

Court of Appeals Finds USPTO Rules Procedural And Remands To District Court

On March 20, 2009, the Court of Appeals for the Federal Circuit vacated the District Court's grant of summary judgment against the USPTO Proposed Rules. The Eastern District of Virginia had previously enjoined the enactment of these Rules finding the Rules substantive and outside the USPTO's authority to enact. Generally, the Rules would limit an applicants' right to file continuations (Rule 78) and Requests for Continued Examination (Rule 114), place restrictions on the total number of claims, and impose additional requirements, such as examination support documents, on applicants who file a certain number of claims (Rules 75 and 265). Each judge in the three-judge panel from the Federal Circuit issued an opinion. Judge Prost's majority opinion (joined by Judge Bryson):

1. Concluded that Final Rules 75, 78, 114 and 265 are procedural rules, therefore within the scope of the USPTO rulemaking authority;
2. Affirmed the District Court's grant of summary judgment invalidating Rule 78 (covering an applicant's ability to file continuation applications) because it conflicts with 35 USC §120;
3. Vacated the District Court's grant of summary judgment invalidating Rules 75,114 and 265; and
4. Remanded for further proceedings.

The District Court Proceeding

On August 21, 2007, the USPTO issued new rules with an intended effective date of November 1, 2007. The E.D. Va. preliminary injunction, subsequent decision, and the recent appellate decision by the Federal Circuit have focused on four of these rules. To view our article discussing in detail the proposed USPTO new rules, [click here](#). The four rules address two areas of patent prosecution. Rules 78 and 114 pertain to continuation applications and requests for continued reexamination, and Rules 75 and 265 pertain to restrictions on the number of claims an applicant may file. The District Court found that the USPTO exceeded its authority because all four contested rules covered substantive, and not procedural, changes. The USPTO appealed this decision to the Federal Circuit.

The Appeal

The USPTO alleged two main errors in the District Court's analysis. First, it argued that the District Court did not grant proper deference to the USPTO's rule making authority under *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.* Second, it argued that, even if the substantive/procedural framework is applicable, the Rules are procedural and thus within its authority. The Federal Circuit agreed with the District Court that the USPTO does not have substantive rulemaking power, but did give deference under *Chevron* to procedural rules issued by the USPTO. Both parties agreed that the USPTO has authority to make procedural rules, thus a substantial portion of the opinion analyzed what constitutes a procedural versus substantive rule. Once the Federal Circuit distinguished procedural and substantive, it characterized all four rules as procedural because they do not on their face "foreclose effective opportunity" by an applicant to present patent applications for examination.

The opinion analyzed each rule, taking into account the parties' arguments and including those set forth by various *amici*.

Rule 114: The Federal Circuit found permissible the limitation of one RCE filing per family. The USPTO argued that Section 132 does not require the grant of unlimited RCEs. The Court did not find this limitation inconsistent with 35 U.S.C. §132, and agreed with the USPTO's interpretation of Section 132 ('an application' does not necessarily refer only to a 'single application').

Final Rule 78: The Federal Circuit affirmed the District Court's grant of summary judgment finding this rule invalid because it conflicts with language in 35 U.S.C. §120. 35 U.S.C. §120 states that an application meeting four requirements *shall* have the same effect as the date of the prior application. The four requirements set forth in the statute combined with the term "shall" makes these four requirements the exclusive requirements for applications receiving the benefit of section 120. The Federal Circuit found that Final Rule 78 improperly attempts to create a fifth requirement - that an application not contain amendments, arguments, or evidence that could have been submitted earlier. Therefore, because of the unambiguous language set forth in 35 U.S.C. §120 setting forth the four requirements of this statute, the court held Final Rule 78 invalid.

Final Rules 75 & 265: When applicants present more than five independent claims or twenty-five total claims, these rules require submission of an examination support document (ESD) which includes a prior art search and analysis of the search results by applicant setting forth reasons supporting patentability of the claims. The Federal Circuit did not find these rules inconsistent with any of the four statutes (35 U.S.C. §§102, 103, 112, and 131) asserted by Plaintiffs. Although these rules required an additional procedural step for applications, the court found that the ESD does not alter the ultimate burdens of the examiner or applicant during examination.

Remand

Because of the complexity of this case, the Federal Circuit expressly summarized the issues for the District Court to address on remand. These issues included: 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.

A rehearing *en banc* may be likely given that this case produced three opinions from a three-judge panel (a majority, a concurrence, a concurrence-in-part dissent-in-part).