

March 30, 2009

Patently Complicated New Rules Still in Play: Tafas v. Doll on Interlocutory Appeal

The U.S. Patent and Trademark Office (“PTO”) has been attempting to implement new rules relating to the patenting of inventions since November 1, 2007, that in part require: (i) a patent applicant pursuing more than two continuations of a patent application to file a petition showing that the amendment, argument, or evidence sought to be entered could not have been submitted in the existing application (Final Rule 78); (ii) a patent applicant filing a Request for Continued Examination (“RCE”) of an application to file a petition showing that the amendment, argument, or evidence sought to be entered as part of the RCE could not have been submitted during the original prosecution (Final Rule 114); (iii) a patent applicant to file examination support documents (“ESDs”) with any patent application that includes more than five independent claims or twenty-five total claims, including the results of a search of the prior art, a list of the closest references uncovered, the limitations of each claim disclosed by each of the references, an explanation of how each independent claim is patentable over the references, and an analysis of how the limitations of the claims are disclosed and enabled by the patent application (Final Rules 75 and 265).

This PTO rulemaking was challenged in two separate suits. After issuing a preliminary injunction on October 31, 2007, the district court handling the suits issued a summary judgment ruling on April 1, 2008, that blocked implementation of these new rules. This decision was appealed, and on Friday, March 20, 2009, the U.S. Court of Appeals for the Federal Circuit, in *Tafas v. Doll*¹ (formerly *Tafas v. Dudas*) sided mostly with the PTO, paving the way for the implementation of all but one of the new rules pending further consideration by the district court. The immediate effect of this Federal Circuit decision is that the district court has numerous issues to consider as the case proceeds, presumably to trial. Of course, either party might first request *en banc* review by the full Federal Circuit.

The Federal Circuit had to analyze several issues to arrive at its decision. Initially, it found that the PTO does not have general substantive rulemaking power, but that the PTO is entitled to deference when it interprets statutory provisions related to the exercise of its delegated authority. Without substantive rulemaking authority at the PTO, the *Tafas v. Doll* case turned on whether the limits in the new rules are procedural or substantive. The PTO argued that the new rules do not violate the Patent Act because they only change the procedural mechanism for filing patents, not the substantive rules for patentability.

The Federal Circuit noted that, in a previous case, the United States Court of Appeals for the District of Columbia Circuit found certain agency rules merely procedural because they did not “foreclose effective opportunity to make one’s case on the merits.”² By choosing that particular case as the framework for the procedural/substantive analysis, the Federal Circuit’s conclusion allowing most of the PTO’s new rules followed easily. Judge Sharon Prost, writing for the majority, disagreed with the lower court’s ruling that four of the new rules exceeded the scope of the agency’s rule-making authority. Instead, the majority decided that three of the new rules were within the agency’s power to make because they were procedural rather than substantive changes. The Federal Circuit thus found that certain of the new rules

¹ *Tafas v. Doll*, Appeal No. 2008-1352 (Fed. Cir. March 20, 2009).

² *JEM Broadcasting v. FCC*, 22 F.3d 320 (D.C. Cir. 1994).

do not foreclose an applicant's opportunity to obtain a patent, but require only extra justification for additional RCEs and additional claims.

The Federal Circuit admitted that the new rules provide increased authority to the PTO to grant or reject applicants' petitions to justify RCEs. However, the Federal Circuit elected to wait for specific challenges to such authority after final implementation of the new rules. "[The courts] will be free to entertain challenges to the PTO's application of the Final Rules."³ Interestingly, the Federal Circuit did not find any of the statements made by the PTO concerning future implementation of the new rules to be binding, saying "[t]hese comments do not bind the USPTO."⁴ Unless *en banc* review is requested and granted, the case will now be remanded for district court consideration of various issues, many of which were noted in the Federal Circuit opinion, including: whether any of the new rules were arbitrary or capricious, whether the new rules conflicted with other sections of the Patent Act, or whether the new rules violated rule-making procedure or were vague or retroactive.

The Federal Circuit affirmed the district court's ruling against Final Rule 78 covering a patent applicant's ability to file unlimited continuation applications. The court opined that this rule is contrary to the Patent Act, which states that an application meeting certain requirements "shall have the same effect, as to such invention, as though filed on the date of the prior application,"⁵ because it would require patent applicants pursuing more than two continuations of a patent application to show that any amendments, arguments, or evidence sought to be entered in a subsequent application could not have been submitted earlier. Although not explicitly addressed in the Federal Circuit's opinion, the requirement under Final Rule 78 to identify other commonly-owned applications or patents that have a common inventor with a priority date within two months apparently also remains subject to the district court's injunction because of this affirmance of the ruling against Final Rule 78.

Also noteworthy is Judge Randall Rader's dissent, which may provide a basis for a subsequent Federal Circuit review to decide against the new rules. Specifically, Judge Rader stated that he would have agreed to void the new rules because they drastically change current law and inventors' rights under the Patent Act. Consequently, in his view, the new rules are substantive and exceed the PTO's statutory rule-making authority.

If you would like to discuss this development, or you have any questions regarding the foregoing, please feel free to contact one of the attorneys listed below.

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³ *Tafas v. Doll*, Appeal No. 2008-1352, pg. 15 (Fed. Cir. March 20, 2009).

⁴ *Id.* at pg. 17.

⁵ 35 U.S.C. §120.