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USPTO Rescinds Controversial New Patent Rules

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Yesterday, the USPTO announced that it is rescinding its highly controversial new patent rules and that a motion to dismiss and vacate the district court decision on these regulations litigated in *Tafas v. Dudas* (now *Tafas v. Kappos*) will be filed jointly with one of the plaintiffs-appellees, GlaxoSmithKline (GSK).[1] According to the new Director of the USPTO, David Kappos, the rationale for rescinding these regulations is that "[t]he USPTO should incentivize innovation, develop rules that are responsive to its applicants' needs and help bring their products and services to market . . . [i]n taking the actions we are announcing today, we hope to engage the applicant community more effectively on improvements that will help make the USPTO more efficient, responsive, and transparent to the public." This decision ends the two-year battle between the USPTO and the applicant community, and provides a favorable outcome and relief to both patent applicants and patent practitioners.

Related Practices:

- Appellate and Supreme Court
- Intellectual Property Litigation

Background and Litigation History

On August 21, 2007, the USPTO issued new patent rules setting limits on continuation applications, requests for continued examination ("RCE"), and examination of claims in patent applications.[2] The goal of these new rules, according to the USPTO, was to reduce the large backlog of unexamined applications, improve examination efficiency, and maintain or improve the quality of the issued patents. These new rules (collectively known as the "Final Rules") were to become effective on November 1, 2007, and four of the main rules (Final Rules 75, 78, 114, and 265) are the subjects of controversy and at issue in litigation.

Final Rules 78 and 114 are directed to continuation applications and RCEs, respectively. Under Final Rule 78, an applicant is entitled to file only two continuation applications as a matter of right.[3] Additional continuation applications may be filed only if the applicant files 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."[4] Similarly, Final Rule 114 provides that an applicant is allowed only one RCE as a matter of right within an application family.[5] A petition similar to Final Rule 78 must also be filed if an applicant seeks to file any additional RCEs.

Final Rules 75 and 265 impose obligations on applicants when the number of claims filed in co-pending

applications exceeds five independent and twenty-five total claims (the "5/25 Rule").[6] Final Rule 75 requires a submission of an Examination Support Document ("ESD") if these limits are exceeded.[7] Final Rule 265 sets out the requirements for ESDs, which include a pre-examination prior art search, a list of relevant references, identification of disclosure of claim limitations in each reference, explanation of patentability of each independent claim, and identification of support in the specification.

The issuance of these Final Rules was not well received by the applicant and practitioner communities, and prompted strong opposition from many members. There were more comments filed in respect to the "Final Rules" than the cumulative total of all comments previously submitted to the USPTO. Triantafyllos Tafas and GSK (collectively "Tafas") filed suit against the USPTO shortly after the publication of the Final Rules. Many *amicus curiae* briefs supporting Tafas soon followed. For example, the current director of the USPTO, David Kappos, was among one of many who filed an affidavit in support of the AIPLA's *amicus* brief supporting Tafas' challenge to the USPTO and emphasized the retroactive application of the rules to pending applications.

In *Tafas v. Dudas ("Tafas I")*,[8] the district court preliminarily enjoined enforcement of the Final Rules. Tafas subsequently moved for summary judgment seeking to invalidate the Final Rules and to have a permanent injunction issued. In *Tafas v. Dudas* ("*Tafas II*"),[9] the district court granted Tafas' motion for summary judgment, on the grounds that the USPTO lacked substantive rulemaking authority and that the Final Rules were substantive. The USPTO subsequently appealed to the Federal Circuit. In March 2009, the majority of the panel (Judges Prost and Bryson, with a strong dissent by Rader) found that the new rules were procedural rules that were within the scope of the USPTO's rulemaking authority, but invalidated Final Rule 78 as inconsistent with the patent law. The majority vacated the district court's invalidation of the remaining rules, and remanded the case for further proceedings. However, on July 6, 2009, the Federal Circuit vacated its prior decision and granted *en banc* review of the case, and on July 28, 2009, granted Tafas' motion to stay an *en banc* proceeding of *Tafas v. Kappos* until 60 days after the confirmation of the new Director, David Kappos.

Yesterday's announcement that the USPTO and GSK would jointly file a Motion to Dismiss the Appeal and Vacate the Federal District Court decision, along with the announcement that the rules would be rescinded, means that patent practice in the U.S. may proceed on a business-as-usual basis, at least for the time being. It has been reported that co-plaintiff Tafas, however, is unwilling to join this motion.

Impacts and Implications – Back to Business as Usual?

The announcement by the USPTO under the new administration is a decision long awaited and hoped for by both applicants and practitioners. At least for the foreseeable future, this potential burden and significant restriction on patent practice has been lifted. A preferable outcome would have been an *en banc* decision affirming the District Court's decision, thus placing a barrier to any possible, but unlikely, new version of the Final Rules that could be issued by the USPTO in the future. Nevertheless, rescission of the draconian Final Rules represents a significant step by the USPTO to "work with the IP community on new ways to take on the challenges these regulations were originally designed to address" — to make the USPTO more efficient, responsive, and transparent to the public as well as to reduce the backlog of unexamined applications and improve examination efficiency and the quality of the issued patents.

Footnotes

[1] USPTO Press Release #09-21.

[2] *See Changes to Practice for Continuing Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications*, 72 Fed. Reg. 46,716, 46,717 (Aug. 21, 2007)

[3] 37 C.F. R. § 1.78(d).

[4] *Id*.

[5] *Id*. at § 1.114(f).

[6] 72 Fed. Reg. 46,724.

[7] 37 C.F.R. § 1.75(b)(1).

[8] *Tafas v. Dudas*, 511 F. Supp. 2d 652 (E.D. Va. 2007).

[9] *Tafas v. Dudas*, 541 F. Supp. 2d 805 (E.D. Va. 2007), *aff'd in part and vacated in part sub nom Tafas v. Doll*, 559 F.3d 1345 (Fed. Cir. 2009).