

March Madness

Court of Appeals Issues Decision on the Validity of New PTO Rules Half-Time Score: USPTO-3, Applicants-1 (But It's Not Over Yet)

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THE FIRST HALF: THE LEAD CHANGES BACK AND FORTH

AUGUST 21, 2007: PTO LEADS

The USPTO issues the final version of four new PTO Rules.

Final Rule 78 limits the Applicant to two continuation applications entitled to an earlier priority date unless the Applicant files a Petition showing sufficient reason why the "amendment, argument, or evidence sought to be entered could not have been submitted during the prosecution of the prior-filed application." (37 C.F.R. § 1.78(d)(1)(vi)).

Final Rule 114 limits the Applicant to one Request for Continued Examination (RCE) per patent application family. (Final Rules 78 and 114 together have been referred to as "the 2 + 1 Rule").

Final Rule 75 limits the Applicant to five independent claims or twenty-five total claims per application ("the 5/25 Rule"). Applicants who wish to file additional claims must submit an Examination Support Document (ESD).

Final Rule 265 sets forth the ESD requirements. The Applicant is required to perform a prior art search and submit a summary of the search results with an explanation of how the independent claims are patentable over the prior art.

OCTOBER 31, 2007: TAFAS V. DUDAS—APPLICANTS LEAD

The U.S. District Court grants a preliminary injunction halting enforcement of the Final Rules.

APRIL 1, 2008: TAFAS II: APPLICANTS STILL LEAD

The District Court grants summary judgment finding that the Final Rules are substantive, not procedural in nature, exceed the rule-making authority of the PTO, and are invalid.

MARCH 20, 2009: TAFAS V. DOLL—PTO REGAINS THE LEAD

A three-judge panel of the Court of Appeals for the Federal Circuit (CAFC) negates the decision of the District Court on three of the four Final Rules.

The CAFC finds that all four of the Final Rules are only procedural and defers to the PTO's authority to set procedure in the Office. Once, however, the CAFC makes the threshold analysis determining that the Final Rules are procedural, further analysis is required to determine whether the Final Rules are consistent with the intent of Congress and the Patent Act (Title 35).

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The CAFC then determines that Final Rule 78, which limited to two the number of continuing applications that could be filed as Applicant's matter of right, oversteps the boundary of procedure/substance and is inconsistent with the intent of 35 U.S.C. § 120, which governs the priority rights of continuation applications. Final Rule 78 is therefore invalid.

Final Rules 114 (the RCE Rule), 75 (the 5/25 Rule) and 265 (the ESD Rule) are confirmed as consistent with the Patent Act and therefore valid.

HALF-TIME ANALYSIS: A FULL COURT PRESS TO COME IN THE SECOND HALF

Although the CAFC panel issued a decision, only two of the three judges on the panel agreed on all issues. In fact, the third judge wrote a separate opinion to explicitly state that he believed that the Final Rules were NOT procedural, clearly siding with the District Court decision. It's a good bet that both Tafas (with SmithKline Beecham and Glaxo as co-plaintiffs/appellees) and the PTO will play aggressively in the second half with a number of legal options open to them.

The CAFC vacated the summary judgment decision of the District Court on Final Rules 114, 75 and 265, so the parties can return to the lower court for a trial on the merits based on additional evidence and testimony presented. Either party can request a re-hearing before a panel of all of the CAFC judges (an *en banc* hearing). Either party has the option to appeal directly to the Supreme Court.

PREDICTION OF A FINAL SCORE: IT'S STILL ANYONE'S GAME

The CAFC panel was unanimous in the decision that Final Rule 78, which limited the number of continuations that could be filed as a matter of right, was invalid. Even if the PTO appeals this aspect of the decision, this will most likely hold up through further court proceedings.

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The CAFC judges were also very clear in listing the issues they did not decide, including whether ANY of the Final Rules were vague, arbitrary or capricious and, most importantly, whether the Final Rules were impermissibly retroactive.

We'll know within a few weeks whether the parties will go back to trial, request an *en banc* CAFC hearing, or appeal to the Supreme Court. Two revised bills on patent reform are again before Congress and some of these issues could still be specifically addressed by legislation.

Don't change that channel!

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