Mixed Decision From Federal Circuit Regarding PTO Rules

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On March 20, the Federal Circuit issued a decision in *Tafas and SmithKline Beecham Corp. v. Doll*. In its decision, the court affirmed the grant of summary judgment by the District Court for the Eastern District of Virginia that Final Rule 78 (limiting the number of continuations) is invalid, vacated the grant of summary judgment with respect to Final Rules 75 (limiting the number of requests for continued examination), 114 (relating to examination support documents), and 265 (relating to examination support documents), and remanded the case for further proceedings. The Federal Circuit opinion was written by Judge Prost. Judge Bryson issued a concurring opinion while Judge Rader concurred-in-part and dissented-in-part.

The Final Rules at issue involved four new rules: (1) Final Rule 78 limiting the number of continuation applications, (2) Final Rule 114 limiting the number of requests for continued examination, (3) Final Rule 75 requiring that an examination support document (ESD) be filed if an applicant submits more than a threshold number of claims (5 independent/25 dependent), and (4) Final Rule 265 setting forth the requirements for an ESD (requiring a search and submission of the search results with an analysis).

Though the Federal Circuit agreed that the PTO does not have general substantive rulemaking power, contrary to the district court's decision, the Federal Circuit concluded that the Final Rules are procedural, stating that they "govern the timing of and materials that must be submitted with patent applications," but do not foreclose the opportunity to present patent applications for examination. For example, Final Rules 78 and 114 were said to provide timing requirements for when an application would be fully examined. The court did recognize, however, that the impact of these rules would depend upon how the PTO "interprets when amendments, arguments, and evidence 'could not have been submitted during the prosecution of the prior-filed application' or 'prior to the close of prosecution.'" Final Rules 75 and 265 were also determined to be non-substantive because, once an ESD is submitted, an application would be examined in exactly the same manner as it would be without the rule. The court recognized the concern that assertions of inequitable conduct could arise based upon the submission of an ESD, however, that concern was found to be "too speculative to void the rules" and to relate more to the uncertainties with respect to the inequitable conduct doctrine rather than the PTO rulemaking authority.

The court did agree with the district court that Final Rule 78, limiting the number of continuations that

could be filed, is inconsistent with the mandate in 35 U.S.C. §120, that an application that meets four specified requirements "shall have the same effect, as to such invention, as though filed on the date of the prior application." The court thus held Final Rule 78 invalid because "it attempts to add an additional requirement–that the application not contain amendments, arguments, or evidence that could have been submitted earlier–that is foreclosed by the statute."

However, the court reversed the district court decision and upheld as valid Final Rules 114, 75 and 265. For Final Rule 114, the court gave deference to the PTO's interpretation of the statute governing RCEs (35 U.S.C. §132), that it "does not unambiguously require the USPTO to grant unlimited RCEs." Final Rules 75 and 265 were deemed valid because Final Rule 75 does not limit the number of claims an applicant can present, but "simply requires that an ESD be submitted if more than five independent or twenty-five total claims are included in certain sets of copending applications." Further, the Federal Circuit saw no reason to prohibit the PTO from requesting the information required by Final Rule 265 when the specified claim limits are exceeded.

The Federal Circuit opinion also summarized the issues it believes remain for the district court on remand: "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."

In dissent, Judge Rader stated that in his opinion the Final Rules are substantive. In his opinion, the Final Rules all "affect individual rights and obligations, and mark a startling change in existing law and patent policy." He concurred with the majority opinion's ultimate conclusion that Final Rule 78 is invalid, but dissented-in-part with respect to Final Rules 114, 75 and 265, believing them to also be invalid.