

U.S. Patent & Trademark Office Rescinds 2007 Proposed Rules

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On October 8, 2009, the U.S. PTO announced it was officially rescinding the controversial patent rules that it proposed in 2007, but which never went into effect. The PTO explained that under the proposed rules “patent applicants felt unduly restricted [in] their capacity to protect intellectual property.” These proposed rules have been rescinded via a Final Rule signed by new PTO Director David Kappos, who was only recently sworn in on August 13, 2009. As part of the PTO announcement, a rationale was provided that offers some insight into the direction the PTO may take under Director Kappos. In the October 8th announcement, Director Kappos stated: “The USPTO should incentivize innovation, develop rules that are responsive to its applicants’ needs and help bring their products and services to market.” The announcement also acknowledged that the proposed rules “have been highly unpopular from the outset and were not well received by the applicant community” and continued on to state that “[i]n taking the actions we are announcing today, we hope to engage the applicant community more effectively on improvements that will help make the USPTO more efficient, responsive, and transparent to the public.”

Last week’s announcement came on the heels of a leaked email from Director Kappos to patent examiners where in late September he reportedly stated that “patent quality does not equal rejection” and advised that “[w]hen a claimed invention meets all patentability requirements, the application should be allowed expeditiously” The recent statements from the PTO are made at a time when patent allowance rates are falling ever lower with a PTO-reported allowance rate of only 41% in mid-year 2009, which was down even further from an already low rate of 44% in 2008. In fact, allowance rates have steadily fallen every year, but one, from a high of 72% in 2000, after spending over twenty years between 60% and 70%.

The rescission of the proposed rules is also expected to end the federal court litigation that was instituted in 2007 by SmithKline Beecham Corporation, SmithKline Beecham PLC and Glaxo Group Limited (hereinafter “GlaxoSmithKline”) against the PTO. During its two year pendency, the litigation had already engendered a litany of decisions. Initially, on October 31, 2007, the day before the proposed rules were scheduled to take effect, the U.S. District Court for the Eastern District of Virginia entered a preliminary injunction stopping implementation of the proposed rules. That preliminary injunction was made final by the district court in April 2008 after it granted summary judgment that the four proposed rules exceeded the scope of the PTO’s rulemaking authority. The district court decision (and accompanying injunction) was then appealed to the Federal Circuit Court of Appeals which via a panel decision in March 2009 overturned a substantial part of the district court’s decision, vacating-in-part, affirming-in-part and remanding to the district court. Thereafter, in July 2009, the Federal Circuit granted a petition for rehearing en banc, meaning the entire court would reconsider the March 2009 decision after additional briefing. Shortly thereafter, the Federal

Circuit granted a joint motion and ordered a stay of the en banc proceeding until 60 days after confirmation of the then current nominee for Under Secretary of Commerce for Intellectual Property and Director of the PTO (David Kappos). In last week's announcement, the PTO made known that it would be filing a joint motion with GlaxoSmithKline asking the Federal Circuit to dismiss the appeal and vacate the Federal Circuit decision.

The now rescinded rules were initially proposed in January 2006 and met with strong resistance from the patent community. After collecting over 500 comments from government agencies, universities, IP organizations, law firms, industry, patent practitioners and the general public, the PTO modified the proposed rules and published final rules in August 2007 that were scheduled to take effect on November 1, 2007. While modified from the original January 2006 proposed rules, the proposed final rules still caused a wave of concern among the patent community, followed by a plethora of discussions and suggestions about how to best adapt patenting strategy to deal with the broad changes the rules would have brought about.

The proposed final rules, as published in August 2007, had four main provisions. First, the rules would have restricted the number of continuation applications, continuation-in-part applications and requests for continued examination that an applicant could file without justification in an application "family." Second, the proposed rules would have limited the number of continuation applications that could be filed without justification as a divisional application, based on a restriction requirement. Third, in an effort to reduce the filing of patent applications with large numbers of claims, the proposed rules sought to add a requirement that an applicant submit an examination support document in those applications including more than five independent claims or more than twenty-five total claims. Finally, the proposed rules would have limited the filing of multiple applications on a single invention by allowing a limited number of claims in an initial application and two continuation or continuation-in-part applications unless an examination support document or appropriate justification was provided. The examination support document provided for in the proposed rules included a pre-examination search statement, a listing of references most closely related to the claims, an identification of which claim limitations were present in the references, a detailed explanation of patentability over the cited references and a showing of 35 U.S.C. § 112, paragraph 1, support when priority to a previous application was claimed.

While it is clear that the 2007 proposed rules are now gone, what is not so clear is the scope of the PTO's rulemaking authority. While no new rules have been published or proposed by the PTO, Secretary of Commerce Gary Locke's recent letter to the Senate Judiciary Committee clearly requests the PTO's Director be given "substantive rulemaking authority." Precisely what "substantive rulemaking authority" means and just what future rules the PTO may attempt to enact remains unknown.

Additional Information

To learn more about the U.S. PTO's rules and regulations, and patent filing and prosecution before the U.S. PTO, please contact:

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