

REPORT

**U.S. DISTRICT COURT ENJOINS
THE IMPLEMENTATION OF THE U.S. PTO'S NEW RULES****October 31, 2007**

We are delighted to report that the U.S. District Court for the Eastern District of Virginia issued a preliminary injunction order today, enjoining the U.S. Patent and Trademark Office (PTO) from implementing the New Rules which were scheduled to take effect on November 1, 2007. The preliminary injunction is in effect until the Court can issue a decision on the legality of the New Rules.

As a result, pending further consideration and decision by the Court, patent applicants are not required to satisfy any requirements of the New Rules (please see our August 31, 2007 Special Report), and any due dates for taking required actions under the New Rules have been postponed until further notice. We will monitor this situation and report further significant developments in future Special Reports.

I. Background

An action against the PTO was filed on October 9, 2007 by SmithKlineBeecham Corp. doing business as GlaxoSmithKline ("Glaxo"). *SmithKlineBeecham Co. v. Dudas*, Civil Action No. 1:07-CV-01008 (E.D. Va.). Glaxo's Complaint alleged the following: (1) the PTO lacks the authority to issue substantive rules restricting patent applications; (2) the PTO lacks the authority to impose restrictions on the number of continuation applications; (3) the New Rules are beyond the PTO's power because they retroactively change the legal consequences of previously filed continuation applications and previously developed patent prosecution strategies; (4) the PTO lacks the authority to restrict the number of claims that can be presented in a patent application; (5) the New Rules' restrictions on Requests for Continued Examination (RCEs) are contrary to the Patent Act; (6) the New Rules are procedurally defective for failing to provide adequate notice; (7) the New Rules are vague and do not give sufficient notice on how to comply; and (8) the New Rules

are an unconstitutional and arbitrary and capricious taking of Glaxo's patent and patent application property rights.

On October 15, 2007, Glaxo moved for a preliminary injunction to block implementation of the New Rules pending the Court's further consideration of the case on the merits. Glaxo asserted that: (1) it would be irreparably harmed by the retroactive impact of applying the New Rules to pending patent applications; (2) the public interest is harmed by the loss of investments in important innovations; and (3) there is no prejudice to the PTO in delaying implementation of the New Rules to maintain the status quo by leaving the PTO's current application examination process in place. Several amicus briefs were filed supporting Glaxo's positions, including one by the American Intellectual Property Law Association (AIPLA).

Today, October 31, 2007, District Court Judge Cacheris conducted a hearing on Glaxo's motion for the preliminary injunction. Members of our firm attended this important hearing in order to provide a first-hand report to our clients.

II. The Hearing

The hearing was well attended by approximately 200 interested patent owners, practitioners and reporters. The hearing lasted about two hours. The arguments before the Court focused on the factors pertinent to a motion for a preliminary injunction, primarily likelihood of success on the merits, irreparable harm and the public interest. As to these factors, Glaxo argued, *inter alia*, that it is likely to prevail, and is entitled to a preliminary injunction, because the New Rules exceed the PTO's authority by substantially, adversely affecting Glaxo's (and other patent applicants') substantive rights, both retroactively and prospectively, in ways that conflict with the governing patent statutes and 100 years of statutory interpretation by the courts. Glaxo

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further argued that, by reason of the New Rules' restrictions on the number of continuations, RCEs and claims, Glaxo will begin to irreversibly lose its rights as soon as the New Rules go into effect, whereas the PTO will not be substantially harmed by postponement of the New Rules' effective date. In response, the PTO argued, *inter alia*, that the New Rules are only procedural in nature, and hence are within the PTO's province under 35 U.S.C. §2. The PTO further argued that, if the requested preliminary injunction is denied, Glaxo will not lose rights pending the Court's decision on the merits; by contrast, if the preliminary injunction is granted, the PTO will incur costs to put the New Rules on hold, and will lose its investment in training Examiners under the New Rules, given that Examiners will not be able to indefinitely retain what they have learned about the New Rules and re-training will therefore be required.

After hearing arguments from Glaxo and the PTO, the Court took a 20 minute recess and then returned to the courtroom to issue its decision. After congratulating all counsel on the quality of the briefs and presentations, Judge Cacheris granted Glaxo's motion for the preliminary injunction. Judge Cacheris did not articulate any reason for his decision, but he indicated that he would issue a written opinion later today (we will make the opinion available to you on our website at www.Oliff.com as soon as it becomes available to us). Almost everyone in the courtroom was happy about the decision, except the lawyers for the PTO.

III. The Preliminary Injunction

In view of the Court's ruling, the New Rules will not go into effect on November 1. Instead, the Court postponed implementation of the New Rules until the Court can further consider the legality of the New Rules.

The Court instructed the parties to agree upon a summary judgment motion briefing and hearing schedule for the Court to decide the case on the merits. In view of the complexity of the litigation surrounding the New Rules, the PTO indicated that the case could not be ready for decision by December. Thus, we believe the briefing and hearing schedule will extend at least into early 2008. Accordingly, even if the PTO ultimately prevails, it is unlikely that the New Rules will go into effect until mid-2008. Indeed, if Glaxo ultimately prevails, the New Rules will not take effect.

Of course, all of the above is dependent on whether the PTO decides to file an immediate appeal. At the hearing, the PTO did not mention whether it was contemplating such an appeal.

As a result of the preliminary injunction, there is no present need to take any action required by the New Rules, or to implement any new strategies that may have been planned if the New Rules became effective. Patent prosecution strategies that were in place under rules in effect before November 1 can continue. All due dates contemplated by the New Rules can be ignored for now. However, because the PTO may continue to try to implement related rules, including rules related to disclosure of other applications (which were not challenged by Glaxo), we suggest that efforts to ensure the completeness of patent application databases be continued at a reasonable pace.

We are delighted that the Court issued the preliminary injunction while it further considers the New Rules. We will continue to monitor this litigation and advise you of significant developments in future Special Reports.

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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.

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