OLIFF & BERRIDGE, PLC
ATTORNEYS AT LAW
SPECIAL
REPORT

U.S. DISTRICT COURT PERMANENTLY ENJOINS IMPLEMENTATION OF THE U.S. PTO'S NEW RULES

April 1, 2008

Further to our October 31, 2007 Special Report, we are delighted to report that the U.S. District Court for the Eastern District of Virginia today issued a decision in the action against the U.S. Patent and Trademark Office (PTO) that permanently blocks the PTO from implementing the New Rules that were scheduled to take effect on November 1, 2007. Specifically, the Court declared the New Rules null and void because they are "not in accordance with law" and the PTO did not have the "statutory jurisdiction [and] authority" to issue the New Rules.

As a result, the New Rules, as they were finalized, will not take effect. There remains a strong likelihood that the PTO could appeal the District Court's decision to the U.S. Court of Appeals for the Federal Circuit. If such action is undertaken, we will report the details of the appeal and the appeal process to you.

There also remains a possibility that the PTO will promulgate a further-revised set of proposed rules in an attempt to meet its stated objective of requiring applicants to share more burden of the examination process. However, this is less likely in the face of the current decision. We will continue to monitor this situation and report further significant developments in future Special Reports.

I. Background

As we reported in our October 31, 2007 Special Report, the U.S. District Court for the Eastern District of Virginia issued a preliminary injunction enjoining the PTO from implementing the New Rules on November 1. The preliminary injunction temporarily blocked implementation of the New Rules to allow the Court an opportunity to decide on the legality of the New Rules.

At the Court's direction, an aggressive summary judgment motion briefing and hearing schedule was agreed upon by the parties. Volleys of motions, cross-motions, oppositions and memoranda supporting each party's positions were filed with the Court. Other papers filed with the Court included *amicus curiae* (friend of the court) briefs filed by many other companies, organizations and individuals. Overwhelmingly, these briefs opposed the New Rules. Thirty-one of the *amicus curiae* briefs were filed in opposition to the Rules. Three of the *amicus curiae* briefs were filed in support of the Rules.

On February 8, 2008, the Court heard oral argument in the summary judgment motions. At the end of two and one half hours of argument, Judge Cacheris indicated that he would take this matter under advisement.

II. The Decision By The Court

Today, Judge Cacheris issued an order granting the Plaintiffs' (Tafas and GlaxoSmithKlineBeecham) motions for summary judgment, and denying the PTO's motion for summary judgment. The Court declared the New Rules null and void and permanently enjoined the PTO from implementing them.

The Court found that the Final Rules are substantive in nature and that the PTO does not possess any general substantive rulemaking power. Citing several Federal Circuit cases, the Court noted a clear distinction between substantive and procedural rulemaking, a distinction that the Plaintiffs argued vigorously and that the PTO attempted to dismiss. The Court noted that the PTO's rulemaking "authority is limited to rules governing the 'conduct of proceedings' before the Office." As such, the PTO "does not have authority to issue substantive rules, and it does not have the authority to make substantive declarations

interpreting the Patent Act." The Court concluded that the PTO is not permitted "to promulgate substantive rules, and any rules that may be deemed substantive will be declared null and void." The Court, applying a standard that "any rule that 'affect[s] individual rights and obligations' is substantive, "determined that the scope of the New Rules is not procedural. Rather, the Court found that the rules were substantive for "chang[ing] existing law and alter[ing] the rights of applicants" under the Patent Act.

Notably, the Court indicated that implementing rules to (1) limit the number of continuing applications, (2) limit the number of RCE's, (3) limit the number of independent and total claims by imposing ESD requirements, (4) require applicants to perform prior art searches, and (5) shift the burden of examination away from the PTO is contrary to existing law.

The full Memorandum Opinion and Order are available on our website at www.oliff.com.

III. The Effect of Today's Decision By The Court

In view of the Court's ruling, the New Rules as they were previously structured will not be put into effect. Thus, there is no immediate need to take any action required by the New Rules as they were previously structured. Patent prosecution strategies that were in place under rules in effect before the New Rules were announced need not be modified at this time. All effects of the New Rules, including anticipated due dates and time limits for compliance with individual provisions contemplated by the New Rules, have been nullified.

However, in response to today's decision, the PTO is likely to continue to try to implement related rules. The PTO has made revision of the current rules to shift examination burdens to applicants a centerpiece of its 21st Century Strategic Plan. Thus, we expect the PTO to appeal this decision, and we would not be surprised to see further rule proposals involving similar concepts proposed by the PTO in the future.

In addition, the PTO is supporting certain aspects of proposed patent reform legislation currently before the U.S. Congress. The PTO is particularly supporting aspects of the proposed legislation that permit it to require patent applicants to submit "Applicant Quality Submissions (AQSs)," which are similar to the Examination Support Documents (ESDs) that were featured in the enjoined rules and highlighted as contrary to the existing statutes in the present opinion. Additionally, the PTO is supporting aspects of the proposed legislation that would specifically authorize the PTO to promulgate substantive rules, regulations and orders that the Director determines appropriate to carry out the provisions of U.S. law regarding patents, or that the Director determines necessary to govern the operation or organization of the PTO. The legislation could result in the Director being provided much less restricted rule-making authority that could effectively overturn the present District Court decision.

We will continue to report significant developments and recommend patent strategies and procedures that may be undertaken in view of any such developments.

* * * * *

Oliff & Berridge, PLC is a full-service Intellectual Property law firm based in historic Alexandria, Virginia. The firm specializes in patent, copyright, trademark, and antitrust law and litigation, and represents a large and diverse group of domestic and international clients, including businesses ranging from large multinational corporations to small privately owned companies, major universities, and individual entrepreneurs.

This Special Report is intended to provide information about legal issues of current interest. It is not intended as legal advice and does not constitute an opinion of Oliff & Berridge, PLC. Readers should seek the advice of professional counsel before acting upon any of the information contained herein.

For further information, please contact us by telephone at (703) 836-6400, facsimile at (703) 836-2787, e-mail at email@oliff.com or mail at 277 South Washington Street, Suite 500, Alexandria, Virginia 22314. Information about our firm can also be found on our web site, www.oliff.com.

スペシャル･レポートの日本語版は、英語版の発行後、二週間以内にウエッブ･サイトでご覧いただけます。