Intellectual Property Law Information Memo

October 2009

Bond, Schoeneck & King, PLLC

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THE UNITED STATES PATENT AND TRADEMARK OFFICE RESCINDS CONTROVERSIAL RULES

David Kappos, Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office ("USPTO"), announced on October 8, 2009 that he had signed a new Final Rule that rescinded a set of controversial regulations promulgated by the USPTO in August 2007. In a press release, Kappos recognized the controversy that the proposed regulations had created and suggested that rescinding them would allow the USPTO to "more effectively" engage the applicant community regarding improvements to the patent system.

The press release also stated that GlaxoSmithKline, one of two plaintiffs in a lawsuit surrounding the regulations, would join the USPTO in a motion for dismissal of the appeal currently before the Court of Appeals for the Federal Circuit as well as vacatur of a 2008 district court decision in the case.

In August 2007, the USPTO published new Final Rules ("Rules") in the *Federal Register* that would have affected several aspects of patent drafting and prosecution. 72 Fed.Reg. 46,716 (Aug. 21, 2007). The rules were slated to take effect on November 1, 2007.

On October 31, 2007, one day before the Rules were scheduled to come into effect, a preliminary injunction was granted by the U.S. District Court for the Eastern District of Virginia. *Tafas v. Dudas*, 511 F.Supp.2d 652 (E.D.Va. 2007). A few months later a permanent injunction of the Rules was granted. *Tafas v. Dudas*, 541 F.Supp.2d 805 (E.D.Va. 2008). The government subsequently appealed to the Court of Appeals for the Federal Circuit ("Federal Circuit").

At issue in the case were four of the new Rules, 75, 78, 114, and 256. Rule 75 limited applicants to five independent and 25 total claims unless they filed an additional Examination Support Document. Rule 78 limited applicants to two continuation applications for each application family without filing a petition "showing that the amendment, argument, or evidence sought to be entered could not have been submitted during the prosecution of the prior-filed application." Rule 114, similar to Rule 78, limited applicants to one Request for Continued Examination per application without filing a petition "showing that the amendment, argument, or evidence sought to be entered could not have been submitted prior to the close of prosecution in the

application." Rule 265 created the requirements for an Examination Support Document, which included a preexamination prior art search and a list of the most relevant references, among others.

According to GlaxoSmithKline and Dr. Tafas, the opposing parties, the Rules exceeded the scope of the USPTO's rulemaking authority. Under sections 2(b)(2) and 132(b) of the United States Patent Act, the USPTO is given authority to:

> "establish regulations, not inconsistent with law, which…(A) shall govern the conduct of proceedings in the office;…(C) shall facilitate and expedite the processing of patent applications, particularly those which can be filed, stored, processed, searched, and retrieved electronically...(D) may govern the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the Office…" 35 U.S.C. § 2(b)(2).

Section 132(b) requires the USPTO to "prescribe regulations to provide for the continued examination of applications for patent at the request of the applicant." 35 U.S.C. § 132(b).

The USPTO argued that that these provisions do not create a distinction between procedural and substantive rules, while Tafas argued that 2(b)(2) only granted authority to create procedural rules. The District Court agreed with Tafas, stating that they were "substantive rules that change existing law and alter the rights of applicants…under the Patent Act." *Tafas*, 541 F.Supp.2d at 814. Also at issue before the court was whether the Rules were invalid as being inconsistent with the Patent Act (and thus in violation of at least § 2(b)(2), above). The lower court held that each of the four Rules were invalid as inconsistent with at least one section of the Patent Act.

On March 20, 2009, the Federal Circuit overturned much of the lower court's decision, holding that the four Rules were in fact procedural rules. *Tafas v. Doll*, 559 F.3d 1345 (Fed. Cir. 2009). The court affirmed the of summary judgment that Rule 78 was invalid, vacated summary judgment regarding Rules 75, 114, and 265, and remanded for further proceedings. The Federal Circuit later granted *en banc* review of the holding, which was to have taken place in the coming months.

If you have any questions, please contact George R. McGuire, Chair, Intellectual Property Practice Group, at 315-218-8515 or gmcguire@bsk.com.

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