the examiner from reopening prosecution where necessary to exercise the USPTO's statutory duty to assess patentability. MPEP § 1207.04 merely reflects that authority.

Furthermore, the unique nature of a USPTO Board proceeding refutes Mr. Hyatt's attempt to analogize the provisions in sections 6 and 134 to an "appeal" governed by the Federal Rules of Appellate Procedure. Br. 20-21. When a party files an appeal from a U.S. district court to a U.S. court of appeals, the record is fully formed. The district court's decision has finally disposed of the issues based on that record.

On the other hand, in patent examination, the issues are often still being developed after the notice of "appeal" is filed. A patent applicant can still file new evidence after filing a notice of "appeal." 37 C.F.R. § 41.33. And, more typically, the applicant's appeal brief may raise new issues that the examiner must respond to, pursuant to his statutory duty to police patentability.

The USPTO does not dispute plaintiffs' strawman argument that an applicant is allowed to appeal once an applicant's claims have been twice rejected. Br. 17, 21, 24. No regulation or MPEP provision departs from the "numerical threshold[]" provided in section 134(a). Br. 21 (quoting *Util. Air Regulatory Grp. v. EPA*, 134 S. Ct. 2427, 2445-46 (2014)). But plaintiffs conflate the threshold

ability to file an appeal with a right to force the Board to reach the merits, regardless of compliance with other requirements, which section 134 does not impose.

Oddly, although plaintiffs argue that the Board must reach the merits of an appeal once filed, plaintiffs would give the applicant an exception to that obligation when he reopens prosecution under Rule 39. Indeed, plaintiffs' appeal is based on the *premise* that Rule 39 is a valid regulation. The same statute cannot be binding on the agency charged with administering it and at the same time permissive to the party seeking a property right from the agency.

Indeed, precluding the examiner from reopening prosecution would violate a separate provision of the Patent Act. Under 35 U.S.C. § 131, the Director of the USPTO must "issue a patent" if, after examination, "it appears that the applicant is entitled to a patent under the law." According to plaintiffs, if the examiner realizes upon reading the applicant's appeal brief that he should withdraw all rejections, then the examiner may issue the patent. Br. 27 n.9. But that would require the examiner to reopen prosecution, and plaintiffs' view of the Patent Act would *legally prevent* him from doing that.

Examination therefore often continues after the filing of the notice of "appeal," before jurisdiction has transferred to the Board. At the end of the day, the Board is not deciding whether a patent should issue; it is deciding whether the

applicant has shown error in the existing rejections. If the Board reverses the rejections (or even if a court reverses them), the agency is free to make new rejections. 37 C.F.R. § 1.198; *In re Fisher*, 448 F.2d 1406, 1420 (CCPA 1971). If the rejections are affirmed, the applicant may continue to pursue patent claims by filing a continuation application. 37 C.F.R. § 1.78; 35 U.S.C. § 120.

Plaintiffs assert that the examiner's ability to reopen prosecution is essentially a delay tactic that prevents the applicant from "obtain[ing] review of adverse decisions rejecting his claims for a patent." Br. 2; *see* Br. 25 (examiner can "repeat that process ad infinitum"). As the USPTO explained, there are procedural checks against an examiner simply derailing an applicant's appeal. The supervisor must approve reopening, and an applicant may petition for further review of such a reopening. Appx61.

Contrary to Mr. Hyatt's characterization, patent examination is not an adversarial process but is intended to be a cooperative process whose goal is to give the applicant the patent protection to which he is entitled, as efficiently as possible. In fact, reopening prosecution often saves time, preventing the applicant, the examiner, the Board, and possibly a court from having to undergo an entire appeal that may no longer be relevant or necessary. Appx61. Mr. Hyatt's applications present just such a situation, where requiring the appeal to go forward would be a waste of time. *Id.* In the Requirements issued to Mr. Hyatt, the

examiners reopened prosecution so the USPTO could treat Mr. Hyatt's 115,000 claims in a coordinated and consistent manner. *Hyatt Requirement Suit*, 146 F. Supp. 3d at 778.; *see also id.* at 778, 775 (describing “unmanageable” and “impossible” state of applications when Requirements issued in 2013). Allowing appeals to go forward on some of Mr. Hyatt's applications, while treating the others in a coordinated way, would defeat the purpose of the action.

It would also allow Mr. Hyatt to further delay issuance of his patents, which are set to receive a 17-year term, regardless of when they issue. *Hyatt Requirement Suit*, 146 F. Supp. 3d at 775-76. Unwinding the Requirements in 80 of Mr. Hyatt's applications now would take a lot of time. The Board would hear the appeals, this Court might hear appeals after that, and ultimately (if any claims remained viable), the applications would come back to the examiners to issue the Requirements. These concerns underlay the Virginia court's determination that the reopening of prosecution “serves a useful purpose. . . . By directing [Mr. Hyatt] to reduce the number of claims under review, the Requirements facilitate effective examination of the relevant patent applications.” *Id.* at 785. And because the USPTO was able to coordinate its actions by issuing the Requirements, it has issued approximately 1250 office actions since November 2013 on Mr. Hyatt's applications.

Allowing the examiner to reopen prosecution is similar to a process that sometimes occurs on appeal in this Court. When an applicant files an appeal brief here, the USPTO may read the brief and realize that something that the Board did requires adjustment, and the USPTO may request a remand. Contrary to plaintiffs' contention (Br. 10, 16-17, 20, 25-26), this Court routinely grants such remands, even when the applicant opposes. *See, e.g., In re Bursey*, No. 2016-2675 (Fed. Cir. Apr. 28, 2017) (nonprecedential) (remanding appeal after the filing of appellant's opening brief to allow Board to reconsider, over the objection of appellant); *In re DiStefano*, 562 Fed. App'x 984 (Fed. Cir. June 4, 2014); *In re Shield*, No. 2013-1562 (Fed. Cir. Apr. 16, 2014); *In re Motorola Mobility LLC*, No. 2012-1470 (Fed. Cir. Mar. 5, 2013). Indeed, this Court has explained that an "agency may request a remand (without confessing error) in order to reconsider its previous position"; remand is "usually appropriate" in those circumstances. *SKF USA Inc. v. United States*, 254 F.3d 1022, 1029 (Fed. Cir. 2001). And in an appeal to this Court, unlike a Board appeal (37 C.F.R. § 41.33), the applicant cannot file new evidence or take other actions after the notice of appeal has been filed.

In sum, the examiner's authority to reopen prosecution, stated in MPEP § 1207.04, is embodied in unchallenged regulations that pass jurisdiction to the Board after the reply brief is filed; is inherent in the agency's ability to reconsider its positions; is similar to the way this Court addresses the Board's desire to

reassess its decisions; and is necessary to the examiner's statutory duty to police patentability.

b. MPEP § 1207.04 is consistent with Rule 39

Nor does MPEP § 1207.04 conflict with Rule 39. Rule 39 is permissive: The examiner “*may* ... furnish a written answer to the appeal brief.” Rule 39 does not purport to define all possible responsive actions, leaving room for the USPTO's guidance in MPEP § 1207.04 on the issue. *See Shalala v. Guernsey Mem'l Hosp.*, 514 U.S. 87, 96 (1995) (“Nor is there any basis for suggesting that the Secretary has a statutory duty to promulgate regulations that, either by default rule or by specification, address every conceivable question in the process of determining equitable reimbursement.”); *id.* at 97 (guidance was appropriate to address a “question unaddressed by the otherwise comprehensive regulations on this particular subject”).⁹

Any alleged conflict between Rule 39 and MPEP § 1207.04 is thus illusory. Rule 39 does not, and need not, define all possible responses by the examiner. And Rule 39 did not eliminate the already-existing guidance in the MPEP that examiners could reopen prosecution to enter new grounds of rejection. Indeed, as

⁹ Plaintiffs wrongly contort this argument into an assertion that the USPTO thinks examiners are not bound by the USPTO's regulations. Br. 30. But examiners follow the regulations; Rule 39 simply gives examiners discretion and does not mandate that they take any particular action—and with good reason. Examiners encounter new situations regularly. Indeed, *Shalala* is particularly apt because it also addresses case-by-case decisionmaking.

the USPTO explained, while MPEP § 1207.04 and Rule 39 both relate to reopening of prosecution, they do so for different purposes at different stages of prosecution. Appx58-59. MPEP § 1207.04 reflects the examiner's discretion to reopen prosecution after considering the applicant's appeal brief but before issuing an answer. *See* Appx108-109. If the examiner instead files an answer, Rule 39 addresses the contents of that answer and defines the options available to the applicant to respond to any new ground included in it, including allowing the applicant to himself reopen prosecution. Rule 39 does not discuss the possible examiner actions that might *precede* the filing of an examiner's answer. *See* 76 Fed. Reg. at 72287 (issues relating to examiner action before filing answer are outside the scope of Rule 39).

Plaintiffs argue that this reasoning is flawed because MPEP § 1207 cites Rule 39 for its authority. Br. 29. But that citation is authority for other parts of the MPEP section, such as section 1207.04's statement about "add[ing] a new ground of rejection to an examiner's answer where proper." Appx109. The examiner's ability to reopen obviously does not arise out of Rule 39, when the MPEP provision predates the rule by over 50 years.

Rule 39 was in fact written to mesh with MPEP §1207.04, not to supersede or eliminate it, as the USPTO made plain in rejecting Mr. Hyatt's petition. Appx49-54; Appx58-61. The notice-and-comment discussion surrounding Rule 39

addressed the examiner's preexisting ability to reopen prosecution within the boundaries of that rule. *See Rules of Practice Before the Board of Patent Appeals and Interferences*, 68 Fed. Reg. 66648, 66653 (Nov. 26, 2003) (notice of proposed rulemaking); *Rules of Practice Before the Board of Patent Appeals and Interferences*, 69 Fed. Reg. 49960, 49979-80 (Aug. 12, 2004) (final rulemaking). The USPTO explained in the notice of proposed rulemaking that, "[w]here, for example, a new argument(s) or new evidence cannot be addressed by the examiner based on the information then of record, the examiner may need to reopen prosecution rather than apply a new ground of rejection in an examiner's answer to address the new argument(s) or new evidence." 68 Fed. Reg. at 66653. The USPTO provided examples to illustrate its interpretation of Rule 39, including one in which the examiner would be *expected* to reopen prosecution under MPEP § 1208.02 (now § 1207.04) rather than issuing a new ground of rejection in an examiner's answer. *See id.* (Example 2).

The USPTO received comments in response to the 2003 notice of proposed rulemaking. Several of the comments about proposed Rule 39 reflect the USPTO's position, as they addressed the issue that the examiner now had a choice within the boundaries of the proposed rule between (1) reopening prosecution and (2) issuing new grounds of rejection in an examiner's answer. 69 Fed. Reg. at 49979

(Comment 65 and Answer); *id.* at 49979-80 (Answer to Comment 68); *see* Appx52.

The USPTO has since repeated its interpretation that Rule 39 did not change the examiner's preexisting ability to reopen prosecution after an appeal brief. In July 2007, the USPTO proposed rulemaking including proposed changes to Rule 39. *See Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals*, 72 Fed. Reg. 41472 (July 30, 2007). In response to the proposed changes, two comments discussed the examiner's option "to reopen prosecution after filing of an appeal brief," suggesting that Rule 39 should require a supervisor's approval for the examiner to reopen prosecution at that point. *Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals*, 76 Fed. Reg. 72270, 72287 (Nov. 22, 2011) (final rule). The USPTO declined to adopt that suggestion because it was "outside the scope of the proposed rules. The proposed rules do not address reopening of prosecution by the examiner after filing of an appeal brief." *Id.* Rather, proposed and final Rule 39(a)(2) "addresses only new grounds of rejection raised in an examiner's answer, and [final Rule 39(b)(1)] addresses the appellant's right to reopen prosecution in this instance. MPEP § 1207.04 already requires approval from the supervisory patent examiner to reopen prosecution after appellant's brief or reply brief has been filed." *Id.*

In short, as the USPTO explained, “the particular MPEP provision at issue here was addressed during notice-and-comment rulemaking, and the rulemaking was done in view of that procedural background. The USPTO and commenters all agreed and assumed that the examiner could reopen prosecution to issue new grounds of rejection based on the existing MPEP provisions.” Appx60; *see* Appx49-54; Appx58-61.

Nor is MPEP § 1207.04 inconsistent with the broader USPTO regulatory scheme. Br. 29. 37 C.F.R. § 41.31(a)(1) parrots 35 U.S.C. § 134 in providing that an “applicant, any of whose claims has been twice rejected, may appeal” to the Board. The regulation does not obligate the Board to review the merits of a particular rejection any more than the statute does. This is not a situation where a statute expressly provides that only an applicant has the ability to reopen prosecution, and the USPTO has “enlarge[ed]” that scope to include examiners. Br. 28 (quoting *Iselin v. United States*, 270 U.S. 245, 250-51 (1926)). If anything, the statute and court decisions interpreting it—which recognize the continuing responsibility of the USPTO to police patentability—compel that authority for examiners. *See supra* 37-38.

Lastly, plaintiffs argue that MPEP § 1207.04 should be rejected as otherwise “at odds” with the “strict deadlines and priorities for action on applications” in the Patent Act and USPTO regulations. Br. 30-31. The Virginia court has already

rejected this argument, explaining that neither Mr. Hyatt nor any other applicant “has [a] right to an examination free from . . . reopened prosecution.” 146 F. Supp. 3d at 785. As already explained, the need to reopen prosecution can result from applicant conduct, examiner error, or circumstances beyond the control of either. In Mr. Hyatt’s situation, it was applicant conduct, as the Requirements explain. *Id.* at 778. And although plaintiffs imply otherwise (Br. 30), neither the statute nor the regulations set a deadline for the examiner to respond to an appeal brief. Deliberately so: The examiner must have adequate time to execute his obligation to consider patentability in light of the issues raised.

c. MPEP § 1207.04 is not subject to notice-and-comment requirements because it falls into multiple exceptions: it constitutes at least one of a rule of agency procedure, a policy statement, and an interpretive rule

Even if plaintiffs’ challenge to the procedures the USPTO used to adopt MPEP § 1207.04 were not untimely and barred by res judicata (*supra* 23-32), that challenge would fail. As the USPTO explained, MPEP § 1207.04 falls into at least one of three different exceptions to the notice-and-comment requirements outlined in 5 U.S.C. § 553(b)(A): It is a rule of agency procedure, a policy statement, and an interpretive rule. Appx63-72.

1. MPEP § 1207.04 is a rule of agency procedure, exempting it from notice-and-comment requirements under 5 U.S.C. § 553, because “it covers agency

actions that do not themselves alter the rights or interests of parties, although it may alter the manner in which the parties present themselves or their viewpoints to the agency.” *JEM Broad. Co. v. FCC*, 22 F.3d 320, 326 (D.C. Cir. 1994) (quotation marks omitted); Appx63-68. MPEP § 1207.04 does not alter the substantive rules for patentability but merely affects the way in which an applicant presents his viewpoint to the USPTO.

Plaintiffs argue that, even though MPEP § 1207.04 is a procedural rule, 35 U.S.C. § 2(b)(2) nevertheless mandates the use of notice and comment. Br. 32-37. Section 2(b)(2) states that the USPTO “may establish regulations, not inconsistent with law, which—(A) shall govern the conduct of proceedings in the Office; [and] (B) shall be made in accordance with [5 U.S.C. § 553].” 35 U.S.C. § 2(b)(2). Under 5 U.S.C. § 553, there are exceptions to when notice and comment is required. 5 U.S.C. § 553(b)(A). So, under a plain reading of 35 U.S.C. § 2(b)(2)(B), Congress’s decision to mention § 553 does not imply that all rules the USPTO adopts must be adopted using notice and comment. That would read out the exceptions.

Moreover, the rules that the USPTO is authorized to establish under section 2(b)(2) cover a wide spectrum, from those that clearly require notice-and-comment procedures to those that clearly fall within the APA’s exceptions. For example, rules governing the conduct of attorneys before the USPTO (section 2(b)(2)(D))

would clearly require notice and comment under the APA, as they affect an attorney's substantive right to practice before the agency. *See generally Brown v. McGarr*, 774 F.2d 777, 785 (7th Cir. 1985). On the other hand, rules providing for a performance-based process for evaluating cost-effectiveness of the agency (section 2(b)(2)(F)) clearly would not. *See Lincoln v. Vigil*, 508 U.S. 182, 197-98 (1993) (agency's choices on spending funds not subject to notice and comment). The reference to section 553 covering all of those situations simply means that the USPTO must operate within the structure provided by the APA. That also demonstrates why none of the caselaw cited by plaintiffs (Br. 35) compels reading section 2(b)(2) to require every procedural rule contemplated by the USPTO to be installed using notice-and-comment procedures.

Indeed, courts have determined that the USPTO is not "required to use notice-and-comment rulemaking" to issue a "procedural" rule. *Actelion Pharm. v. Kappos*, 972 F. Supp. 2d 51, 58 n.9 (D.D.C. 2013) (citing 5 U.S.C. § 553(b)(A)), *aff'd*, 565 F. App'x 887 (Fed. Cir. 2014); *see Animal Legal Def. Fund v. Quigg*, 932 F.2d 920, 931 (Fed. Cir. 1991) (observing that not "every action taken by an agency pursuant to statutory authority [is] subject to public notice and comment,"

since such a requirement “would vitiate the statutory exceptions in section 553(b) itself”).¹⁰

As the USPTO explained, MPEP § 1207.04 is not the sort of agency pronouncement for which the notice-and-comment process is well suited. Appx66-67. At most, MPEP § 1207.04 imposes on the public “the incidental inconveniences of complying with an enforcement scheme,” but “such derivative burdens hardly dictate notice and comment review.” *American Hosp. Ass’n v. Bowen*, 834 F.2d 1037, 1051 (D.C. Cir. 1987) (applying § 553 exception for procedural rules).

Plaintiffs assert that the exception for procedural rules cannot apply to the USPTO particularly because in 1999 Congress added to the Patent Act the reference to 5 U.S.C. § 553, which establishes the notice-and-comment rulemaking process and the exceptions to it. Br. 32-34 & n.10. But nothing in the history of the 1999 revision to the Patent Act indicates an intent to do away with the

¹⁰ Plaintiffs argue that *Tafas v. Dudas*, 541 F. Supp. 2d 805, 812 (E.D. Va. 2008), overrides these cases and requires all USPTO procedure to be adopted through notice and comment. Br. 36. In that case, the district court had before it only whether the reference in 35 U.S.C. § 2 to the notice-and-comment provisions of 5 U.S.C. § 553 empowered the USPTO with “substantive” rulemaking authority, since the notice-and-comment requirement ordinarily applies only to substantive rules. 541 F. Supp. 2d at 812 (citing *Animal Legal Def. Fund*, 932 F.2d at 930). Furthermore, the Supreme Court has questioned *Tafas*’s reading of section 2(b)(2)(A) as limited to procedural rulemaking authority. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2142-43 (2016) (This Court has “interpreted a grant of rulemaking authority in . . . § 2(b)(2)(A), as limited to *procedural* rules. . . . That statute does not clearly contain the [Federal] Circuit’s claimed limitation.”).

longstanding MPEP, which has never had the force of law and has never been promulgated through notice and comment.¹¹ Indeed, the MPEP is changed frequently, usually to address changes in law that affect examination. *See* MPEP Change Summary.

In fact, the 1999 revision to the Patent Act was intended to allow the USPTO to take advantage of the exceptions in section 553. In earlier drafts of the 1999 Act, the corresponding provision explicitly stated that the USPTO “may establish regulations, not inconsistent with law, which . . . *shall be made after notice and opportunity for full participation* by interested public and private parties.” 21st Century Patent System Improvement Act, H.R. 400, 105th Cong. § 112 (1997) (proposing amendment to 35 U.S.C. § 2(b)(5)(B), emphasis added). The enacted version simply refers to section 553, which includes exceptions to the requirement for notice and comment. 35 U.S.C. § 2(b)(2)(B) (regulations “shall be made in accordance with section 553 of title 5”). The change from draft to final, to no longer require notice and comment (because of section 553’s exceptions), implies a change in meaning. *Doe v. Chao*, 540 U.S. 614, 622-23 (2004).

¹¹ Although the legislative history of the change to 35 U.S.C. § 2(b)(2) gives little explanation for the change, this Court and the Supreme Court were, in the same time frame, considering whether the APA applies at all to the USPTO (in the context of the APA’s standard of review). *In re Zurko*, 111 F.3d 887, 889 n.2 (Fed. Cir. 1997), *aff’d* 142 F.3d 1447 (Fed. Cir. 1997) (en banc), *rev’d sub nom Dickinson v. Zurko*, 527 U.S. 150 (1999).

And, if Congress in 1999 had changed the way the MPEP should be promulgated, every change in the law since 1999, including the 2011 overhaul of the Patent Act, would require corresponding provisions of the 2600-plus-page MPEP to undergo notice and comment. Plaintiffs concede as much, arguing that any MPEP section that “prescribes detailed procedural requirements and obligations that govern a phase of the patent application process”—in other words, the entire MPEP—“unquestionably” requires notice and comment. Br. 39-40. Undergoing notice and comment for every change in the MPEP, which would have to be repeated frequently because of frequent changes in the law, would make the USPTO more reluctant to update the way examiners examine applications, and Congress never indicated that it meant to make such a change.

Even if the 1999 amendment to the Patent Act did somehow obligate the USPTO to promulgate all procedure using notice and comment, the 1999 amendment was long after the USPTO’s policy determination in 1953 that the examiner can reopen prosecution. As plaintiffs recognize, “statutes presumptively apply only prospectively” (Appx194), including the 1999 amendment. Thus, even if plaintiffs were correct and the USPTO had to go back to the 1999 version of the MPEP, the operative version would *still* allow the examiner to reopen prosecution after the applicant files an appeal brief. *See* MPEP § 1208.02 (July 1998) (titled “Reopening of Prosecution After Appeal”).

Contrary to plaintiffs' contention (Br. 35-36), leaving the USPTO with a choice of when to establish procedural rules using notice and comment does not deprive the statute of legal effect. When the USPTO elects to establish procedure using that process, it gains the benefit of the views of its constituents—the applicants. And, after considering those views, notice-and-comment rulemaking allows the USPTO to then bind applicants to the rules it establishes. Thus, for example, the USPTO typically proceeds through notice-and-comment rulemaking to set or change fees. *See, e.g., Setting and Adjusting Patent Fees*, 78 Fed. Reg. 4212, 4230-31 (Jan. 18, 2013). But when the USPTO changes the MPEP to, for example, account for changes in the law from a decision from this Court, there is no need to undergo notice and comment. Nor should the USPTO have to—the Court has mandated those changes. *See, e.g., MPEP* § 2248 (changing procedure for processing petitions in light of Court decision). At most, MPEP § 1207.04 imposes on the public “the incidental inconveniences of complying with an enforcement scheme”; “such derivative burdens hardly dictate notice and comment review.” *Bowen*, 834 F.2d at 1051.

2. MPEP § 1207.04 also represents a “general statement of policy” exempted from notice-and-comment rulemaking by 5 U.S.C. § 553(b)(A). Appx68-69. As an initial matter, contrary to plaintiffs' argument (Br. 38), the APA's broad categories of rules exempted from notice-and-comment rulemaking

can overlap. A rule can be both procedural and a general statement of policy. *See Lincoln*, 508 U.S. at 197 (holding rule exempt from notice-and-comment requirements for the independent reasons that it was *both* a rule of agency organization *and* a general statement of policy).

A rule constitutes a “policy statement” when it (1) has only prospective effect, and (2) leaves the agency decision-makers free to exercise their discretion. *See Chrysler Corp. v. Brown*, 441 U.S. 281, 302 n.31 (1979) (policy statements under § 553 are “statements issued by an agency to advise the public prospectively of the manner in which the agency proposes to exercise a discretionary power” (quotation marks omitted)). MPEP § 1207.04 does not impose any “obligations or prohibitions on regulated entities.” *Nat’l Mining Assoc. v. McCarthy*, 758 F.3d 243, 252 (D.C. Cir. 2014). Indeed, MPEP § 1207.04 does not expressly “require anyone to do anything or[] prohibit anyone from doing anything,” even examiners. *Id.*; Appx68-69. Instead, it gives discretion to examiners and their supervisors to reopen prosecution on a case-by-case basis, which is a hallmark of a policy statement. *Chen Zhou Chai v. Carroll*, 48 F.3d 1331, 1341 (4th Cir. 1995) (concluding that interim rule was general statement of policy because it “merely provided that the Attorney General *may* grant asylum to aliens” for particular reasons).

3. Finally, in the alternative, MPEP § 1207.04 may be understood as an interpretive rule, which is also exempt from notice-and-comment procedures. Appx70. Plaintiffs concede that the USPTO has inherent authority to issue interpretive rules. Appx138 n.12. “Interpretative rules . . . clarify or explain existing law or regulation and are exempt from notice and comment under section 553(b)(A).” *Nat’l Org. of Veterans’ Advocates, Inc. v. Sec’y of Veterans Affairs*, 260 F.3d 1365, 1375 (Fed. Cir. 2001) (quotation marks omitted). This Court recognizes that the MPEP “is entitled to judicial notice as the agency’s *official interpretation of statutes and regulations*, provided that it is not in conflict with the statutes or regulations.” *Refac Int’l, Ltd. v. Lotus Dev. Corp.*, 81 F.3d 1576, 1584 n.2 (Fed. Cir. 1996) (emphasis added). MPEP § 1207.04 is an interpretation: It clarifies the application of the general legal doctrine that the examiner inherently has the authority to reopen prosecution and reconsider his earlier decision. *See supra* 37; Appx70. Thus, MPEP § 1207.04 is interpretive guidance particularly because it merely makes explicit what is already within the examiner’s authority.

Plaintiffs cite only one case, alleging that its facts are comparable to the facts here. Br. 38-39. In *Yesler Terrace Cmty. Council v. Cisneros*, 37 F.3d 442, 449 (9th Cir. 1994), the Department of Housing and Urban Development eliminated the due process right to a pre-eviction hearing when tenants were evicted from their houses and claimed it was interpretive. Due process—a

constitutional requirement—obviously falls into a different category from a provision that simply clarifies the examiner’s already existing authority.

In sum, even if reviewable, the USPTO had authority to issue MPEP § 1207.04 in 1953 as guidance.

CONCLUSION

For the reasons discussed above and in the USPTO’s petition decisions, the Nevada district court’s decision should be affirmed. Alternatively, this case should be dismissed.

Dated: June 12, 2017

Respectfully submitted,

/s/ Molly R. Silfen
NATHAN K. KELLEY
Solicitor

THOMAS W. KRAUSE
Deputy Solicitor

MOLLY R. SILFEN
ROBERT J. MCMANUS
Associate Solicitors

Office of the Solicitor
U.S. Patent and Trademark Office
Mail Stop 8, P.O. Box 1450
Alexandria, Virginia 22313
(571) 272-9035

Attorneys for Appellees

CERTIFICATE OF COMPLIANCE

I certify that the foregoing BRIEF FOR APPELLEES contains 13,794 words as measured by the word-processing software used to prepare this brief.

Dated: June 12, 2017

Respectfully submitted,

/s/ Molly R. Silfen

Molly R. Silfen

Associate Solicitor

Office of the Solicitor

U.S. Patent and Trademark Office

Mail Stop 8, P.O. Box 1450

Alexandria, Virginia 22313

(571) 272-9035

CERTIFICATE OF SERVICE

I hereby certify that on June 12, 2017, I electronically filed the foregoing BRIEF FOR APPELLEES with the Court's CM/ECF filing system, which constitutes service.

/s/ Molly R. Silfen
Molly R. Silfen
Associate Solicitor
Office of the Solicitor
U.S. Patent and Trademark Office
Mail Stop 8, P.O. Box 1450
Alexandria, Virginia 22313
(571) 272-9035