

## *CAFC Issues Decision on Potential New Patent Rules*



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By: Erin J. Fox, Partner

[efox@mccrackenfrank.com](mailto:efox@mccrackenfrank.com)

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*Tafas v. Doll*, U.S. App. LEXIS 5806 (Fed. Cir. Mar. 20, 2009)

On March 20, 2009, a 3-judge panel of the Court of Appeals for the Federal Circuit (CAFC) responded to an appeal of a decision by the District Court for the Eastern District of Virginia granting summary judgment that four rules promulgated by the U.S. Patent and Trademark Office (USPTO) exceed the scope of the USPTO's rulemaking authority. The CAFC affirmed the district court's grant of summary judgment that Final Rule 78 is invalid, vacated its grant of summary judgment with respect to Final Rules 75, 114, and 265, and remanded for further proceedings consistent with the opinion.

### **Background**

In January of 2006, the USPTO published a set of potential new rules. The USPTO later issued the Final Rules on August 1, 2007, with an effective date of November 1, 2007, after receiving and considering public comments on the potential rules. After the Final Rules were published in the Federal Register, Triantafyllos Tafas, SmithKline Beecham Corporation, and Glaxo Group Limited (Appellees) filed suit against the USPTO seeking to permanently enjoin implementation of the Final Rules. On October 31, 2007, the District Court for the Eastern District of Virginia preliminarily enjoined enforcement of the Final Rules. The district court later agreed with Appellees that the Final Rules were "substantive rules that change existing law and alter the rights of applicants such as [Appellees] under the Patent Act." Since the USPTO lacks substantive rulemaking authority under *Merck & Co., Inc. v. Kessler*, the district court found that the Final Rules exceed the USPTO's statutory jurisdiction, and therefore, granted Appellees' motion for summary judgment that the Final Rules are invalid. The USPTO filed a timely appeal.

### **Summary of the Final Rules**

Final Rules 78 and 114 pertain to continuation applications and requests for continued examination (RCEs). More specifically, Final Rule 78 governs the ability of an applicant

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to file continuation and continuation-in-part applications. The rule entitles an applicant to file two continuation applications as a matter of right. If an applicant would like to file more than two continuation applications, he must file 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.” If the showing cannot be made, the USPTO will accept the application, but the application will not be entitled to the earlier filing date. Final Rule 114 provides for similar treatment of RCEs, wherein an applicant is allowed only one RCE as a matter of right. 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” must be submitted and accepted in order for the applicant to be entitled to further RCEs.

Final Rules 75 and 265 are intended to address the USPTO’s difficulty in examining applications that contain a large number of claims. In particular, Final Rule 75 requires an applicant that submits an application containing more than five independent claims or more than twenty-five total claims to provide an examination support document (ESD). The requirements for an ESD are found in Final Rule 265 and include requiring the applicant to conduct a pre-examination search of the prior art, provide a list of the most relevant art, explain how each independent claim is patentable in view of the most relevant art, and indicate where in the specification each claim limitation is disclosed.

### **USPTO Arguments**

The USPTO urged that the district court erred by failing to give the agency’s interpretation of 35 U.S.C. § 2(b)(2)’s grant of rulemaking authority proper deference under *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984). The USPTO also argued that the proper inquiry is not whether the rules are substantive or procedural, but whether they fit within a reasonable interpretation of § 2(b)(2), which gives the USPTO authority to govern the conduct of proceedings within the Office. The USPTO further contended that, even if the correct question is whether the rules are substantive or procedural, the Final Rules are clearly procedural, and thus within the purview of the USPTO.

### **CAFC Substantive/Procedural Findings**

The CAFC agreed with the district court that § 2(b)(2) “does not vest the USPTO with any general substantive rulemaking power” and rejected the USPTO’s argument that the substantive/procedural distinction is immaterial in the present case. The CAFC was not persuaded by the USPTO’s argument that *Chevron* deference should be extended to the

issue of whether § 2(b)(2) provides substantive rulemaking authority, but found the *Chevron* framework applicable to review rules within the scope of the USPTO's delegated authority, i.e., procedural rules under § 2(b)(2) or § 132(b).

The CAFC found Rules 78, 114, 75, and 265 to be procedural rules that are within the scope of the USPTO's rulemaking authority. Specifically, the CAFC found that the Final Rules may "alter the manner in which the parties present . . . their viewpoints," but they do not "foreclose effective opportunity" to present patent applications for examination.

### **Findings Regarding Final Rules 78, 114, 75, and 265**

Since all of the rules were found to be procedural, the CAFC accorded *Chevron* deference to the USPTO's interpretation of the provisions in the Patent Act that related to "proceedings in the Office." The CAFC looked to "whether Congress has directly spoken to the precise question at issue" and noted that "if the intent of Congress is clear . . . the court, as well as the agency, must give effect to the unambiguously expressed intent of Congress." Further, "if the statute is silent or ambiguous with respect to the specific issue, the question for the court is whether the agency's answer is based on a permissible construction of the statute."

#### **Final Rule 78**

The CAFC agreed with the district court that Final Rule 78 is inconsistent with § 120. Section 120 unambiguously states that an application that meets four requirements "*shall* have the same effect, as to such invention, as though filed on the date of the prior application." 35 U.S.C. § 120 (emphasis added). The use of "shall" was interpreted by the CAFC as indicating that all applications that meet the four requirements must receive the benefit provided by § 120.

#### **Final Rule 114**

Contrary to the holding of the district court, the CAFC did not find that 35 U.S.C. § 132, which states in part "...if after receiving such notice, the applicant persists in his claim for a patent, with or without amendment, the application shall be reexamined," unambiguously dictates that its provisions be applied on a per application basis. Therefore, the CAFC concluded that Final Rule 114 can properly be applied on a per family basis.

## Final Rules 75 and 265

The CAFC further found that, because Final Rules 75 and 265 do not effectively foreclose applicants from successfully submitting ESDs, such rules do not impose an absolute limit on numbers of claims in violation of § 112. The district court originally found that Final Rules 75 and 265 improperly shifted the burden of patentability away from the examiner onto the applicant. In rejecting the district court's reasoning, the CAFC noted that this is not the case because Final Rules 75 and 265 do not require an applicant to make a *prima facie* case of patentability.

### Remand

The following questions have been remanded by the CAFC for determination by the district court: whether any of the Final Rules, either on their face or as applied in any specific circumstances, are arbitrary or capricious; whether any of the Final Rules conflict with the Patent Act in ways not specifically addressed by the CAFC's opinion; whether all USPTO rulemaking is subject to notice and comment rulemaking under 5 U.S.C. § 553; whether any of the Final Rules are impermissibly vague; and whether the Final Rules are impermissibly retroactive.

### Dissent

Judge Rader concurred in part and dissented in part. The judge concluded that the Final Rules are substantive, rather than procedural, in nature, and therefore would have affirmed the district court's conclusion that the USPTO exceeded its statutory rulemaking authority in promulgating Final Rules 78, 114, 75, and 265.

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