

INTELLECTUAL PROPERTY PRACTICE

## COURT ENJOINS NEW PTO RULES

On October 31, 2007, a federal trial judge in Virginia issued a preliminary injunction against the United States Patent and Trademark Office (“PTO”) enjoining the PTO from implementing controversial new rules placing limits on the filing of continuation applications and requests for continued examination (“RCEs”) and limiting the number of claims that may be filed in each application. *See Tafas v. Dudas*, Nos. 07-846/07-1008 (E.D. Va. Oct. 31, 2007). The new PTO rules were to become effective on November 1, 2007.

### BACKGROUND

On January 3, 2006, the PTO proposed rule changes to limit the number of continuing applications, RCEs, and claims that an applicant could file. The PTO explained these limitations are necessary if the PTO is to eliminate its growing backlog of unexamined applications. Despite receiving a host of negative comments during the four month public comment period, the PTO published final new rules to take effect on November 1, 2007.

The new rules allow an applicant to file as a matter of right only two continuation or continuation-in-part applications, plus a single RCE, after an initial application. In addition, for any application, or family of applications sharing patentably indistinct claims, with more than five independent claims or twenty-five total claims, the applicant must file an examination support document (“ESD”) to assist the PTO in examining the application. The ESD must include copies of the prior art references most closely related to the application’s claims and a detailed explanation of why each independent claim is patentable over the references.

GlaxoSmithKline (“GSK”), the second largest pharmaceutical company in the world, filed a complaint against the PTO on October 9, 2007, seeking a declaratory judgment that the new rules are contrary to law. On October 31, 2007, the court conducted a hearing on GSK’s motion for a preliminary

injunction regarding the scheduled November 1, 2007 implementation of the new rules.

### DECISION

In granting a preliminary injunction, the court ruled GSK had demonstrated a likelihood of success on the merits of its claims that:

- the new rules are outside the scope of the PTO’s rulemaking authority;
- the limitation on the number of continuing applications runs contrary to statutory mandate;
- the requirements for the ESD are unconstitutionally vague; and
- the new rules have an impermissibly retroactive effect.

In addition, the court found that:

- if the new rules were allowed to go into effect on November 1, 2007 as scheduled but are later invalidated, the plaintiffs would suffer irreparable harm;
- the hardship to the PTO of delaying implementation, while real, did not outweigh the harms faced by the plaintiffs; and
- the public interest was better served by granting the preliminary injunction.

In particular, the court was not persuaded by the PTO’s argument that the new rules do not affect the substantive rights of patent applicants. The court noted that the new rules do not impose an absolute bar on more than two continuing applications or one RCE. However, the court apparently gave

significant credit to GSK's argument that the new rules impose a "de facto limit" because the PTO can be expected to deny petitions to file additional continuations or RCEs in "almost all circumstances."

With regard to retroactive effect, the court stated that the new rules "qualify as impositions of new duties with respect to already-completed transactions—here, the initial applications." Noting that inventors voluntarily surrender trade-secret property rights in exchange for the guarantee of a "full and fair opportunity" to seek adequate patent protection from the PTO, the court held that the new rules "retroactively alter the bargain on which inventors like GSK rely in making their decision to surrender their rights."

## CONCLUSION

Although only a preliminary ruling, the district court's decision is an important initial victory for patent applicants, most of whom have vigorously opposed the new rules. The PTO has not yet announced whether it will appeal the district court's grant of the preliminary injunction. Regardless of any appeal of the preliminary ruling, the case still must proceed to a final ruling on the merits, upon which the preliminary ruling will have no binding effect. A final decision is not expected until some time in 2008. Until further notice, the PTO will continue processing and examining patent applications under the rules and procedures in effect on October 31, 2007.

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