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Federal Circuit Strikes Down USPTO's Rule Placing Limits on Continuations, but Substantially Broadens the USPTO's Rulemaking Authority

A recent decision by a three judge panel of the Federal Circuit Court of Appeals, Tafas v. Doll, makes it more likely that the USPTO will enjoy expanded authority to implement new rules that restrict patent applicants' rights before the Patent Office as it struck down only one proposed new USPTO rule that placed a limit on how many continuation patent applications may be filed as a matter of right. The proposed new rules which the Federal Circuit declined to block are those which (1) limit the number of claims in a patent application to no more than 25 total claims, of which no more than 5 can be independent, unless the applicant conducts a pre-examination search and provides the USPTO with an Examination Support Document (ESD), and (2) limit the number of RCEs that may be filed by an applicant as a matter of right.

Relying on somewhat conflicting rationales to support its decision, the Federal Circuit decided by 2-1 that (1) the USPTO rules at issue were procedural in nature rather than substantive, and (2) the USPTO is entitled to deference in how it interprets the patent statutes with respect to whether its rules are inconsistent with the patent statutes.

In 2007, the USPTO announced a number of new rules which would have created dramatic changes with respect to how patent applicants interact with the USPTO. Shortly before these rules were scheduled to take effect on November 1, 2007, the United States District Court for the Eastern District of Virginia issued an injunction at the request of several parties to prohibit the USPTO from implementing these rules. Later, the District Court ruled on summary judgment that several of the new rules were invalid because the nature of these new rules exceeded the USPTO's rulemaking authority. The USPTO appealed this closely watched case, and on March 20, 2009, the Federal Circuit Court, in a divided 2-1 panel decision, affirmed the summary judgment in part, vacated the summary judgment in part, and remanded the case to the District Court for further proceedings.

5/25 Limit and ESD Requirement for Claims:

The Federal Circuit held that the "5/25" limit on claims is within the USPTO's rulemaking authority. The Federal Circuit also held that the rule requiring that an applicant submit an ESD to obtain examination for claims in excess of the "5/25" limit is within the USPTO's rulemaking authority. If these rules are implemented, the USPTO will generally limit examination in a single patent application to a maximum of 25 total claims, of which a maximum of 5 claims may be independent. In order to pursue claims in excess of the "5/25" limit, the applicant must file an ESD, which requires an applicant to conduct an extensive prior art search and explain in detail how each claim is patentable over each of the prior art references uncovered by the search. ESDs are not viewed with favor - not only are ESDs expected to create another layer of expense, but they will also present fertile grounds for later restriction of claim scope, estoppel, etc.

Limit of One RCE per Patent Family

The Federal Circuit also held that the rule which generally limits applicants to one RCE per application family is within the USPTO's rulemaking authority. If this rule is implemented, each patent family would be limited to only one RCE as a matter of right across the entire family, absent extraordinary circumstances.

Limit of Two Continuation Applications per Patent Family

The Federal Circuit blocked the new rule placing a numerical limit on how many continuation applications that an applicant may file as a matter of right because this rule is inconsistent with the Patent Act. This rule would generally have limited applicants to a maximum of two children patent applications (continuations or continuations-in-part) that claim priority to a parent patent application, absent extraordinary circumstances.

Future Developments

The Federal Circuit's decision did not address various other grounds that the parties asserted at the District Court to challenge the new rules. Thus, the Federal Circuit remanded this case to the District Court for further proceedings, with explicit instructions for the District Court to consider:

- whether the remaining new rules are invalid as being "arbitrary and capricious"
- whether the remaining new rules conflict with aspects of the Patent Act not specifically addressed by the Federal Circuit
- whether all USPTO rulemaking is subject to notice and comment rulemaking under the Administrative Procedure Act
- whether any of the remaining new rules are impermissibly vague
- whether any of the remaining new rules are impermissibly retroactive.

Thus, the question of whether the USPTO will actually implement the new rules remains unresolved. Given the divided nature of this Federal Circuit panel decision, we further note that it is possible that the full Federal Circuit may take up this appeal en banc, which would create the potential for changes to all aspects of this Federal Circuit panel decision. An appeal to the U.S. Supreme Court also remains a possibility, which would similarly create the potential for changes to all aspects of this Federal Circuit panel decision.

If you have any questions about this decision, please contact any of the following: Benjamin L. Volk, Jr., Richard E. Haferkamp, Kevin M. Kercher, Thomas A. Polcyn or Alan H. Norman at (314) 552-6000. You may also contact your Thompson Coburn attorney. For a full listing of our practice area members, visit our Intellectual Property Group online.