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***Tafas v. Doll* and the US Patent and Trademark Office's Final Rules**

On March 20, 2009 the Court of Appeals for the Federal Circuit (CAFC) issued its long-awaited decision in *Tafas v. Doll*, No. 2008-1352 (March 20, 2009). To the likely dismay of many patent lawyers and their clients, the CAFC reversed in substantial part a lower court decision that had invalidated four of the new rules (collectively, the "Final Rules") promulgated by the US Patent and Trademark Office (USPTO) in 2007 that some had characterized as "draconian" in their application. The CAFC returned the case to the district court for further proceedings.

In 2008 the number of utility applications filed at the USPTO rose by 6 percent to 466,147.¹ In that same year approximately 157,774 new utility patents were issued. The USPTO now says it has a backlog of more than 1.2 million patents pending approval. Citing the need for a focused and effective examination process to reduce the large and growing backlog of unexamined applications while maintaining or improving the quality of issued patents, the USPTO promulgated the Final Rules, which included changes to the practice for continuing applications, requests for continued examination, multiple applications containing patentably indistinct claims and the examination of claims in applications. Before the Final Rules took effect, they were challenged as exceeding the power of the USPTO to promulgate and the CAFC's decision arises from that challenge.

The Final Rules at Issue

- **Final Rule 78.**² Under current patent practice, there is no limit to the number of continuation applications that an applicant can file. Under Final Rule 78, however, an applicant is allowed to file only two continuation applications as a matter of right. If an applicant wishes to file a subsequent continuation application, the applicant is required to file a petition showing that the amendment,

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argument or evidence sought to be entered could not have been submitted during the prosecution of the prior-filed application. If the applicant cannot make the requisite showing the USPTO will accept the application for examination but will refuse to enter, or will delete if present, any claim for priority.

- **Final Rule 114.**³ Under current patent practice, there is no limit to the number of requests for continued examination (RCE) that an applicant can file. Under Final Rule 114, however, an applicant is permitted to file only one RCE as a matter of right in a given patent application family. For each additional RCE, the applicant is required to 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.
- **Final Rule 75.**⁴ Under this Final Rule, an applicant who submits either more than five independent claims or 25 total claims is required to provide the examiner with an examination support document (ESD), described below. Under current patent practice, an applicant may include as many claims as necessary in a patent application without having to produce such document.
- **Final Rule 265.**⁵ If an ESD is required, Final Rule 265 requires an applicant to conduct a pre-examination prior art search, 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 in the specification each limitation is disclosed. Under current patent practice there is no such ESD requirement.

The CAFC Decision

The CAFC held that the district court had erred in concluding that these Final Rules were substantive and not procedural. This determination – that the Final Rules were procedural – was crucial because the USPTO has the power to make procedural rules, but is not empowered to change the law through substantive rule-making. The CAFC further held that Final Rules 75, 114 and 265 were consistent with the Patent Act. As to Final Rule 78, however, the CAFC held it was inconsistent with section 120⁶ of the Patent Act, which states that "an application for patent...filed by an inventor or inventors named in the previously filed application *shall* have the same effect, as to such as invention, as though filed on the date of the prior application." The CAFC determined that the use of "shall" in the statute indicated that an application that meets the requirements explicitly stated in the statute *must* receive the benefit provided by the statute. Thus,

the CAFC held Final Rule 78 invalid because it attempts to impose on a patent applicant an additional requirement that is foreclosed by the statute.

The CAFC's decision may not immediately impact patent applicants, but at the conclusion of the present litigation a set of rules is likely to emerge that could severely limit how a patent applicant can prosecute a patent application at the USPTO. Although the CAFC did not tip its hand as to other potential problems with the Final Rules, such as vagueness and retroactivity, the opinion was strikingly silent as to any criticism of the Final Rules on the grounds of public policy. Finally, the CAFC held the rules are merely procedural. Thus, even if the Final Rules are ultimately invalidated, for whatever reason, there is nothing stopping the USPTO from issuing a new set of "Final Rules" correcting any deficiency. As the litigation continues in the District Court for the Eastern District of Virginia, patent applicants should begin preparing themselves for a more expensive and difficult process for procuring patents in the USPTO.

If you have any questions regarding the *Tafas v. Doll* decision and how it could affect your patent applications, please contact your principal Squire Sanders intellectual property lawyer or one of the lawyers listed in this Alert.

¹ IFI Patent Intelligence, based in Wilmington, Delaware.

² 37 CFR §1.78.

³ 37 CFR §1.114.

⁴ 37 CFR §1.75.

⁵ 35 CFR §1.265.

⁶ 35 USC §120.

The contents of this update are not intended to serve as legal advice related to individual situations or as legal opinions concerning such situations. Counsel should be consulted for legal planning and advice.

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