

United States District Court, E.D. Virginia, Alexandria Division.

HOWARD FLOREY INSTITUTE, et al., Plaintiffs, v. JONATHAN W. DUDAS, Defendant.

Civil Action No.: 1:07cv778 (LO/TRJ).  
July 7, 2008

**MEMORANDUM OPINION[\*1914]**

LIAM O'GRADY, District Judge

Before the Court are Cross Motions for Summary Judgment with supporting Memoranda (Dkt. nos. 37-38, 41-43), the Oppositions (Dkt. nos. 47, 48), the Replies (Dkt. nos. 49, 50) and Supplemental Memoranda requested by the Court (Dkt. nos. 53, 54). Plaintiffs Howard Florey Institute, *et al.*, brought this action against Jonathan W. Dudas in his capacity as Under Secretary of Commerce and Director of the United States Patent and Trademark Office seeking judicial review of a final agency action pursuant to the Administrative Procedure Act, 5 U.S.C. §§ 701 et seq. Plaintiffs claim that the actions taken by the United States Patent and Trademark Office in denying their Petitions seeking a waiver of 37 C.F.R. § 1.10 pursuant to 37 C.F.R. § 1.183 was arbitrary, capricious, an abuse of discretion and otherwise not in accordance with law and should be set aside under 5 U.S.C. § 706(2)(A). Upon careful consideration of the parties' briefs and oral argument, and for the reasons stated in this Memorandum Opinion, the Court reluctantly finds that the decision of the United States Patent and Trademark Office must be affirmed and that the defendant is entitled to summary judgment in his favor.

**I. Factual Background**

The material facts underlying this Administrative Procedure Act dispute are contained in the Administrative Record that was filed with the Court (Dkt. no. 7) and are undisputed.[fn1] Plaintiffs are the Howard Florey Institute, Baker Medical Research Institute, Chrishan Samuel, Ross Bathgate, Geoffrey Tregear, and Xiao-Jun Du (collectively "HFI"). (Complaint ¶¶ 2-7). Defendant is Jonathan W. Dudas, named in his official capacity as the Under Secretary of Commerce and Director of the United States Patent and Trademark Office ("USPTO"). (Complaint ¶ 8).

After business hours on May 19, 2005, an attorney at the law firm of Townsend and Townsend and Crew LLP ("the Firm") received an e-mail from HFI's Australian counsel with instructions to file the patent application [\*1915] that was attached to the e-mail on Friday, May 20, 2005. (AR 70, 79-80). On the morning of May 20, 2005, the attorney at the Firm acknowledged receipt of HFI's e-mail. (AR 70, 77-78). In accordance with HFI's instructions, the application was prepared following the Firm's standard procedures and dispatched by courier on the same day to the U.S. Post Office for Express Mail delivery to the USPTO. (AR 70, 83-86).

On May 20, 2005, the Firm's courier, Mr. R, [fn2] left the Firm's Walnut Creek office at 5:55 p.m. with the patent application sealed in an Express Mail envelope. (AR 72, 205-6). Mr. R walked the two blocks from the Firm's office to board a Bay Area Rapid Transit ("BART") train at the Walnut Creek BART station to head to the MacArthur BART station in Oakland, California, which is the closest BART stop to the Main Post Office in West Oakland (AR 154, 205-6). On the day in question, Mr. R's job responsibilities included delivering patent applications to the U.S. [\*\*2] Post Office and depositing them for Express Mail delivery to the USPTO. (AR 205). This branch of the Post Office was open until midnight on that day, and this fact was known by Mr. R. (AR 154).

After boarding the BART train, Mr. R inadvertently fell asleep, and he awoke just as the conductor announced his stop. (AR 206). Mr. R. became distracted and left the train while leaving behind the patent application and his personal bag containing his wallet, car and house keys, and cell phone. (AR 206). Mr. R immediately notified a clerk at the BART station that the bag with his belongings had been left on the train. (AR 206). The clerk called the next stations on the route to alert them of the situation and advised Mr. R that nothing could be done unless the bag was turned in and if it was turned in, a BART representative would notify him. (AR 206). Mr. R's Declaration indicates that he became overwhelmed with confusion, disorientation and panic since he no longer had his car or house keys, his cell phone and he had no cash or additional value on his BART train ticket. (AR 206). He states that he walked for miles from one BART station to the next in the hopes that his bag had been found and turned into a station agent. (AR 206). Mr. R then walked to the home of a friend who had a spare key to Mr. R's house. (AR 206). Mr. R's friend arrived home at approximately 11:45 p.m. and gave Mr. R the spare key and drove Mr. R to his house. (AR 206). Mr. R arrived home after midnight and discovered a voice message from a BART clerk stating that his bag had been recovered, and it would be available at the lost and found booth at the BART terminal. (AR 206-7). Mr. R regained possession of his bag with the patent application and Express Mail materials around 7:30 a.m. on Saturday, May 21, 2005. (AR 206-7). Mr. R then contacted the attorney at the Firm and advised him that the package of documents containing the subject application had been lost on the way to the Post Office the night before. (AR 207). Mr. R then returned the documents to the attorney at the Firm. (AR 207).

The attorney at the Firm met Mr. R at the Firm's office on the morning of May 21, 2005. (AR 71). The application documents were then re-dated and delivered to the U.S. Post Office for Express Mail delivery to the USPTO approximately one hour after the U.S. Post Office opened for business on Saturday, May 21, 2005. (AR 71). The patent application (Application No. 11/133,763) received a filing date of May 21, 2005 by the USPTO. (AR 1-64).

On June 22, 2005, a psychological evaluation was performed on Mr. R by Jules Burstein, Ph.D., a clinical and forensic psychologist. (AR 153). Mr. R was interviewed and underwent three psychological tests. (AR 153). Dr. Burstein diagnosed Mr. R. with having suffered an acute panic attack on May 20, 2005. (AR 157-8). The DSM-IV-TR (Diagnostic and Statistical Manual of Mental Disorders-Text Revised, page 432) criteria for the clinical condition of "acute panic attack" requires the presence of four or more of thirteen distinct symptoms. (AR 157). Dr. Burstein concluded that Mr. R satisfied at least nine of the thirteen symptoms, which included pounding heart, sweating, shortness of breath, chest pain or discomfort, [\*\*3] nausea or abdominal distress, dizzy, lightheaded, or faint, fear of losing control or going crazy, and hot flushes in the face. (AR 157). Dr. Burstein opined that the acute panic attack clouded Mr. R's consciousness and impaired his thinking and reasoning. (AR 157). Dr. Burstein also indicated that the extraordinary level of distress which eventually became a full-fledged panic attack [\*\*1916] prevented Mr. R from considering the option of calling on the Firm's attorneys during the evening of May 20, 2005, so the documents could be reprinted, signed and delivered to the U.S. Post Office by midnight, thereby guaranteeing that they were mailed within the specified deadline. (AR 158).

#### **A. HFI's First Petition for Waiver of Rules Under 37 C.F.R. § 1.183**

On October 31, 2005, HFI filed a Petition for Waiver of Rules Under 37 C.F.R. § 1.183, requesting a waiver of Rule 37 C.F.R. § 1.10 in order that Application No. 11/133,763 be accorded a filing date of May 20, 2005 ("First Petition"). (AR 69-158). In support of the First Petition, HFI submitted six exhibits: Exhibit A was the email correspondence dated May 19 and 20, 2005, between HFI's Australian counsel and the Firm (AR 77-82); Exhibit B was a Declaration by R. Gwen Peterson describing the Firm's established procedure for filing documents with the USPTO by Express Mail under 37 C.F.R. § 1.10 that was in effect on May 20, 2005 (AR 83-84); Exhibit C was a Declaration by Judith Cotham stating that the Firm's standard procedure for effecting the filing of documents under 37 C.F.R. § 1.10 was adhered to without deviation for the subject application and that once the subject application had been dispatched to the U.S. Post Office for delivery, a facsimile was sent to HFI's Australian counsel indicating the subject application had been filed (AR 85-87); Exhibit D was the facsimile sent by the Firm to HFI's Australian counsel at 6:00 p.m. on May 20, 2005, indicating the application had been filed with the USPTO (AR 87); Exhibit E was a copy of the Express Mail materials and application that was provided to Mr. R for delivery to the U.S. Post Office on May 20, 2005 (AR 88-151); and Exhibit F was a report dated July 5, 2005, from Jules Burstein, Ph.D. concerning his evaluation of Mr. R on June 22,

2005. (AR 152-58).

In the First Petition, HFI argued that extraordinary circumstances evolved after HFI's attorneys first dispatched the application on May 20, 2005, resulting in an unavoidable delay in filing and that equity mandated that the subject application be afforded a filing date of May 20, 2005. (AR 69). As set forth in the First Petition, the subject application was received by the Firm on the morning of May 20, 2005; prepared in accordance with the Firm's standard procedures for filing with the USPTO by Express Mail delivery in accordance with 37 C.F.R. § 1.10; given to a Firm employee for delivery to the U.S. Post Office; the courier fell asleep while riding the BART train to the U.S. Post Office; the courier exited the train without his personal belongings including the subject application; the courier then suffered an acute panic attack that precluded him from employing any rational means for ensuring that the subject application was filed timely; the subject **[\*\*4]** application was retrieved by the courier from the lost and found the following morning; and the courier then contacted an attorney at the Firm who immediately re-dated the subject application and had it mailed to the USPTO by Express Mail during the morning of May 21, 2005. (AR 70-72).

HFI cited the case of *Sturzinger v. Commissioner of Patents*, 377 F. Supp. 1284 (D.D.C. 1974) in support of the argument that the extraordinary circumstances set forth above justified a waiver of Rule 37 C.F.R. § 1.10 and that the subject application should be afforded its intended filing date of May 20, 2005. (AR 73-74). In the alternative, HFI argued that the facsimile sent to HFI's Australian counsel on May 20, 2005 (Exhibit D to the First Petition, AR 87) should be acknowledged as the "date-in" in lieu of the Express Mail label since it is proof that the subject application was intended to be filed on May 20, 2005. (AR 75).

On November 18, 2005, the USPTO issued its Decision dismissing the First Petition Under 37 C.F.R. § 1.183. The USPTO stated in its Decision that in order to submit a "grantable" petition under 37 C.F.R. § 1.183, the "Petitioner must show (1) that this is an extraordinary situation where (2) justice requires waiver of the rule" citing *In re Sivertz*, 227 U.S.P.Q. 255 (Com'r Pat. 1985). (AR 162). The USPTO found that "Petitioner has not established that either condition exists in this case." (AR 162). The USPTO based its dismissal on the premise that the courier was an agent of the Petitioner; that the Petitioner was responsible for the actions of the courier; that the courier failed to exercise reasonable care and diligence; that there is nothing extraordinary about a courier falling asleep on a train and leaving his belonging on the train; and that the USPTO did not cause or contribute to the delay. (AR 162-63). The USPTO also **[\*1917]** noted that the Petition did not contain a statement from Mr. R or an individual with firsthand knowledge of the underlying events. (AR 159).

The USPTO stated that the decision in *Sturzinger* was distinguishable because in that case the application was stolen while in the custody of the U.S. Postal Service, and there was no indication that the applicant was culpable for the theft. (AR 164-65). The USPTO also stated that *Sturzinger* did not provide any support for the application of an "intended" filing date since the court found that the filing date should be the date the "proposed application" was delivered to the USPTO and not the date when the original application was mailed to the USPTO. (AR 164-66).

The USPTO concluded its Decision by finding that even if there was an extraordinary situation such that justice required a waiver of 37 C.F.R. § 1.10(a)(1), the request to waive or suspend the requirements of a statute pursuant to 37 C.F.R. § 1.183 is beyond the discretion or the authority of the USPTO. (AR 166).

#### **B. HFI's Renewed Petition for Waiver of Rules Under 37 C.F.R. § 1.183**

On January 17, 2006, HFI filed a Renewed Petition for Waiver of Rules Under 37 C.F.R. § 1.183 with the USPTO, again requesting a waiver of Rule 37 C.F.R. § 1.10 in order that the subject application be accorded a filing date of May 20, 2005. (AR 200-209). To address the concerns raised in the initial Decision that no statement was provided from an individual **[\*\*5]** with firsthand knowledge of the underlying events, HFI provided a Declaration from Mr. R detailing the events that occurred on May 20 and 21, 2005, relating to the subject application. (AR 205-207). In response to the portion of the Decision finding that Mr. R's falling asleep did not rise to the level of an extraordinary circumstance, HFI argued that the extraordinary situation occurred *after* Mr. R departed the train without his belongings, including the subject application. (AR 202). HFI asserted that the "extraordinary situation" occurred when

Mr. R suffered an acute panic attack, thereby clouding Mr. R's mind and judgment and preventing him from employing any rational means for ensuring the subject application was filed timely. (AR 203).

On March 3, 2006, the USPTO dismissed the Renewed Petition. (AR 211-16). That Decision stated that it was still not clear what alternative course of action Mr. R could have undertaken absent the acute panic attack and that equitable relief was not justified since it was the actions of Petitioner's agent and not the USPTO which caused the delay in filing. (AR 214). The Decision also stated that the Renewed Petition did not address the earlier finding that the *Sturzinger* decision was more in line with the USPTO's reasoning to dismiss the Petition and that the request to treat the facsimile sent to HFI's Australian counsel on May 20, 2005, as the functional equivalent of a "date-in" on a U.S. Postal Service Express Mail label would require the USPTO to waive "a Law." (AR 215).

### C. HFI's Second Renewed Petition for Waiver of Rules Under 37 C.F.R. § 1.183

HFI filed a Second Renewed Petition for Waiver of Rules Under 37 C.F.R. § 1.183 with the USPTO on August 2, 2006. (AR 219-33). The Second Renewed Petition addressed the four points raised by the USPTO in the March 3, 2006 dismissal. (AR 221-22).

HFI responded to the USPTO's inquiry concerning what other responses or activities Mr. R could have taken in order to secure the recovery or timely filing of the subject application if he had not had an acute panic attack. (AR 223-25). As set forth in the Second Renewed Petition, a reasonable person in control of his or her faculties would have attempted to contact the Firm to ask for help and instruction. (AR 223). If Mr. R had contacted the Firm or one of its attorneys at home soon after he departed the BART train, there was ample time to have the subject application reprinted and delivered to the U.S. Post Office for Express Mail delivery before the midnight deadline. (AR 224). In addition, Mr. R could have waited at the MacArthur BART station (where he reported the missing items to a BART agent and that BART agent made calls to the next stations on the route) to see if there was any response to the inquiries to the other BART stations concerning the lost bag. (AR 224-25).

HFI argued that Mr. R's acute panic attack constituted an extraordinary situation where justice requires a extraordinary remedy. (AR 225). HFI distinguished Mr. R's situation from those relied upon by the USPTO involving ignorance of USPTO rules or an accident caused by a party's inadvertent failure to comply. ([\*1918] AR 225-26). Absent [\*\*6] the acute panic attack, Mr. R could have taken reasonable, rationale steps to ensure that the subject application was reprinted and that reprinted version was delivered to the U.S. Post Office for delivery by Express Mail before the midnight deadline. (AR 226). HFI also contends that since the lost bag was recovered that evening by BART personnel, if Mr. R had remained at the BART station he may have been able to retrieve his lost bag in time to deliver the subject application to the U.S. Post Office. (AR 226).

The Second Renewed Petition discussed the facts underlying the *Sturzinger* decision and the ultimate decision to award the plaintiff a filing date for a "proposed application" that failed to meet the statutory requirements for a patent application. (AR 226-28). As set forth in the Second Renewed Petition, at the time the *Sturzinger* application was mailed to the USPTO in 1971, there was no provision allowing a filing date other than when a proper application was delivered to the USPTO. (AR 227). In *Sturzinger* the court allowed a filing date that predated the applicant's actual compliance with the statutory filing requirements. *Sturzinger*, 377 F. Supp. at 1286. (AR 228).

HFI advanced the position that the language in 35 U.S.C. § 21(a) "but for postal service interruptions or emergencies" does not rule out the possibility that other exigencies such as a medical emergency could be an emergency designated by the Director.[fn3] HFI also argued that the stated goals of 37 C.F.R. § 1.10 were satisfied in that on May 20, 2005, the subject application was in the physical custody of a governmental agency (BART) with no interest in the subject application. (AR 229-30). HFI noted that the USPTO had not taken the position that the application that was deemed filed on May 21, 2005, was any different than the application that was lost on May 20, 2005, recovered by BART personnel and then returned to Mr. R. (AR 230-31).

On January 19, 2007, the Second Renewed Petition was denied by the USPTO. (AR 235-44). In that Decision, the

USPTO questions whether Mr. R could have reached anyone at the Firm by phone since it was after business hours on a Friday or whether he could have contacted any of the Firm's lawyers at home. (AR 238). The USPTO also took issue with the argument that Mr. R may have been able to retrieve the lost application before the midnight deadline if he had waited at the BART station since it is unclear when during that evening Mr. R's belongings were located. (AR 238). The decision reiterates the earlier position that had Mr. R remained awake and not left his bag on the train, the application would have been filed in a timely manner. According to the USPTO, the "but for" cause of the missed filing deadline was the inattentiveness of Mr. R and not the acute panic attack that followed. (AR 240-41). The USPTO's final Decision also found that HFI's arguments that the USPTO has the authority to waive the filing requirements in 37 C.F.R. § 1.10 were unavailing. (AR 243).

#### D. HFI's Complaint

On March 19, 2007, HFI filed a Complaint in the United States District Court for the District of Columbia under the Administrative Procedure Act, 5 U.S.C. §§ 701 et seq., seeking judicial review [\*\*7] of a final agency action, namely the USPTO's decision to deny the Petition under 37 C.F.R. § 1.183 that 37 C.F.R. § 1.10 be waived to provide HFI with a filing date which precedes the date on which the application was mailed by one day. (Complaint ¶ 1, Dkt. no. 1). HFI claims that the Decision of the USPTO is a final agency action for which there is no other adequate remedy and is subject to judicial review pursuant to 5 U.S.C. § 704. (Complaint ¶ 27, Dkt. no. 1). HFI asserts that the Decision to deny the Petition was arbitrary, capricious, an abuse of discretion and otherwise not in accordance with law and should be set aside under 5 U.S.C. § 706(2)(A). (Complaint ¶ 26, Dkt. no. 1). On July 10, 2007, the case was transferred to this Court following the filing of a motion to transfer. (Dkt. no. 4).

On August 17, 2007, the USPTO filed its Answer to the Complaint. (Dkt. no. 6). The Administrative Record was filed with the Court on August 22, 2007. (Dkt. no. 7). As set forth in an Order entered on January 10, 2008, the parties agreed to a briefing schedule for Motions for Summary Judgment and to have those motions heard on March 7, 2008. (Dkt. no. 36). The parties filed their Motions for Summary Judgment, Memoranda in Support, Oppositions and Replies. (Dkt. nos. 38, 40, 41, 42, 43, 47, 48, 49 and 50). The Court [\*\*1919] heard oral argument on the Motions for Summary Judgment on March 7, 2008, and they were taken under advisement. (Dkt. no. 51). On March 17, 2008, the Court entered an Order finding that the language in 35 U.S.C. § 21(a) applies specifically to Postal Service emergencies and is not applicable to the facts presently before the Court and requested supplemental briefing. (Dkt. no. 52). The parties filed Supplemental Briefs on March 21, 2008. (Dkt. nos. 53, 54).

## II. Statutes and Regulations at Issue

### A. 37 C.F.R. § 1.183 — Suspension of Rules

In an extraordinary situation, when justice requires, any requirement of the regulations in this part which is not a requirement of the statutes may be suspended or waived by the Director or the Director's designee, *sua sponte*, or on petition of the interested party, subject to such other requirements as may be imposed. Any petition under this section must be accompanied by the petition fee set forth in § 1.17(f).

### B. 37 C.F.R. § 1.10 — Filing of correspondence by "Express Mail"

(a)(1) Any correspondence received by the U.S. Patent and Trademark Office (USPTO) that was delivered by the "Express Mail Post Office to Addressee" service of the United States Postal Service (USPS) will be considered filed with the USPTO on the date of deposit with the USPS.

(2) The date of deposit with USPS is shown by the "date in" on the "Express Mail" label or other official USPS notation. If the USPS deposit date cannot be determined, the correspondence will be accorded the USPTO receipt date as the filing date. See § 1.6(a).

### C. 35 U.S.C. § 21(a) — Filing date and day for taking action

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