

New rules

The new patent office rules create hubbub. **Interviewed by Curt Harler**

While the law is tied to tradition, it is an ever-changing body of rules and knowledge. Recently, changes were made in the United States Patent and Trademark Office's (PTO) rules that may be detrimental.

Smart Business asked William A. Munck, chairman of the Intellectual Property section at the Dallas law firm of Munck Butrus Carter, P.C., to update us on PTO's latest changes and why they may hurt patent applicants.

Why does it seem as though the U.S. PTO is amending its rules all the time?

The PTO continually proposes initiatives that the PTO believes will make its operations more efficient, will ensure that the patent application process promotes innovation and will improve the quality of issued patents.

As with any government entity, sometimes those changes are more effective than other times. One of the most controversial proposed rule changes occurred in August 2007 when the PTO published a 'final rule notice' in the Federal Register. This final rule revises the PTO's rules of practice in patent applications relating to continuing applications and requests for continued examination practices and for the examination of claims in patent applications. Substantially all patent practitioners believe that the proposed final rules, if implemented, will both severely and negatively alter traditional patent prosecution practice.

How can the application of the new rules result in so much damage to the patent applicant?

Under the new rules, the restrictions on patent claim drafting and on continuation practice are both retroactive and fairly capricious. Implementing the final rules will, as a practical matter, cause patent applicants to strongly consider abandoning pending patent claims or, worse, entire patent applications.

The proposed rules include limitations that effectively limit the patent applicant to two continuation patent applications and



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one request for continued examination per patent family, whereas the current rules have no such limitations. Another fairly oppressive modification limits the patent applicant to five independent claims and 25 total patent claims per patent family, whereas applicants previously have had no such limitations.

If these rules are implemented ultimately, and in substantial part, retroactively, patent applicants will be forced to surrender the existing claim scope without first having adequate opportunity or consideration before the PTO. This is a violation of the patent applicant's rights.

By way of example, David Kappos, chief patent counsel for IBM, went on record to state that in order for IBM to comply with the retroactive requirements of new rules more than 30,000 issued patents and patent applications would have to be reviewed. Kappos stated that, in addition to the time, IBM would incur over \$10 million in legal fees and internal expenses — exclusive of any loss of intellectual property rights.

Several parties filed suit against the Commissioner of Patents, is that correct?

Yes. The proposed new rules were opposed in separate lawsuits filed by GlaxoSmithKline (Glaxo) and earlier by

Triantafyllos Tafas, a sole inventor, and supported by amicus curiae briefs from the American Intellectual Property Lawyers Association; Elan Pharmaceutical Corp.; HEXAS LLC, The Roskamp Institute, and Tikvah Therapeutics, Inc.; the pharmaceutical manufacturer's trade organization; the Biotechnology Industry Organization; as well as a letter from Senator Charles Schumer of New York. Each of these parties uniformly opposed the proposed new rules.

On Nov. 1, 2007, Judge James Cacheris of the Eastern District of Virginia issued what is perhaps the most important ruling in U.S. patent law this year. Judge Cacheris granted Glaxo's motion for a temporary restraining order and preliminary injunction against the Commissioner of Patents to prevent the PTO from implementing its new continuation and claims rules.

The court found preliminarily that the PTO was not granted substantive rule-making authority under the law. The court voiced 'serious concerns' that the new rules are contrary to the Patent Act, citing authority holding that the PTO did not have the power to restrict an applicant from filing a continuation application.

At the end of the day, do you believe that the new rules will be implemented?

The proposed new rules exceed the Commissioner's and the PTO's statutory authority, and the rules are contrary to the Patent Act. We feel that retroactive application of the new rules to pending applications is prohibited under the law to retroactive application of agency regulations. Fundamentally, irreparable harm will be in the uncertainty that the proposed new rules create and in the negative impact on investment that would follow from such uncertainty.

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