

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

PAUL MORINVILLE and GILBERT P. HYATT,

Plaintiffs,

v.

UNITED STATES PATENT AND TRADE-
MARK OFFICE,

Defendant.

Civil Action No. 1:19-cv-01779-CKK

Plaintiffs' Response in Opposition to Defendant's Motion To Dismiss

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Introduction

Plaintiffs Paul Morinville and Gilbert P. Hyatt are inventors and patent applicants who were victims of a secret program operated by Defendant Patent and Trademark Office (“PTO”) to block issuance of patent applications, irrespective of whether they satisfied the Patent Act’s requirements for patentability. Under the “Sensitive Application Warning System,” or “SAWS,” PTO personnel researched and compiled reports on patent applicants and their inventions, entered special flags that blocked applications from issuing as patents, and actively hid these actions and materials from applicants. Applicants were thereby left to prosecute their applications without any knowledge of, or ability to dispute, the secret facts, secret law, and secret determinations that actually mattered to the PTO. Word of the program leaked in 2014, sparking criticism by Congress, and the PTO quickly announced the program’s termination. The PTO has refused, however, to notify or identify the patent applicants (other than Mr. Hyatt) whose applications were flagged or to disclose the basis for its flagging determinations, including the SAWS reports that it prepared.

SAWS is not, of course, the first time that a government agency has carried out an extra-statutory program to investigate individuals and make determinations affecting their rights under law in secret. It was concern over such misconduct that led Congress, in 1974, to enact the Privacy Act to comprehensively regulate agencies’ collection and use of information concerning individuals, so as to ensure that the abuses of the then-recent past would not be repeated.¹ In particular, Congress sought “to prevent the secret gathering of information on people or the creation of secret information systems or data banks on Americans.”² To those ends, it established, as fundamental principles, that individuals have the right to inspect and challenge the accuracy and completeness of information maintained by agencies concerning them; that agencies may not collect and maintain information relating to the exercise of First Amendment rights absent express statutory authorization or a law-enforcement need; and that, when gathering information, individuals must be

¹ See generally House Comm. on Gov’t Operations and Senate Comm. on Gov’t Operations, 94th Cong., 2d Sess., *Legislative History of the Privacy Act of 1974—S. 3418 (Pub. L. No. 93-579) Source Book on Privacy*, at 3–4, 7 (1976).

² *Id.* at 155 (reproducing S. Rep. No. 93-1183 (Sept. 26, 1974)).

the source of that information to the greatest extent possible.³ SAWS plainly violates those principles, as well as their expression in the terms of the Privacy Act.

Accordingly, Plaintiffs brought this action to obtain information, relief, and ultimately closure on their own behalf and on behalf of the class of patent applicants whose applications were subjected to SAWS. It seeks a straightforward application of the Privacy Act to circumstances where one would reasonably expect the Privacy Act to govern: an agency's secret program to collect information on citizens that used that information to deny them their rights under law. The PTO's motion to dismiss this action refuses to acknowledge the seriousness and extent of the agency's unlawful conduct, with respect to both the Privacy Act and the Patent Act, as alleged in the Complaint. But at this stage, the Complaint's well-pleaded allegations of the PTO's misconduct—which are based on PTO internal memoranda and independent analysis of patent-prosecution data and other PTO records—must be accepted as true, and they provide a firm basis for Plaintiffs' claims.

Background

A. The Privacy Act

Congress enacted the Privacy Act to “safeguard[] the public from unwarranted collection, maintenance, use and dissemination of personal information contained in agency records...by allowing an individual to participate in ensuring that his records are accurate and properly used.” *McCready v. Nicholson*, 465 F.3d 1, 7–8 (D.C. Cir. 2006) (quotation marks and citation omitted). The Privacy Act accomplishes this purpose by “requiring governmental agencies to maintain accurate records and providing individuals with more control over the gathering, dissemination, and accuracy of agency information about themselves.” *Bechhoefer v. U.S. Dep't of Justice D.E.A.*, 209 F.3d 57, 59 (2d Cir. 2000) (citations omitted).

To ensure accurate records and the protection of individual rights, Congress imposed clear requirements for how federal agencies may handle information and provided remedies for

³ *Id.* at 7; *see also* 5 U.S.C. § 552a(e)(2), (e)(5), (e)(7).

agencies' failure to honor those requirements. First, as relevant here, the Privacy Act requires federal agencies to "maintain all records which are used by the agency in making any determination about any individual with such accuracy, relevance, timeliness, and completeness as is reasonably necessary to assure fairness to the individual in the determination." 5 U.S.C. § 552a(e)(5). The Office of Management and Budget ("OMB") explained that "[t]he objective of this provision is to minimize, if not eliminate, the risk that an agency will make an adverse determination about an individual on the basis of inaccurate, incomplete, irrelevant, or out-of-date records that it maintains." Office of Management and Budget Privacy Act Guidelines, 40 Fed. Reg. 28,949, 28,964/3 (July 9, 1975).

Second, the Privacy Act requires federal agencies to "maintain no record describing how any individual exercises rights guaranteed by the First Amendment unless expressly authorized by statute or by the individual about whom the record is maintained or unless pertinent to and within the scope of an authorized law enforcement activity." 5 U.S.C. § 552a(e)(7). Agencies are required to "apply the broadest reasonable interpretation" when "determining whether or not a particular activity constitutes the exercise of a right 'guaranteed by the First Amendment.'" 40 Fed. Reg. at 28,965/2.

Third, the Privacy Act requires federal agencies to "collect information to the greatest extent practicable directly from the subject individual when the information may result in adverse determinations about an individual's rights, benefits, and privileges under Federal programs." 5 U.S.C. § 552a(e)(2). When this provision was enacted in the 1970s, decades before the Internet age and prevalence of posting unverified "facts" online,⁴ Congress was already "concern[ed] that individuals may be denied benefits, or that other adverse determinations affecting them may be

⁴ See Janna Anderson and Lee Rainie, "The Future of Truth and Misinformation Online," Pew Research (Oct. 19, 2017) (identifying studies on how the internet age "feed[s] the ancient instinct people have to find information that syncs with their perspectives" regardless of the objective truth of the data), available at <https://www.pewresearch.org/internet/2017/10/19/the-future-of-truth-and-misinformation-online/>.

made by Federal agencies on the basis of information obtained from third party sources which could be erroneous, outdated, irrelevant, or biased.” 40 Fed. Reg. 28,961/1.

B. The SAWS Program

In the mid-1990s, the PTO, a federal agency subject to the requirements of the Privacy Act, established a secret program internally known as the “Sensitive Application Warning System,” or “SAWS.” First Amended Complaint (“FAC”), ¶ 18. The central feature of SAWS, as described in numerous PTO internal memoranda, was to “flag” patent applications in PTO’s internal application-tracking systems and thereby block the allowance and issuance of flagged applications. FAC ¶¶ 27, 36–37. Applications were deemed “sensitive” and flagged, based on a number of criteria, including the identity of the applicant, the filing date of the application, “pioneering scope” of a claimed invention, the presence of “objectionable or derogatory subject matter,” and the potential for “media coverage,” publicity, or “impact in the patent community.” FAC ¶¶ 22–26. None of these criteria are contained in the Patent Act. FAC ¶ 21. Indeed, the SAWS program itself was not a creature of the Patent Act, but a creation of the PTO. FAC ¶¶ 18, 21.

PTO personnel were directed to prepare SAWS reports providing the factual basis for marking an application with a SAWS flag. FAC ¶ 32. These reports included information on the inventors, owners, and assignees of the patent application, but the applicant was never contacted to provide information for the report. FAC ¶ 33. Instead, the PTO directed examiners to prepare SAWS reports with information from third-party sources, including Google searches. FAC ¶ 33.

When an application was deemed “sensitive,” it was marked with a SAWS flag, which served as a “scarlet letter” for the patent application and the applicant. FAC ¶¶ 1, 21, 22. From that point forward, the application was blocked from issuance, irrespective of the applicant’s statutory entitlement to issuance of a patent. FAC ¶¶ 37, 50. The PTO’s internal memoranda structuring the SAWS program established no process for removal of the SAWS flag other than a preliminary screening process. FAC ¶ 37. In other words, once a flagged application passed the SAWS screening mechanism, there was no defined process to remove the flag, nor an identified PTO official authorized to do so. FAC ¶ 37. In effect, the SAWS flag was a constructive denial or objection to

the patent application, because it blocked the application from issuing. FAC ¶ 38. At the same time, a SAWS flag caused an application to be subject to additional procedural burdens and scrutiny by the PTO, imposing costs and delay on applicants. FAC ¶¶ 49, 51.

SAWS was conducted entirely in secret. The program itself was secret, and the PTO hid its existence from Congress and the Department of Commerce's Office of the Inspector General. FAC ¶¶ 19, 41. Patent examiners were specifically instructed not to disclose information regarding SAWS to applicants. FAC ¶ 56. The SAWS reports prepared by examiners were kept secret and were not disclosed to applicants. FAC ¶¶ 42, 44. SAWS flags were also kept secret and not disclosed to applicants. FAC ¶¶ 43–44. SAWS information was secretly provided to the Appeal Board that decides patent applicants' appeals on the merits of their applications. FAC ¶¶ 46–48. Because every aspect of the SAWS program was secret, applicants with flagged applications had no means to challenge the factual or legal basis of PTO's SAWS determinations, despite the devastating consequences. FAC ¶¶ 42–45. They were left to prosecute their applications despite the costs, burdens, and ultimate futility of so doing. FAC ¶ 45.

SAWS remained secret until late 2014, when the program finally was exposed. FAC ¶ 19. Shortly after public disclosure, the PTO announced that it had abandoned the program. *See* PTO Br. 1; PTO, Sensitive Application Warning System (March 2, 2015).⁵

C. This Action

Plaintiffs Paul Morinville and Gilbert Hyatt are inventors and patent applicants. FAC ¶¶ 3–4. Mr. Morinville has 9 issued patents and 26 patent applications that have been pending since February 2000. FAC ¶ 3. Mr. Hyatt is also a prolific inventor, with more than 70 issued patents and numerous pending applications. FAC ¶ 4. In response to a discovery request served on the PTO in an unrelated case, Mr. Hyatt learned in June 2017 that at least 5 of his patent applications were marked with a SAWS flag. FAC ¶ 60. The PTO never provided notice of these SAWS flags in Mr. Hyatt's patent application files. FAC ¶ 61. Mr. Morinville learned that his applications were

⁵ Available at <https://www.uspto.gov/patent/initiatives/patent-application-initiatives/sensitive-application-warning-system>.

subject to SAWS based on an analysis of data from PTO's application-tracking database. FAC ¶ 57.

Plaintiffs filed a class-action complaint against the PTO in June 2019, ECF No. 1, which was amended in October 2019, ECF No. 10. In the First Amended Complaint, Plaintiffs asserted four counts: (1) the PTO failed to maintain records as required under the Privacy Act; (2) Plaintiffs are entitled to declaratory relief for the PTO's failure to maintain records; (3) the PTO maintained prohibited records concerning rights guaranteed by the First Amendment, in violation of the Privacy Act; and (4) the PTO collected information, in violation of the Privacy Act. FAC ¶¶ 70–92. This matter comes before the Court on the PTO's motion to dismiss.

Legal Standard

A motion to dismiss under Rule 12(b)(6) must be denied when plaintiffs have pleaded “sufficient factual matter, accepted as true to state a claim to relief that is plausible on its face.” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (quotation marks and citations omitted). The plausibility requirement is not “akin to a probability requirement,” but requires plaintiffs to present a claim showing only “more than a sheer possibility that a defendant has acted unlawfully.” *Id.* (quotation marks omitted). Further, “[c]ourts reviewing a motion to dismiss under Rule 12(b)(6) must... ‘grant the plaintiff the benefit of all inferences that can be derived from the facts alleged.’” *Barbosa v. U.S. Dept. of Homeland Sec.*, 263 F. Supp. 3d 207, 215 (D.D.C. 2017) (quoting *Sparrow v. United Air Lines, Inc.*, 216 F.3d 1111, 1113 (D.C. Cir. 2000)).

Argument

The First Amended Complaint asserts four claims against the PTO, all of which find ample support in the Privacy Act and the Complaint's factual allegations. Count 1 challenges the PTO's withholding of SAWS information from patent applicants, in violation of the Act's requirement that agencies maintain records used to make determinations with sufficient accuracy and completeness to assure fairness to individuals subject to agency determinations. Count 2 seeks a declaration that withholding SAWS information from applicants violates the Privacy Act. Count 3 challenges PTO's maintenance of SAWS information that describe patent applicants' exercise of rights

guaranteed by the First Amendment, in violation of the Act's prohibition on just that. And Count 4 challenges the PTO's failure to collect information for its SAWS reports from applicants themselves, as the Act requires.

I. The PTO Is Subject to Plaintiff's Cause of Action for Failure To Maintain Complete and Accurate Records (Counts 1 and 2)

Although the PTO determines patent applicants' rights under the Patent Act based on their patent application files, the PTO failed to include in those files the information pivotal to its determinations, including SAWS flags and SAWS reports. Those omissions, in turn, prevented applicants from challenging that information and led to adverse determinations made by the PTO, including entry and maintenance of the SAWS flag itself (which determined that an application is blocked from issuance), the determination that the flagged application would be subject to special scrutiny and prosecution burden, subsequent prosecution-related determinations, and ultimately the denial of issuance of patent claims. FAC ¶¶ 27, 36–38, 50–54. Accordingly, the PTO's omissions violate 5 U.S.C. § 552a(e)(5), which requires agencies to ensure that all records "used by the agency in making any determination about any individual" are maintained "with such accuracy, relevance, timeliness, and completeness as is reasonably necessary to assure fairness to the individual in the determination."

Plaintiffs are entitled to relief for that violation. The Privacy Act provides a civil remedy whenever an agency "fails to maintain any record concerning any individual with such accuracy, relevance, timeliness, and completeness as is necessary to assure fairness in any determination relating to the qualifications, character, rights, or opportunities of, or benefits to the individual that may be made on the basis of such record, and consequently a determination is made which is adverse to the individual." 5 U.S.C. § 552a(g)(1)(C). And monetary damages are available when "the agency acted in a manner which was intentional or willful." *Id.* § 552a(g)(4). The D.C. Circuit has interpreted these provisions to establish four elements necessary to make out a claim: "(1) [the plaintiff] has been aggrieved by an adverse determination; (2) the [agency] failed to maintain his records with the degree of accuracy necessary to assure fairness in the determination; (3) the

[agency's] reliance on the inaccurate records was the proximate cause of the adverse determination; and (4) the [agency] acted intentionally or willfully in failing to maintain accurate records.” *Deters v. U.S. Parole Comm’n*, 85 F.3d 655, 658 (D.C. Cir. 1996).

The PTO disputes only that its patent application files are “records” under the Privacy Act and that the PTO’s withholding of SAWS information caused Plaintiffs to suffer adverse determinations. *See* MTD Mem. at 11.

A. The PTO Failed To Properly Maintain Privacy Act-Protected “Records”

Patent application files are “records” within the meaning of the Privacy Act because they contain “information on patent applicants.” 78 Fed. Reg. 19,243, 19,243/2 (Mar. 29, 2013). Indeed, the PTO has formally acknowledged that a patent application file is a “record” subject to the Act. *Id.* Its attempt here to argue otherwise contradicts that official notice, as well as the underlying statutory definition that required the PTO to promulgate that notice.

The Act defines a “record” as “any item, collection, or grouping of information about an individual that is maintained by an agency, including, but not limited to, his education, financial transactions, medical history, and criminal or employment history and that contains his name, or the identifying number, symbol, or other identifying particular assigned to the individual, such as a finger or voice print or a photograph.” 5 U.S.C. § 552a(a)(4). Agencies, in turn, are required to promulgate notices whenever they establish or revise a “system of records,” *id.* § 552a(e)(4), which the Act defines as “a group of any *records* under the control of any agency from which information is retrieved by the name of the individual...,” *id.* § 552a(a)(5) (emphasis added).

Because patent application files are “records” retrievable by the inventor’s name, PTO promulgated a system of records notice for them that remains active today. Applying the Act’s “record” definition, the PTO determined that patent application files are “records” because they include the “[o]ath or declaration of applicant including name, citizenship, residence, post office address and *other information pertaining to the applicant’s activities in connection with the invention for which a patent is sought.*” 78 Fed. Reg. at 19,243/3 (emphasis added) (identifying “categories of records”). That determination is binding on the PTO here. *See, e.g., Ctr. for Auto Safety*

v. Dole, 828 F.2d 799, 803 (D.C. Cir. 1987) (“[The Agency’s] own regulation...is binding law governing the agency’s decisions in this realm and, as long as it is on the books, it must be followed.”); *United States v. Nixon*, 418 U.S. 683, 696 (1974).

The PTO’s determination that patent application files are “records” was not gratuitous, but compelled by the statutory definition of “record.” Indeed, the PTO here concedes that the information identified in the PTO’s system of records notice is “information about individuals.” MTD Mem. at 13. It is well-recognized that information contained in patent applications like an individual’s “name, citizenship, residence, post office address,” 78 Fed. Reg. at 19,243/3, is information “about an individual.” *See Reuber v. United States*, 829 F.2d 133, 142 (D.C. Cir. 1987) (holding that letter was “unmistakably...a record for Privacy Act purposes” because it clearly identified individual by name and address); *Dep’t of Defense v. FLRA*, 510 U.S. 487, 494 (1994) (similar); Office of Management and Budget Privacy Act Guidelines, 40 Fed. Reg. 28,948, 28,951–52 (July 9, 1975) (explaining that a record “can include as little as one descriptive item about an individual”).⁶ Likewise, as the PTO’s system of records notice acknowledges, the statutory definition also encompasses patent applicants’ “activities in connection with the invention for which a patent is sought,” 78 Fed. Reg. at 19,243/3, such as their patent-prosecution activities, which are akin to the kinds of activities (transactions, medical history, crimes, employment) that the statutory definition expressly recognizes to be “about an individual,” 5 U.S.C. § 552a(a)(4).⁷ *See Albright v. United States*, 631 F.2d 915, 920 (D.C. Cir. 1980 (holding that video was “record” because it recorded plaintiff’s activities and contained a means of identifying him). There is no serious argument that the PTO’s system of records notice erred in concluding that patent application files are “records” under the Privacy Act.

There is also no serious argument to support PTO’s “split-the-atom” approach here to what qualifies as a “record.” The PTO argues (at 13–14) that the Court should carve out the portions of

⁶ These are the “guidelines and regulations for the use of agencies in implementing” the Privacy Act that the Act directed OMB to promulgate. 5 U.S.C. § 552a(v)(1).

⁷ *See also* 37 C.F.R. §§ 1.130–32 (providing for inventor affidavits or declarations regarding invention-related activities).

a patent application file it concedes are “about an individual” and disregard the remainder for Privacy Act purposes. In addition to finding no support in case law, that approach conflicts with the “record” definition, which refers to “any item, *collection*, or *grouping* of information.” 5 U.S.C. § 552a(a)(4) (emphasis added). A patent application file is a collection or grouping of information and is, therefore, itself a “record,” which is how the agency treated the matter in its system of records notice and how it handles patent application files in its systems. 78 Fed. Reg. at 19,244/1; Manual of Patent Examining Procedure § 719. To hold that an agency, whenever its Privacy Act compliance is challenged, can redefine what constitutes a “record” to make the problem go away would eviscerate the Act’s protections.

The PTO’s reliance on *Tobey v. NLRB*, 40 F.3d 469 (D.C. Cir. 1994), to argue that patent application files are not “records” is misplaced. *Tobey* holds only that, to avoid statutory surplusage, a “record” must contain *both* an “identifying particular” for an individual (e.g., a name) and some *other* information “about” that individual. *Id.* at 471–72. Because the database items at issue in *Tobey* contained only an “identifying particular” about the plaintiff, an NLRB field examiner, without any evaluation of his work or other information “about” him, the court held that they were not “records.” *Id.* at 472–73. Similarly, the bibliographic-database items (essentially digital card-catalog entries) at issue in *Fisher v. National Institutes of Health* contained only the names of authors and no additional information about them. 934 F. Supp. 464, 471–72 (D.D.C. 1996). To the extent that the PTO contends that *Tobey* and *Fisher* license or require courts to conduct a free-flowing inquiry into what a given grouping of information is *really* about, neither decision supports that view; instead, they simply recognize that the statutory text requires something “about” an individual in addition to his or her name. And, here, that requirement is easily satisfied, given that the PTO acknowledges patent application files to contain additional information of the kind that has long been recognized to be “about” individuals, including their citizenship, residence, address, and invention-related activities. It should also be noted that the agencies in both *Tobey* and *Fisher* disputed that their databases were Privacy Act “systems of records,” whereas the PTO here has registered its patent application files as such.

Finally, PTO’s argument (at 14–16) that Plaintiffs have failed to show that the information that the PTO omitted from their patent application files is “about” them fails, on both the facts and the law. As to the facts, Plaintiffs alleged in detail, based on internal PTO directives and analysis of patent-prosecution data, that the SAWS reports omitted from patent application files included information obtained from Internet searches on inventors, FAC ¶¶ 6; that that information was used to justify SAWS flags, *id.* ¶ 32; that flags were set based on the identity of patent applicants, *id.* ¶¶ 26, 31;⁸ and that flags served as a “scarlet letter” identifying applicants as submariners and abusers of the patent system, *id.* ¶ 1.⁹ In all of these respects, the SAWS information at issue is “about” individual patent applicants, as opposed to only their claimed inventions. As to the law, nowhere does the Privacy Act require that information improperly omitted from a record must itself be “about” an individual; instead, it is only the record itself that must be about the individual. *See* 5 U.S.C. §§ 552(e)(5), (g)(1)(C). That is likely why the PTO is unable to identify any case law recognizing that requirement. Such a requirement is not only atextual, but also makes no sense: there is no reason to suppose that, when an agency’s failure to maintain a complete and accurate record causes an adverse determination, the missing or wrong information necessarily is “about” that individual, as opposed to, for example, the individual’s employer or locale or even a third party like a spouse, former spouse, or benefits assignee. Congress legislated no such requirement because it would arbitrarily close the door to relief for serious record-maintenance deficiencies that the Act was intended to address.

⁸ The PTO disputes (at 15) the plausibility of this allegation, but it is premised on analysis of patent prosecution histories to identify unusual features reflecting SAWS flags and reports from PTO’s own PALM (“Patent Application Location and Monitoring”) system. *See* FAC ¶¶ 57, 31. The PTO also misapplies *Iqbal*’s plausibility standard, which is directed to the plausibility of *claims for relief*, not well-pleaded factual allegations, which must be assumed to be true. *See Iqbal*, 556 U.S. at 679 (“When there are well-pleaded factual allegations, a court should assume their veracity and then determine whether they plausibly give rise to an entitlement to relief.”).

⁹ In addition, SAWS flags were maintained in the PTO’s Patent Application Location and Monitoring (“PALM”) system alongside other information about individuals, including their names and addresses. FAC ¶¶ 20, 27–28.

B. The PTO's Failure Proximately Caused Determinations Adverse to Patent Applicants, Including Plaintiffs

The PTO's omission of SAWS information from patent application files directly injured applicants by permitting the PTO to constructively deny allowance and issuance of their patent applications and leaving them to spend time and money fruitlessly prosecuting patent applications that were secretly blocked from issuance.

The PTO used SAWS reports to identify the factual basis for setting SAWS flags. FAC ¶ 32. A SAWS flag is itself a seriously adverse determination for an applicant: according to PTO memoranda, a flag blocked allowance and issuance of applications, thereby precluding the applicant from obtaining a patent on his or her application. FAC ¶¶ 27, 36–38, 50. Moreover, the PTO had no defined process to remove a SAWS flag beyond an initial screening mechanism, such that a flag resulted in the secret constructive denial of a patent application, as well as additional adverse determination like objections and claim rejections. FAC ¶¶ 36–38, 53. All of this blatantly conflicts with the PTO's obligations under the Patent Act to allow and issue patents that satisfy the criteria for patentability and with applicants' right to issuance of such patents. *See* 35 U.S.C. § 102(a) (“A person shall be entitled to a patent...”); *id.* § 151(a) (“If it appears that an applicant is entitled to a patent under the law, a written notice of allowance of the application shall be given or mailed to the applicant.”).

The PTO was able to proceed in this unlawful fashion—blocking issuance of patents irrespective of whether they satisfy the statutory criteria for patentability—only because it kept SAWS information secret and out of the patent application files that include all of the other information used to assess an applicant's entitlement to a patent. The PTO did not disclose SAWS reports to applicants, such that applicants had no ability to dispute the information and conclusions contained in those reports. FAC ¶ 42. The PTO did not disclose SAWS flags to applicants, such that applicants had no ability to challenge the PTO's determination or the lawfulness of its action. FAC ¶ 43. Indeed, the PTO kept the SAWS program itself secret, including from Congress and the Department of Commerce's Office of the Inspector General. FAC ¶¶ 40–41. Shortly after the existence

of the program was leaked to the public, the PTO announced that the SAWS program would be (as the PTO puts it) “shuttered.” MTD Mem. at 1; *see also* FAC ¶¶ 19, 41. The obvious inference is that SAWS could not and did not withstand scrutiny, because it was unlawful. Had PTO maintained its patent application files with such completeness as was necessary for patent applicants to understand what the agency was doing—that is, had it not omitted SAWS information from those files—the adverse determinations that it made could never have stood. In this way, PTO’s withholding of SAWS information from applicants proximately caused its adverse determinations.

The PTO is able to conclude otherwise only because it refuses to accept the truth of the Complaint’s detailed allegations (which reflect the PTO’s own internal directives) that a SAWS flag was a determination that a patent application would be blocked from allowance and issuance. *See* FAC ¶¶ 36–37. Yet it actually does not dispute that allegation’s plausibility—how could it, given that the agency’s documents state as much?¹⁰ Nonetheless, despite recognizing that “denial of a right, benefit, [or] entitlement” constitutes an “adverse determination,” MTD Mem. at 18 (quoting OMB Guidelines, 40 Fed. Reg. at 28,969), it refuses to confront the legal import under the Privacy Act of the PTO determination to block allowance and issuance of a given patent application irrespective of statutory entitlement.

Ultimately, the PTO’s position is that the Privacy Act stands as no bar to its own desire to render make-or-break decisions on patent issuance based on secret law and secret facts, while keeping applicants in the dark as to the true status of their applications. That position is incompatible with the PTO’s obligation under the Privacy Act to maintain records “with such accuracy, relevance, timeliness, and completeness as is necessary to assure fairness in any determination relating to the...rights, or opportunities of, or benefits to the individual that may be made on the basis of such record[s].” 5 U.S.C. § 552a(g)(1)(C). Because the PTO withheld SAWS information, applicants whose applications were flagged were denied a fair determination, *cf. Mullane v. Central Hanover Bank & Trust Co.*, 339 U.S. 306, 313 (1950) (holding that the Due Process Clause

¹⁰ Notably, Hyatt’s flagged applicants, and those that Mr. Morinville believes to have been flagged, never issued and have suffered lengthy and arduous prosecution before the PTO. FAC ¶¶ 57–62.

“at a minimum” “require[s] that deprivation of life, liberty or property by adjudication be preceded by notice and opportunity for hearing”), and instead stuck with a determination that was seriously and inevitably adverse to them.

Moreover, the “Catch-22” logic of the PTO’s position should not go unnoticed. After withholding from applicants the basis for its SAWS-flag determinations as well as the determinations themselves, the PTO now argues that applicants lack the factual basis to demonstrate that those determinations were caused by an incomplete or inaccurate record. If accepted, this backwards view of the Privacy Act would only encourage agencies to unfairly withhold information from individuals so as to avoid legal challenge, a result that is precisely contrary to the purpose of the Act, in general, and Section 552a(g)(1)(C), in particular. An agency should not be rewarded because it chose to keep *the entire factual and legal basis* of its determinations secret, as opposed to only a part of it. At a minimum, the PTO’s argument on this point must be regarded as premature at this stage, given the Complaint’s well-pleaded allegations and the PTO’s refusal, to date, to disclose SAWS information so that its completeness and correctness may be assessed.

Finally, the PTO’s argument (at 19 n.3) that SAWS flagging may be disregarded as a merely “preliminary determination” cannot be accepted. That argument is flatly at odds with the Complaint’s well-pleaded factual allegations (based on PTO directives) that a SAWS flagged blocked an application from allowance and issuance, FAC ¶¶ 27, 36–38, and there is nothing “preliminary” about that. But even if (notwithstanding the Complaint’s allegations) a SAWS flag is viewed only as a “preliminary determination,” *see* MTD Mem. at 19 n.3, the result is the same, because the causation and adverse nature of the determination are the same. The PTO relies on a question left open in *Deters v. United States Parole Commission* as to whether a “preliminary assessment” procedure for parole hearings may not have amounted to an *adverse* determination by the U.S. Parole Commission, but the court there made no grand pronouncements about the Privacy Act, instead considering the nature and consequences of the determination at issue there before deciding the claim on other grounds. 85 F. 3d at 659–60. While it was unclear in *Deters* whether the decision to follow one parole-determination procedure rather than another was truly adverse, the PTO’s

determination to block issuance of applications, to subject patent applicants to substantial procedural burdens, costs, and delays, FAC ¶¶ 51, 53, and to brand them with a “scarlet letter,” FAC ¶ 1, is plainly adverse.

C. Plaintiffs Properly Seek Declaratory Relief (Count 2)

The PTO’s argument that Plaintiffs’ request for declaratory relief should be dismissed fundamentally misunderstands both the Plaintiffs’ claim under the Declaratory Judgment Act and the case law under the Privacy Act. The Declaratory Judgment Act authorizes “any court of the United States,” “in cases of actual controversy,” to “declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought.” 28 U.S.C. § 2201. While the Declaratory Judgment Act carves out several exceptions where parties may not seek declaratory relief, the Privacy Act is not one of those areas.

The Plaintiffs, like all patent applicants whose applications were flagged, have an actual controversy with the PTO regarding the PTO’s maintenance of their patent application files. They seek declaratory relief under the Declaratory Judgment Act—not, as the PTO contends, under the Privacy Act—that the PTO’s continued “omission of SAWS materials from patent application files violates the Privacy Act.” FAC ¶ 14. Because the PTO’s alleged conduct violates Plaintiffs’ statutory rights, Plaintiffs are “interested parties” under the Declaratory Judgment Act, and therefore this Court may provide them declaratory relief.

The cases cited by the PTO (at 24) as derogating from ordinary Declaratory Judgment Act practice are inapposite here. The statement regarding declaratory relief in *Kursar v. Transportation Secretary Administration* was dicta, given that the court held it lacked subject-matter jurisdiction over the claim because the defendant lacked standing; in any instance, the plaintiff’s claim was properly understood as one for injunctive, rather than declaratory relief. 581 F. Supp. 2d 7, 19 (D.D.C. 2008). Likewise, *Doe v. Stephens*, from which *Kursar* drew its dicta, also addressed injunctive relief. 851 F. 2d 1457, 1463 (D.C. Cir. 1988). There is, of course, a fundamental distinction between a claim seeking to enjoin a federal agency and one seeking a declaration of the parties’ respective rights. See *Winter v. Nat. Res. Def. Council, Inc.*, 555 U.S. 7, 33 (2008) (noting that

declaratory relief was an “alternative” remedy to an injunction). Finally, PTO’s citation of *Christian v. Secretary of the Army* is baffling; it is a single-paragraph order that denies a *pro se* mandamus petition on the basis that the Privacy Act “provides an adequate remedy for addressing plaintiff’s claims.” No. 11-0276, 2011 WL 345945, at *1 (D.D.C. Jan. 31, 2011). The PTO’s claim that *Christian* stands as precedent for anything is unsupportable and only confirms the weakness of the its argument for dismissal.

II. The PTO’s SAWS Information Constitutes Records Concerning the Exercise of First Amendment Rights (Count 3)

Because the SAWS information maintained by the PTO describes how patent applicants exercise their First Amendment rights and is not “expressly authorized by statute” or patent applicants, its maintenance violates the Privacy Act. 5 U.S.C. § 552a(e)(7). PTO makes two objections to this claim: first, that the information items at issue are not “records,” which is wrong for the reasons stated above, *see supra* § I.A; and, second, that the activities described in its SAWS materials do not concern the exercise of First Amendment rights. That argument is also incorrect, twice over.

First, filing and prosecuting a patent applicant is First Amendment-protected petitioning activity. The “right to petition is one of the freedoms protected by” the First Amendment and protects “the approach of citizens or groups of them to administrative agencies (which are both creatures of the legislature, and arms of the execute).” *Cal. Motor Transp. Co. v. Trucking Unlimited*, 404 U.S. 508, 510 (1972). Accordingly, numerous courts have held that parties’ actions to obtain patents from the PTO are subject to protection under the First Amendment. These cases typically arise under the Sherman Act, when the plaintiff alleges that a defendant has engaged in abusive patent prosecution conduct and the defendant alleges that its conduct is protected by the *Noerr-Pennington* doctrine, which holds that “[t]hose who petition government for redress are generally immune from antitrust liability,” a right “stem[ming] from the First Amendment right to petition the Government.” *Crocs, Inc. v. Effervescent, Inc.*, 248 F. Supp. 3d 1040, 1054–55 (D. Colo. 2017) (citing *Prof'l Real Estate Inv'rs, Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49, 56 (1993) and

City of Columbia v. Omni Outdoor Advert., Inc., 499 U.S. 365, 379 (1991)). In those cases courts have unanimously held that patent prosecution conduct is subject to First-Amendment protection through application of the *Noerr-Pennington* doctrine unless some exception applies.¹¹

Second, the SAWS program turns on and describes the contents of patent applications, which are the speech of the inventor. “[T]he right to speak and the right to petition are ‘cognate rights.’” *Borough of Duryea, Pa. v. Guarnieri*, 564 U.S. 379, 388 (2011) (quoting *Thomas v. Collins*, 323 U.S. 516, 530 (1945)). Accordingly, freedom of speech as well as the right to petition are implicated where government action implicates the content of a petition. *See Guarnieri*, 564 U.S. at 387 (noting in action challenging First-Amendment retaliation for filing grievances under the petition clause that the lawsuit “just as easily could have alleged that his employer retaliated against him for the speech contained within his grievances”). The Complaint alleges not only that the SAWS program flagged applications based on the identity of inventors and described the content of applications, but also that SAWS determinations were predicated on such content-based criteria as “politically charged subject matter,” whether “there have been press releases about the invention,” and whether the “subject matter [] may raise...ethical objections.” FAC ¶ 32. These criteria confirm that patent applications are First Amendment-protected speech and that SAWS information describes the exercise of First Amendment rights.

The PTO’s primary argument to the contrary (at 21) is that “[m]aking a filing with the government for patent prosecution is [] a statutory right, and not one the First Amendment guarantees.” That claim is wrong, for the reasons described above. In addition, the PTO’s claimed distinction based on the statutory basis of the patent system miscomprehends the application of constitutional rights. There is no carve out from the First Amendment for programs created by acts of Congress; to the contrary, the First Amendment begins “*Congress shall make no law....*” The fact that an individual’s petitioning activities are made pursuant to a specific statutory enactment does

¹¹ For what it’s worth, the first Patent Act recognized that what we now call a “patent application” is a “petition” seeking relief (issuance of a patent) from the government. Patent Act of 1790, Ch. 7, 1 Stat. 109-112, § 1 (April 10, 1790).

not strip them of constitutional protection. A simple example illustrates the point: the Constitution gives Congress the right to establish lower federal courts like this one, *see* U.S. Const. art. III, § 1 (“The judicial power of the United States, shall be vested in one Supreme Court, *and in such inferior courts as the Congress may from time to time ordain and establish.*”) (emphasis added), but the right to petition includes the right of access to courts, including those established by Congress, *see Sure-Tan, Inc. v. NLRB*, 467 U.S. 883, 896–97 (1984).

The PTO also argues (at 21–22) that SAWS data does not “describe the exercise of First Amendment rights.” But the Complaint specifically alleges, based on an internal PTO memoranda, that SAWS reports describe the identity of the inventor and content of the application, informed by ad hoc internet research about the inventor. *See* FAC ¶¶ 32–33. Moreover, the Complaint’s allegations that the PTO directed its personnel to prepare SAWS reports based on research about the inventors, owners, and assignees of the applicants themselves, not just based on the content of the applications, strongly suggest that SAWS implicates Congress’s stated concern about the “collection of protected information not immediately needed, about law-abiding Americans, on the off-chance that...the particular agency might possibly have to deal with them in the future.” MTD Mem. at 22 (quotation marks omitted).

To be clear, Plaintiffs recognize that the PTO may maintain records concerning patent applications and patent applicants, despite applicants’ First Amendment speech and petitioning activities. The problem for the PTO here, however, is that the PTO’s collection and maintenance of SAWS information is not “expressly authorized by statute,” 5 U.S.C. § 552a(e)(7), unlike (one hopes) other such records maintained by the agency.

III. The PTO’s *Ad Hoc* Internet Searches for Information on Inventors Violate the Privacy Act (Count 4)

The PTO’s collection of information from third-party sources violated the Privacy Act’s requirement that agencies “collect information *to the greatest extent practicable* directly from the subject individual when the information may result in adverse determinations about an individual’s rights, benefits, and privileges under Federal programs.” 5 U.S.C. § 552a(e)(2) (emphasis added).

When it enacted the Privacy Act in the 1970s, Congress required federal agencies to collect information directly from individuals because it was concerned about federal agencies denying benefits or making adverse determinations based on information that may be “erroneous, outdated, irrelevant, or biased.” 40 Fed. Reg. at 28,961. The risk of wrong information is exponentially higher now in the Internet age where people can and do post anything online. Yet, despite Congress’s command and the heightened risk of getting the facts wrong, the PTO chose to turn to Google, rather than patent applicants, when it sought information about those applicants and their inventions for its SAWS reports.

The PTO’s Internet sleuthing plainly contravenes Congress’s command to collect information directly from individuals “to the greatest extent practicable.” PTO’s brief never even discusses that standard, much less the agency’s (non) compliance with it. *See* MTD Mem. 22–23. The D.C. Circuit has discussed it, however, and generally interprets this phrase to require agencies to collect information from the individual before contacting a third party unless doing so would compromise an investigation. *See Waters v. Thornburgh*, 888 F.2d 870, 873 (D.C. Cir. 1989), *abrogated on other grounds by Doe v. Chao*, 540 U.S. 614 (2004). In *Brune v. IRS*, for example, the IRS was concerned that an agent was falsifying records, and so it contacted third-party taxpayers to confirm the accuracy of the agent’s records before contacting the agent, which the D.C. Circuit held complied with the Privacy Act only because contacting the agent before the third parties could have provided the agent an opportunity to intimidate the witnesses and compromise the investigation. 861 F.2d 1284 (D.C. Cir. 1988). Further the IRS would still have needed to contact third parties to verify the agent’s information, and so the IRS’s actions complied with the requirement to collect information from the subject individual to the greatest extent practicable. By contrast, in *Dong v. Smithsonian Institution*, this Court held that a federal agency violated the Privacy Act when it contacted third-parties before the subject individual because there was no evidence undermining the individual’s veracity or credibility and was no reason to fear evidence tampering. 943 F. Supp. 69, 73 (D.D.C. 1996).

Here, there is no evidence to suggest that the PTO could not have collected the information for SAWS reports from patent applicants themselves. Unlike in *Brune* and *Dong*, the PTO did not even have a legitimate, statutory basis for compiling SAWS reports. The PTO makes the factual claim (at 1) that it “developed the Sensitive Application Warning System, or SAWS, ‘to allow patent examiners to alert leadership when a patent might issue on a sensitive matter’ and ensure additional quality checks were performed on the patent application prior to final denial or issuance under the patent laws.” According to PTO’s briefing (at 1), its “policy interest” for the SAWS program was to “ensur[e] sensitive patent applications received additional review prior to a final decision on patentability.” Yet by the end of the brief, the PTO adopts (at 23) the contrary position—also contrary to the Complaint’s well-pleaded allegations—that “SAWS materials” are “not a basis for making the ‘adverse determination’ of denying patent rights.” Whatever the PTO thinks its interest was, it identifies no basis for collecting information about applicants and their inventions from third-party sources.

The PTO is wrong to claim (at 22) that Plaintiffs cannot show an “adverse effect” from PTO’s improper collection of information. To begin with, the underlying congressional presumption in Section 552a(e)(2) is that collecting information from third parties instead of the individual has an adverse effect. This provision, as the D.C. Circuit explained, “reflects congressional judgment that the best way to ensure accuracy in general is to require the agency to obtain information ‘directly from the individual whenever practicable.’” *Waters*, 888 F.2d at 874 (citation omitted); *see also Analysis of House and Senate Compromise Amendments to the Federal Privacy Act*, 120 Cong. Rec. 40,405, 40,407 (1974). Or as OMB put it, Congress enacted this provision because of its “concern that individuals may be denied benefits, or that other adverse determinations affecting them may be made by Federal agencies on the basis of information obtained from third party sources which could be erroneous, outdated, irrelevant, or biased.” 40 Fed. Reg. at 28,961/1.

On the facts, the PTO is also wrong to claim there was no “adverse effect.” For purposes of this motion, the Court must presume as true and construe in Plaintiffs’ favor the following factual allegations: that the PTO prepared SAWS reports identifying the factual basis for SAWS

flagging, FAC ¶ 33; that Plaintiffs' patent applications were so flagged, *id.* ¶¶ 57, 60; that SAWS flags imposed extra burdens, costs, and delays on patent applicants, *id.* ¶ 51; and ultimately that those flags blocked allowance and issuance of flagged applications, *id.* ¶ 50. PTO's recognition (at 23) that "denying patent rights" is an adverse determination therefore settles the matter. The SAWS reports that the PTO produced from third-party sources imposed extra burdens, costs, and delays on Plaintiffs, and blocked their applications from issuance. Those are adverse effects. Thus, the Plaintiffs have plausibly stated a claim that PTO's collection of information violated the Privacy Act.

IV. The PTO's Limitations Argument Is, at Best, Premature

There is no dispute that Mr. Hyatt's claims were timely filed within the two-year statute of limitations for claims under the Privacy Act. The PTO, however, challenges Mr. Morinville's claims. MTD Mem. at 24.

In this Circuit, it is well established that "dismissal is appropriate only if the complaint on its face is conclusively time-barred." *Hagan v. United States*, 197 F. Supp. 3d 30, 35 (D.D.C. 2016) (Kollar-Kotelly, J.) (citation omitted). Even so, when deciding whether to dismiss a claim as time-barred, "courts should hesitate to dismiss a complaint on statute of limitations grounds based solely on the face of the complaint." *Firestone v. Firestone*, 76 F.3d 1205, 1209 (D.C. Cir. 1996). A claim under the Privacy Act "does not arise and the statute of limitation does not begin to run until the plaintiff knows or should know of the alleged violation." *Tijerina v. Walters*, 821 F.2d 789, 798 (D.C. Cir. 1987).

PTO's argument that Mr. Morinville's claims are time-barred fails, for three independent reasons. First, the PTO cannot conclusively prove from the face of the Complaint that Mr. Morinville's claims are time-barred, and the PTO cannot prevail without showing that "no reasonable person could disagree on the date on which the cause of action accrued." *Thompson v. HSBC Bank USA, N.A.*, 850 F. Supp. 2d 269, 274 (D.D.C. 2012) (citation and quotation marks omitted). The Complaint does not conclusively show that Mr. Morinville knew or had reason to know more than two years before June 18, 2019, that he had a claim against PTO based on the SAWS program.

PTO's motion to dismiss Mr. Morinville's claims as time-barred should be denied because it "depend[s] on contested questions of fact."¹² *Hagan*, 197 F. Supp. 3d at 35.

Second, to the extent PTO is asserting Mr. Morinville needed to plead around the statute of limitations, PTO "ha[s] it backwards." *Cabrera v. B & H Nat'l Place, Inc.*, No. 14-CV-01885 (APM), 2015 WL 9269335, at *3 (D.D.C. Sept. 28, 2015). The statute of limitations is an affirmative defense on which PTO has the burden, and "[t]he pleading requirements in the Federal Rules of Civil Procedure...do not compel a litigant to anticipate potential affirmative defenses...and to affirmatively plead facts in avoidance of such defenses." *McNamara v. Picken*, 866 F. Supp. 2d 10, 17 (D.D.C. 2012) (citation and quotation marks omitted).

Third, Mr. Morinville's claims are subject to equitable tolling, which permits a plaintiff to avoid the statute of limitations bar if, despite due diligence, the plaintiff was unable to obtain vital information to his claim. *Smith-Haynie v. District of Columbia*, 155 F.3d 575, 579 (D.C. Cir. 1998). "The Privacy Act's statute of limitations is not jurisdictional; it therefore is subject to equitable tolling in appropriate circumstances, most commonly when the plaintiff despite all due diligence...is unable to obtain vital information bearing on the existence of his claim." *Earle v. Holder*, 815 F. Supp. 2d 176, 180 (D.D.C. 2011), *aff'd*, 2012 WL 1450574 (D.C. Cir. Apr. 20, 2012) (citation and quotation marks omitted). Mr. Morinville has diligently pursued learning about PTO's flagging of his patent applications in the SAWS program, despite limited means for acquiring this information because the PTO went to great lengths to keep it secret. *See, e.g.*, FAC ¶ 56. And when he sent a FOIA request on the subject, "the PTO refused to confirm or deny whether any of his applications were flagged under the SAWS." FAC ¶ 58. The contrast is striking: Mr. Morinville diligently sought information, and PTO doggedly refused to provide it. And now the PTO shamelessly argues that his claims should be dismissed as time-barred.

¹² PTO's assertion that Mr. Morinville failed to establish he filed within the statute of limitations period "particularly in light of the SAWS program being retired in 2015" is a red herring because the statute of limitations does not begin to run until the plaintiff "knows or should know of the alleged violation." *Tijerina*, 821 F.2d at 798. What matters is when Mr. Morinville knew or had reason to know about PTO's violation of his rights, not when PTO claims it ceased violating his rights.

Conclusion

Defendant's Motion To Dismiss should be denied.

Dated: January 10, 2020

Respectfully submitted,

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