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Federal Circuit Finds USPTO's Limitations on Continuations Invalid, but Upholds Limits on Claims and RCEs

On March 20, 2009, the United States Court of Appeals for the Federal Circuit decided the case of *Tafas v. Doll*, a case which addressed whether four newly-issued rules exceeded the scope of the United States Patent and Trademark Office's (USPTO) rule-making authority. These rules (collectively referred to herein as the "Final Rules") were issued on August 21, 2007 to address the large backlog of unexamined patent applications and the difficulty in examining applications containing large numbers of claims. The Federal Circuit concluded that all four Final Rules were procedural, not substantive, and within the scope of USPTO rule-making authority. However, on March 23, 2009, the USPTO stated that the rules will not be implemented at this time.

The Federal Court further established that such procedural rules made under the authority of 35 U.S.C. § 2, should be valid unless found to be inconsistent with other statutory law. The Federal Circuit ultimately held that Final Rules 114, 75 and 265 were valid under the USPTO's reasonable interpretation of relevant statutory law and that Final Rule 78 was invalid for being inconsistent with the unambiguous meaning of § 120.

Final Rule 114 enacts new procedures involving requests for continued examination (RCEs). Specifically, under the new rule, applicants are allowed only one RCE as a matter of right for an entire application family. For any additional RCE, applicants must file a petition "showing that the amendment, argument, or evidence sought to be entered could not have been submitted prior to the close of prosecution in the application."

The Court found that Final Rule 114 does not conflict with 35 U.S.C. § 132. Specifically, the Court held that applicants are not entitled to an unlimited number of RCEs and that "nothing prevents the USPTO from limiting the availability of the second and subsequent RCEs."

The Federal Circuit further held that Final Rules 75 and 265 were valid under the USPTO rule-making authority. Final Rule 75 requires that applicants who submit either more than five independent claims or twenty-five claims total provide the examiner with an examination support document (ESD) under Final Rule 265 before the issuance of the first Office Action on the merits. Final Rule 265 requires applicants to conduct a pre-examination prior art search to cover each claim of the application (whether dependent or independent), as well as to provide a list of the most relevant references, identify which limitations are disclosed by each reference, explain how each independent claim is patentable over the references and show where each limitation is disclosed in the specification.

Final Rule 78 places a limit on the number of continuation and continuation-in-part (CIP) applications. Final Rule 78 limits applicants to only two continuations unless a petition is filed that shows "that the amendment, argument, or evidence sought to be entered could not have been submitted during the prosecution of the prior-filed application." If applicants file a third continuation application and the petition fails to meet the requirements, then the application will be examined but it will not receive the filing date of the prior-filed application.

The Federal Circuit held that Final Rule 78 was inconsistent with 35 U.S.C. § 120. The Court found that as long as an application meets the four statutorily required conditions of § 120, the USPTO is required to consider the application as a continuation and it is entitled to the "benefit of the earlier filed application."

Numerous issues still remain for the district court on remand, including whether the Final Rules are arbitrary and capricious, are impermissibly vague or conflict with the Patent Act in ways not specifically addressed by this opinion. Likewise, it is still unknown whether the Final Rules are impermissibly retroactive (as being enforceable back to as early as November 1, 2007). It is further unknown whether an en banc rehearing by the Federal Circuit will be requested, whether the case will be appealed to the Supreme Court, or what implications this opinion could have in view of the new organization, policies and rules being presently enacted by the Obama Administration.

Practice Tips

The ruling in *Tafas v. Doll* could have ramifications for patent prosecution if Rules 114, 75, and 265 are put

into effect. The following practice tips may help patent practitioners better prepare in the event that these rules are implemented.

The Federal Circuit found Rule 78 to be invalid, which eliminated the limitation on the number of continuation applications applicants can file. However, the Federal Circuit found Rule 114, which limits the number of RCEs to one per family as a matter of right, to be valid. Applicants may take advantage of the unlimited number of continuations by filing them in situations where they would normally have filed an RCE (i.e., after a final rejection). The one RCE per family could then be saved for the most important application in the family, for example, where applicants seek to quickly obtain claims covering a competitor's product. In addition, applicants may benefit from prosecuting multiple applications for each invention in parallel, rather than in series, to avoid further delays associated with filing a continuation application instead of an RCE.

Since only one RCE is allowed per family of applications, applicants may wish to consider avoiding final rejections. For example, applicants might consider making stronger claim amendments in response to a first Office Action, or even presenting Declarations or other evidence strengthening their arguments. In addition, applicants may want to conduct an interview with the Patent Examiner after a first Office Action, in order to test the strength of their amendments or arguments before submitting them in a response.

The Federal Circuit upheld rules 75 and 265, which limit each application to five independent claims and twenty-five total claims (the 5/25 rule), or else require applicants to file an Examination Support Document (ESD). Applicants may consider amending currently pending, but unexamined, applications to comply with the 5/25 rule in order to avoid the requirement of an ESD. In addition, one or more continuation applications could be filed, including the claims cancelled from the original application. Applicants may also consider filing new applications to adhere to the 5/25 rule.

Venable invites you to contact us with any questions, comments or concerns you may have.

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