



## Intellectual Property Advisory: Federal Circuit Issues Split Decision on PTO Continuation Rules

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In a long-awaited decision, the U.S. Court of Appeals for the Federal Circuit today issued a split decision partially upholding the authority of the U.S. Patent and Trademark Office (PTO) to impose strict new limits on patent applicants. The court struck down the PTO's proposed rule limiting the number of continuing patent applications that an applicant may file, but -- in a surprise to many patent attorneys -- upheld the right of the PTO to limit the number of claims in each patent application to no more than five independent claims and 25 total claims and the number of requests for continued examination (RCEs) that an applicant may file. One of the three panel members filed a dissenting opinion, arguing that all of the regulations were invalid. The lawsuit was originally filed by GlaxoSmithKline, which obtained an injunction in 2008 against the PTO's enactment of the proposed new regulations.

### **Authority of USPTO to Issue Substantive Rules Limited**

At issue on appeal was the PTO's statutory authority to issue regulations that are "substantive" in nature -- as opposed to merely "procedural" regulations. The court

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generally agreed with the plaintiffs that the PTO does not have authority to enact “substantive” regulations. After struggling with the distinction between “substantive” and “procedural,” the court nevertheless concluded that the proposed regulations were merely “procedural” in nature because they imposed new duties on applicants but did not completely foreclose applicants from filing more than the specified number of continuation applications or patent claims.

For example, the court pointed out that if an applicant desired to file more than the specified number of patent applications or patent claims, it could do so by following the proposed procedures set forth by the PTO. As many practitioners are aware, however, those detailed procedures are quite onerous and may weaken the scope of a patent in later litigation. Despite the fact that the PTO had published comments suggesting that requests to exceed the limit would rarely be granted, the court concluded that the PTO was not bound by those comments, and that applicants would be entitled to judicial review of such denials. The court also rejected Glaxo’s position that the detailed patentability statements and analysis that must be submitted in an Examination Support Document (ESD) – the mechanism by which the claim limits could be exceeded – might be so onerous and open ended as to subject patent applicants to charges of inequitable conduct.

### **Limits on Number of Continuing Applications Struck Down**

Although it concluded that the PTO’s limits on continuing applications were procedural in nature, the court nevertheless held that such limits were contrary to the U.S. patent statute and therefore invalid. Because Section 120 of the patent statute provides that later-filed patent applications claiming priority to an earlier application “shall have

the same effect” as the earlier-filed application, the court found that an arbitrary limit on the number of continuation applications was not permitted by the statute. The court also referred to prior court decisions holding that the statute did not permit arbitrary limits on the number of continuing applications.

### **Limits on Number of RCEs Upheld**

The appeals court reached a different conclusion concerning the PTO’s limits on the number of Request for Continued Examination (RCEs). Because RCEs were governed by a different section of the patent statute that contained different language, and because the different section specifically mentioned the authority of the PTO to enact regulations governing re-examination of applications under the RCE provisions, the court concluded that the PTO’s proposed regulations were not contrary to the statute.

### **Limits on Number of Claims Upheld**

The appeals court also upheld the authority of the PTO to limit the number of claims in a patent application unless an ESD is filed. Drawing an analogy to an earlier case in which the Federal Circuit had upheld the right of the PTO to require additional information from applicants, the court concluded that requiring an ESD in certain circumstances did not improperly shift the burden of proving patentability onto applicants.

### **Impact on Patent Applicants**

The court remanded the case to the district court for further review, and pointed out that nothing in its ruling prevented the district court from considering whether the new regulations had other defects, such as being impermissibly retroactive or being arbitrary and capricious. Given that part of the PTO’s rules were invalidated and the time

required for the district court to consider the remaining aspects of the case, it is unlikely that applicants will face an immediate change in PTO regulations. Nevertheless, as the dissenting opinion points out, patent applicants in certain technologies where large numbers of patent claims and continuation applications are frequently filed – for example, some pharmaceutical and chemical sectors – are likely to face increased costs for filing and prosecuting patent applications. As Judge Rader’s dissenting opinion noted, under the majority’s reasoning the PTO would apparently have the authority to impose such draconian regulations as limiting patent applicants to a five-page patent application. Time will tell whether the PTO will eventually prevail and what the impact will be on the patenting community.

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