

REPORT

**USPTO RESCINDS PROPOSED RULES
LIMITING CONTINUING APPLICATIONS AND CLAIMS**

October 9, 2009

I. Introduction

We are delighted to report that the United States Patent and Trademark Office (USPTO) announced yesterday that it has rescinded the Rules proposed in 2007 directed to the number of continuation applications and the number of claims that could be included in each patent application. These Rules, which the USPTO published in 2007, were the subject of lawsuits that resulted in the USPTO being enjoined from implementing the Rules. That injunction was appealed by the USPTO and the appeal is ongoing. The USPTO announced that it and GlaxoSmithKline ("GSK"), one of the Plaintiffs in the consolidated lawsuits, will jointly file a Motion to Dismiss and Vacate the District Court and Federal Circuit decisions that have thus far prevented the Rules from taking effect. Thus, it now appears that those Rules will not go into effect. If the Federal Circuit grants the parties' joint motion to dismiss the lawsuit and vacate the decisions, the matter should be concluded. Should, however, the decisions not be vacated, there is an open question to be resolved regarding the USPTO's rulemaking authority.

II. Background

On August 21, 2007, the USPTO published Final Rules on continuations and claims, indicating that they would generally take effect on November 1, 2007. See O&B Special Report dated August 31, 2007. An individual inventor, Triantafyllos Tafas, and GSK filed actions against the USPTO to enjoin implementation of the Rules. These actions were consolidated. The U.S. District Court for the Eastern District of Virginia ("District Court") first issued a preliminary injunction enjoining implementation of the Rules. See O&B Special Report dated October 31, 2007. On April 1, 2008, the District Court issued a Decision permanently enjoining the USPTO from implementing the

Rules. In that Decision, the District Court declared the Rules null and void because they were "not in accordance with law." The District Court also found that the USPTO did not have the "statutory jurisdiction [and] authority" to issue the Rules. See O&B Special Report dated April 1, 2008.

On March 20, 2009, the U.S. Court of Appeals for the Federal Circuit ("Federal Circuit") issued a Decision in the appeal from the District Court, which reversed, in part, the District Court's Decision. In its Decision, the Federal Circuit struck down the proposed rule limiting the number of continuation applications as being in conflict with controlling law. The Federal Circuit, however, reversed the District Court in upholding the USPTO's ability to promulgate rules concerning (1) limiting the number of Requests for Continued Examination, (2) limiting the number of claims in an individual application, and (3) implementing requirements for Examination Support Documents. The Federal Circuit also questioned, in part, the District Court's Decision regarding the extent of the USPTO's rule making authority. GSK successfully requested rehearing *en banc* in the Federal Circuit. See O&B Special Report March 20, 2009. Action in the rehearing before the Federal Circuit was stayed pending review by the USPTO's new Director, David Kappos, once he took office.

III. Discussion

With the action taken on October 8, the USPTO rescinded, in their entirety, the 2007 proposed Rules. The USPTO Press Release quotes Director Kappos as stating "the USPTO should incentivize innovation, develop rules that are responsive to its Applicants' needs and help bring products and services to market. These regulations have been highly unpopular from the outset and not well

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received by the applicant community. In taking the action we are announcing today, we hope to engage the applicant community more effectively on improvements that will help make the USPTO more efficient, responsive and transparent to the public."

In an effort to end the appeals, the USPTO and GSK will jointly file a Motion to Dismiss and Vacate the District Court and Federal Circuit decisions in the lawsuit. If the decisions are vacated, based on this joint Motion, any further litigation over the Rules as proposed in 2007 should end, and the decisions regarding the USPTO's rulemaking authority should be vacated.

There is a possibility that the Federal Circuit may not vacate the prior decisions. If this occurs, there remain open questions regarding the scope of the USPTO's rulemaking authority.

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

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