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REPORT

FEDERAL CIRCUIT ISSUES "NEW RULES" DECISION

March 20, 2009

The U.S. Court of Appeals for the Federal Circuit today issued its decision in the appeal relating to the controversial "New Rules" of the U.S. Patent and Trademark Office (*Tafas and GSK v. Dudas*). In that decision, the Court struck down New Rule 78 (limitation on the number of continuation applications) as being in conflict with the controlling statute (35 U.S.C. §120). The Court upheld New Rule 114 (limitation on the number of Requests for Continued Examination - RCE's), New Rule 75 (limitation on number of claims), and New Rule 265 (Examination Support Document - ESD - requirement).

The Federal Circuit's decision thus affirms-in-part (with respect to Rule 78) and reverses-in-part (with respect to Rules 114, 75 and 265) the decision of the U.S. District Court for the Eastern District of Virginia enjoining implementation of the New Rules, and remands the case back to the District Court for further action consistent with the Federal Circuit decision. In connection with that remand, the Federal Circuit emphasized that:

> Because of the complexity of this case and the numerous arguments presented on appeal and before the district court, we think it is important to expressly summarize what we believe remains for the district court on remand. This opinion does not decide any of the following issues: 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.

Thus, the fate of the New Rules on remand to the District Court is far from certain.

The decision was authored by Judge Prost with a concurrence by Judge Bryson and a dissent on all but the Rule 78 issue by Judge Rader. In his dissent, Judge Rader explains that he would have affirmed the injunction against implementation of any of the New Rules.

Either party may request rehearing by the entire Federal Circuit (rehearing *en banc*) and/or petition the U.S. Supreme Court to review the Federal Circuit decision. Any petition for rehearing *en banc* must be filed by May 4, 2009. If a petition for rehearing *en banc* is not filed, any petition for review by the Supreme Court must be filed by June 18, 2009. The Federal Circuit or Supreme Court may take several weeks or months to decide whether or not to conduct such a review, and a decision if further review is undertaken would likely not be made until next year. Furthermore, if the case were to be remanded to the District Court as mandated by the Federal Circuit's decision, the proceedings on remand would likely take at least several months, although the U.S. District Court for the Eastern District of Virginia is well known for acting promptly.

Furthermore, with the recent change in administration in the U.S. government, there is a reasonable possibility that the USPTO will take this opportunity to settle the action by withdrawing the New Rules at this time. However, a decision to take such action, to request rehearing *en banc*, or to file an appeal will likely not be made until a new USPTO Director is appointed, which in turn will not be until after a new Secretary of Commerce is confirmed.

In any case, due to the complex interaction among the New Rules, we believe that it is very unlikely that the New Rules will be promulgated with the mere deletion of Rule 78. We believe that the USPTO will go through another notice and comment process for any revised version of these rules. Thus, we believe that it is very unlikely that the New Rules will come into effect in the near future.

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A copy of the Federal Circuit decision, including the concurring and dissenting opinions, is available on our website at www.oliff.com.

We will continue to report further developments as they occur. Meanwhile, please do not hesitate to contact us with questions or comments.

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