Chicago Daily Law Bulletin

Chicago Daily Law Bulletin
February 19, 2008 Volume: 154 Issue: 034

Court to weigh in on new patent rules

By Paul M. Rivard

The U.S. District Court for the Eastern District of Virginia heard arguments on Feb. 8 in a closely watched lawsuit seeking to block enforcement of a controversial patent rules package. The rules package, published in August 2007, would restrict the number of continuing applications as well as the number of claims a patent applicant may file. On Oct. 31, 2007, literally the eve of the Final Rules' effective date, U.S. District Judge James C. Cacheris preliminary enjoined the U.S. Patent and Trademark Office "from implementing the Final Rules" and "from issuing new regulations restricting the number of continuing applications, the number of requests for continued examination, and the number of claims that may be filed."

The case is *Tafas v. Dudas*, No. 1:07-cv-00846, pending in the U.S. District Court for the Eastern District of Virginia. The consolidated plaintiffs are Triantafullos Tafas, an individual inventor, and GlaxoSmithKline, the world's second largest pharmaceutical company. Tafas is represented by Kelley, Drye & Warren LLP and Collier, Shannon & Scott PLLC, while GSK is represented by Kirkland & Ellis LLP. Assistant U.S. Attorney Lauren Wetzler represents the USPTO.

In its complaint GSK argued the Final Rules are "vague, arbitrary and capricious, and prevent GSK from fully prosecuting patent applications and obtaining patents on one or more its inventions" and that "the final rules will damage specific GSK patent applications and inventions." GSK complained the Final Rules would retroactively impair its pending applications, which were filed under a system that permits as many continuations and claims as necessary to protect the disclosed subject matter.

A key issue is whether the Final Rules are substantive or merely procedural changes to patent law. GSK argued the rules are void because they are substantive and the USPTO lacks substantive rulemaking authority. GSK asserted the USPTO's rulemaking authority is restricted by statute to such procedural matters as governing the conduct of proceedings in the USPTO and facilitating and expediting the processing of patent applications. GSK urged the Final Rules are substantive because they "effect a change in existing law or policy which affect[] individual rights and obligations." *Animal Legal Def. Fund. v. Quigg*, 932 F.2d 920, 927 (Fed. Cir. 1991).

In its brief, GSK argued the "arbitrary and mechanical limit on continuing applications" and other restrictions in the Final Rules are contrary to established law, which places no such restrictions on patent applicants. Although the Final Rules would permit applicants to file a petition to seek to file a third or subsequent continuation, GSK characterized this option as illusory because such petitions would be denied in nearly all cases.

GSK further argued the Final Rules provide insufficient guidance for complying with the requirements of Examination Support Documents, which would be required if an applicant wishes to have more than five independent claims or 25 total claims examined in an application.

In addition to advancing similar arguments as GSK, Tafas stressed the USPTO did not comply with the requirements of the Administrative Procedures Act or the Regulatory Flexibility Act when it promulgated the rules. Tafas argued the USPTO lacks expertise to make a proper assessment of the economic impact of the

Final Rules.

The USPTO argued the Final Rules represent reasonable efforts to address its growing backlog of patent applications while providing applicants with adequate opportunities to secure patents. The USPTO urged that the Final Rules fall within its grant of rulemaking authority and are entitled to deference under *Chevron USA Inc. v. NRDC Inc.* , 467 U.S. 837 (1984). The government argued the distinction between substantive and procedural rules presents a "false dichotomy" because the statute is not so limiting. During oral argument, Assistant U.S. Attorney Wetzler urged the limitations on the number of continuations and claims are procedural matters, akin to restricting the number of times a litigant can request reconsideration by a tribunal or pursue a claim not colorably different than one already adjudicated.

The USPTO pointed out *In re Bogese*, 303 F.3d 1362 (Fed. Cir. 2002), authorized the rejection of applications on the ground of prosecution laches where an applicant failed to advance prosecution over a series of multiple continuation applications. The USPTO argued the Final Rules do not present retroactivity concerns because there are no property rights in patent applications — a proposition for which it relied on a 120-year-old Supreme Court decision, *Marsh v. Nichols, Shepherd & Co.*, 128 U.S. 605, 612 (1888).

A significant number of amicus briefs were filed, including the American Intellectual Property Law Association, IBM, and the Roskamp Institute in support of the plaintiffs. The USPTO received support from the AARP, the Public Patent Foundation, and the Software Freedom Law Center.

The district court is expected to issue a decision on summary judgment in the coming weeks.

Paul M. Rivard is a former U.S. Patent Examiner and currently is a shareholder of Banner & Witcoff Ltd. in Washington, D.C., where he practices intellectual property law with a focus on patent preparation and prosecution.
