FEDERAL CIRCUIT HOLDS PROSECUTION LACHES DEFENSE IS AVAILABLE TO PTO IN A 35 U.S.C. § 145 ACTION

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On Tuesday, 1 June 2021, the Federal Circuit issued a rare decision holding that the Patent and Trademark Office (the PTO) may assert prosecution laches as an affirmative defense in a civil action brought by a patentee to obtain a patent under 35 U.S.C. § 145. *Hyatt v. Hirshfeld*, Case No. 18-2390, slip op. at 2 (Fed. Cir. June 1, 2021). Though involving a unique and interesting factual history, *Hyatt* provides some important general takeaways for clients and practitioners alike.

The *Hyatt* opinion begins with a brief background on patent terms. On 8 June 1995, the term of U.S. patents changed from 17 years from the date of issuance of the patent to a term of 20 years from the earliest effective filing date of the patent application. The change prompted patent applicants to file a large volume of patent applications in the months immediately preceding 8 June 1995, to obtain the benefit of the old regime. These types of applications are often referred to as “GATT” applications.

Appellant Gilbert P. Hyatt filed 381 “GATT” applications, the most of any filer, each of which was “atypically long and complex.” *Id*. at 6, 32. Four of Hyatt's “GATT” applications were at issue in this case (collectively referred to as Hyatt Applications). While a typical patent application contains about 20 to 30 pages, the four Hyatt Applications contained between 238 and 576 pages of text and between 40 and 65 pages of figures. *Id*. The four Hyatt Applications also claimed priority to applications filed in the 1970s and 1980s.

The PTO and Hyatt agreed during an informal meeting that the claims in each of his 381 “GATT” applications would focus on distinct subject matter. *Id*. at 6. However, over the course of eight years, Hyatt proceeded to file amendments that grew the total number of claims in his “GATT” applications to about 115,000, including about 45,000 independent claims. *Id*. Each of the four Hyatt Applications contained an average of 398 claims. *Id*. at 7. Overall, Hyatt waited 12 to 28 years from the priority dates to present hundreds of claims for examination. *Id*. Further, throughout prosecution, Hyatt repeatedly added hundreds of claims, or rewrote claims entirely or in significant part, thereby continually restarting examination. *Id*. at 34-35.

From 2003 to 2012, the PTO paused examination of many of Hyatt's “GATT” applications in response to pending litigation that was likely to affect the PTO's handling of Hyatt's applications. *Id*. When examination resumed, the PTO created a dedicated art unit of 12 experienced examiners whose sole tasks were to examine Hyatt's applications. *Id*. at 8. It took the examiners about four to five months to draft a first office action, a process which usually took about two to three days for a typical application. *Id*. One particular difficulty the examiners faced was the fact that Hyatt's “GATT” applications claimed priority to a large number of earlier applications, thereby creating many possible priority dates for each of Hyatt's claims. *Id*. The examiners had to sift through Hyatt's web of

applications looking for a particular interconnection of elements so that they could identify the relevant body of prior art for examining each claim. *Id*. at 34. The PTO estimated that it would take 532 years to process all of Hyatt's "GATT" applications. *Id*. at 9.

Eventually, the Hyatt Applications included claims that were rejected both by the examiners and the Board of Patent Appeals and Interferences. *Id*. at 5, 9-10. In response, Hyatt filed § 145 actions in the U.S. District Court for the District of Columbia seeking a court order for issuance of a patent from each of the Hyatt Applications. *Id*. at 10.

The PTO asserted prosecution laches as a defense, arguing that Hyatt had engaged in "a pattern of delay" when prosecuting his "GATT" applications, including the four Hyatt Applications. *Id*. at 11. Hyatt argued the delays were explainable in view of what PTO rules allowed and that the PTO's own actions prevented the PTO from proving prosecution laches. *Id*. at 11-12. The District Court issued an order concluding that prosecution laches did not bar issuance of patents from each of the Hyatt Applications. *Id*. at 15. The "central thrust of the district court's analysis was that the PTO had failed to take the actions necessary to advance the prosecution of Hyatt's applications." *Id*.

The Federal Circuit reversed, holding: 1) prosecution laches is available to the PTO as a defense in a § 145 action; and 2) the District Court misapplied the legal standard for prosecution laches by failing to properly consider the totality of the circumstances. *Id*. at 23, 25. In particular, the Federal Circuit observed that the District Court improperly placed an undue emphasis on the PTO's conduct and ignored "swaths of evidence" regarding Hyatt's prosecution conduct that contributed to delay. *Id*. at 26-27. The Federal Circuit further held that the evidence of Hyatt's conduct was sufficient for the PTO to meet its burden regarding prosecution laches. *Id*. at 31. Specifically, the Federal Circuit cited Hyatt's 12 to 28 year delay to present his claims, the large number of possible priority dates, the length and complexity of the applications at issue, and Hyatt's pattern of filing amendments or adding claims that effectively restarted examination, which "created a perfect storm that overwhelmed the PTO." *Id*. at 32-35.

The Federal Circuit also considered, for the first time, whether the PTO was required to establish the "prejudice" prong of prosecution laches when asserting it as a defense in a § 145 action. *Id*. at 36-37. The Federal Circuit held that "in the context of a § 145 action, the PTO must generally prove intervening rights to establish prejudice, but an unreasonable and unexplained prosecution delay of six years or more raises a presumption of prejudice, including intervening rights." *Id*. at 38. The Federal Circuit further held that "where a patent applicant has committed a clear abuse of the PTO's patent examination system, the applicant's abuse and its effects meet the prejudice requirement of prosecution laches." *Id*. Hyatt's conduct was concluded to be a clear abuse of the PTO's patent examination system. *Id*. The case is now remanded to the District Court to provide Hyatt an opportunity to present evidence on prosecution laches, though the Federal Circuit "can divine no reason in the record currently before the court that would suffice" to negate a finding that Hyatt's delay was unreasonable and unexplained. *Id*. at 41.

Despite its unique factual and procedural posture, Hyatt provides some important takeaways. First, practitioners and clients involved in § 145 actions should be prepared for the PTO to assert as a defense any grounds for rejection that it could have advanced during prosecution, as the decision likely confirms that any such defense is available. *Id*. at 24. Second, the PTO need not have rejected the application on those grounds during prosecution; rather, like the applicant, the PTO can introduce new evidence during the district court proceeding. *Id*. at 24-25.

And, perhaps most importantly, the PTO must prove prejudice to support a prosecution laches rejection, either in district court or during prosecution. *Id*. at 36-38.

Practitioners and clients should take note that an applicant may not “prosecute his patents however he or she wishes within the statute and PTO regulation”; additional, equitable restrictions like laches apply as well. *Id*. at 30. Prosecution laches may be rare, even more so in the America Invents Act's first-to-file era, but *Hyatt* shows that it remains relevant. Clients and practitioners should take note of the lessons it provides.

