

Federal Circuit Court of Appeals Partly Reverses *Tafas*, Delays USPTO's Implementation of Proposed Rules for Patent Application Procedures

On Friday, March 20, 2009, in its decision in *Tafas and SmithKline Beecham Corp. et al. v. Doll et al.*, the Court of Appeals for the Federal Circuit partially cleared the way for the United States Patent Office (USPTO) to enforce sweeping rule changes affecting the filing and prosecution of patent applications. Under the ruling, the USPTO may have authority to promulgate rules restricting the number of claims that may be filed in a patent application, constraining how and when the priority of earlier applications can be claimed, requiring applicants to identify the priority date for each claim in a continuation-in-part application, and requiring applicants to identify to the USPTO all commonly assigned patents and applications that have at least one common inventor and that have a filing or priority date within two months of one another. But those rules cannot and will not go into effect until they survive other challenges still pending before the courts.

Not all of the USPTO's proposed rules survived initial scrutiny by the Federal Circuit. The Federal Circuit held that a proposed rule that would have limited the number of continuations that can be filed by a patent applicant conflicts with 35 U.S.C. section 120, which in part governs continuation applications. Thus the Federal Circuit's decision does not give free rein to the USPTO.

At issue in the case was whether the USPTO's proposed rules were "procedural," and therefore potentially within the Patent Office's authority as a regulatory body, or "substantive," in which case only the U.S. Congress would have authority to issue them. In the April 1, 2008 decision below, the United States District Court for the Eastern District of Virginia had declared the USPTO's "Final Rules on Claims & Continuations" to be substantive rather than procedural, and therefore beyond the rulemaking authority of the USPTO. The district court accordingly granted summary judgment in favor of the plaintiffs, who had challenged the proposed rules. In a 2-to-1 decision partially affirming and partially reversing the district court, the Federal Circuit panel found the Final Rules to be procedural, rather than substantive, and therefore within the rulemaking authority of the USPTO.

In deciding that the Final Rules were procedural, the court concluded that whatever their practical effect may be, "[t]he Final Rules may 'alter the manner in which the parties present . . . their viewpoints' to the USPTO, but they do not, *on their face*, 'foreclose effective opportunity' to present patent applications for examination" (citation omitted; emphasis added). The court also recognized that "the impact of [the rules] will be largely dependent on how the USPTO interprets" them, stating that "we are mindful of the possibility that the USPTO may in some cases attempt to apply the rules in a way that makes compliance essentially impossible and substantively deprives applicants of their rights. In such cases, judicial review will be available under 5 U.S.C. § 706."

Although the court found that the rules were procedural, and therefore entitled to *Chevron* deference, the court also found that amended 37 C.F.R. § 1.78 as proposed, which would have limited the number of continuing applications, was inconsistent with 35 U.S.C. § 120. The court stated that "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'" (emphasis in original).

With regard to the remaining rules, the court remanded the case to the district court for consideration of other grounds that had been raised in the challenge to the rules, but not decided by the district court, including “whether any of the Final Rules, either on their face or as applied in any specific circumstances, are arbitrary and capricious; whether any of the Final Rules conflict with the Patent Act in ways not specifically addressed in this 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.” However, regarding proposed 37 C.F.R. § 1.265, which would impose the requirement of an “Examination Support Document” in cases with more than 5 independent claims, or 25 total claims, the court disagreed with the district court’s conclusion that that requirement impermissibly shifted the burden of examination from the USPTO to applicants.

Pending a decision by the district court on remand, and any subsequent appeals, the status quo prevails, and the Final Rules are not in effect.

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