

The CAFC Decision in *Tafas v. Doll* (Fed. Cir. 3/20/2009)

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I. INTRODUCTION AND SUMMARY

On March 20, 2009, a panel of the Court of Appeal for the Federal Circuit ("CAFC") decided the USPTO's appeal of the District Court decision enjoining the USPTO's rules limiting applicants' rights to file claims, continuations, and Requests for Continued Examination (RCEs). However, the panel was fractured, with a two panel member majority opinion (Judges Prost and Bryson), a concurrence (Judge Bryson), and a concurrence in part and dissent in part (Judge Radar). Given the fractured nature of the panel decision and the fact that the panel remanded the case to the District Court for further proceedings, it is very likely that the enjoined rules will not come into effect in the near future. It is also likely that there will be rehearing en banc, given the fundamental differences in the views of the panel members, and given the tremendous impact the outcome of this case will have on patent law.

The majority held that the USPTO's rules limiting the number of continuations was invalid because it was contrary to statute. However, the majority held that the USPTO's rules requiring Examination Support Documents (ESDs) and limiting the number of RCEs to one per patent family were not contrary to specific statutory sections relied upon in the issues raised in the appeal.

The majority opinion also stated that the USPTO might be able to impose a weaker rule limitation on the number of continuations, specifically a limitation on the number of applications claiming priority in a chain back to an original application, as opposed to enjoined rule's limitation on the total number of priority claims to an original application.

The panel remanded the case to the District Court for consideration of other issues not addressed on appeal and charged the District Court with determining if the ESD and RCE rules were invalid in view of those other issues.

Given the majority's indication that a weaker rule limitation on continuations might not be invalid, and the majority's imprimatur on limitations on RCEs and ESDs, applicants should start planning accordingly, despite ongoing legal uncertainty. Specifically, applicants should be setting applications up for appeal instead of assuming that they will be able to continue prosecution.

The following section reviews the specific holdings of the majority decision.

II. SPECIFIC HOLDINGS OF THE MAJORITY

1. Final rules limiting claims and continuation and requiring ESDs were found to be procedural, not substantive, and therefore USPTO's interpretations of corresponding statutory sections were subject to deference. ("Having concluded our discussion of why the Final Rules are procedural,..."). Therefore, Chevron deference applies to the USPTO's interpretation of Patent Act provisions relating thereto ("Because each of the rules is procedural, we must, as

discussed above, give Chevron deference to the USPTO's interpretation of the provisions of the Patent Act that relate to 'proceedings in the Office.'

2. FINAL RULE 78 limiting the number of continuations found to be inconsistent with statute and therefore invalid. ("We agree with the district court that Final Rule 78 is inconsistent with 120,..."). However, the USPTO might be able to limit the number of serial priority claims, as opposed to the total priority claims to an original application. ("However, the issue in Henriksen was whether there was a 'limit to the number of prior applications through which a chain of copendency may be traced to obtain the benefit of the filing date of the earliest of a chain of copending applications.' Id. at 254. In other words, the question related to the permissible length of a chain of serial continuation applications, not the total number of continuation applications that may be filed. Specifically, the dispute was over the meaning of clause [3b] identified above 'an application similarly entitled to the benefit of the filing date of the first application.' Id. at 260-61. The ambiguity in clause [3b], however, cannot save Final Rule 78. The Final Rule limits continuation applications on the basis of the total number of such applications previously filed, not on the length of a given serial chain of such applications. 37 C.F.R. 1.78(d)(1)(i)(B). By its terms, Final Rule 78 would apply to an applicant who seeks to file three continuation applications while the first application is still pending, even though each of these applications falls squarely within clause [3a] and would thus satisfy any reasonable interpretation of clause [3] and the rest of 120. Therefore, while we must defer to the USPTO's reasonable interpretation of clause [3], there is no such interpretation that preserves the validity of Final Rule 78.")

3. FINAL RULE 114 limiting the applicant to filing one RCE per patent family was found to not be inconsistent with statute and therefore not invalid. ("We do not find that 132 unambiguously dictates that its provisions be applied on a per application basis. Cf. Henriksen, 399 F.2d at 258 ("So read, 'an application' does not necessarily refer only to a single application."); 1 U.S.C. 1 ("[W]ords importing the singular include and apply to several persons, parties, or things . . ."). Therefore, because we defer to the USPTO's reasonable interpretation of the statute, we conclude that Final Rule 114 can properly be applied on a per family basis. See Cooper Techs., 536 F.3d at 1337-38.")

4. FINAL RULES 75 and 265 imposing 5/25 claim limitations and requirements to file ESDs was found to be not inconsistent with statute and therefore not invalid. ("However, we need not decide whether the USPTO may impose a limit on the number of claims an applicant can pursue because we do not find that the ESD requirement creates any such limit. Rather, it simply requires that an ESD be submitted if more than five independent or twenty-five total claims are included in certain sets of copending applications. Because we cannot, as discussed above, conclude that Final Rules 75 and 265, on their face, effectively foreclose applicants from successfully submitting ESDs, we similarly cannot conclude that these rules place an absolute limit on claim numbers in violation of 112, [paragraph] 2.")

III. THE MAJORITY'S CONCLUSION

The majority concluded as follows, summarizing its holding, and explaining the limitations on its decision that the District Court should address on remand.

III. CONCLUSION

For the foregoing reasons, we conclude that the Final Rules 75, 78, 114, and 265 are procedural rules that are within the scope of the USPTO's rulemaking authority. However, we find that Final Rule 78 conflicts with 35 U.S.C. 120 and is thus invalid. Accordingly, we affirm the district court's grant of summary judgment that Final Rule 78 is invalid, vacate its grant of summary judgment with respect to Final Rules 75, 114, and 265, and remand for further proceedings consistent with this opinion.

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.

COSTS

Each party shall bear its own costs.

AFFIRMED-IN-PART, VACATED-IN-PART, AND REMANDED

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