

**Keywords:** Chevron deference; substantive rule; procedural rule

**General:** The U.S.P.T.O. does not have substantive rulemaking authority. The U.S.P.T.O. is entitled to Chevron deference with respect to procedural rules.

*Triantafyllos Tafas v. John J. Doll*  
No. 2008-1352 (Fed. Cir. March 20, 2009)

## I. Facts

On January 3, 2006, the United States Patent and Trademark Office (the “Office”) issued two notices in the Federal Register that related to proposed rule changes. The proposed rules set out changes to the patent examination process that would limit the number of continuing applications, Requests for Continued Examinations (“RCEs”), and claims that an applicant could file as a matter of right. The Office justified the rule changes on the ground that the number of claims in applications and the number of continuation applications filed had crippled the Office’s ability to examine newly-filed applications. After the comment period ended, the Office published the Final Rules on August 21, 2007.

Final Rule 78 permits an applicant to file two continuation or continuation-in-part (“CIP”) applications as a matter of right. Final Rule 114 permits an applicant to file one RCE per application family as a matter of right. Additional filings could be filed with a petition showing that the amendment, argument, or evidence could not have been previously presented. If the PTO rejects the petition, the application will be accepted, but no priority claim granted.

Final Rule 75 permits an applicant to present a total of five independent claims or twenty-five total claims for examination without providing additional information. If either limitation is exceeded, the applicant would have to provide an “examination support document” (“ESD”) to assist the Examiner’s examination of the claims. Final Rule 265 sets forth the requirements of the ESD, which include a mandatory prior art search, identification of the most relevant references, identification of claim limitations disclosed by each reference, an explanation of how each claim is patentable over the references, and a showing of support in the specification for each claim limitation.

After the Final Rules were published, Tafas and GlaxoSmithKline (collectively, the “Appellees”), filed suit against the U.S.P.T.O. seeking preliminary and permanent injunctions prohibiting the Office from implementing the Final Rules on various grounds. The district court preliminarily enjoined enforcement of the Final Rules and subsequently granted Appellees’ motion for summary judgment of the invalidity of the Final Rules based on a determination that the Final Rules were substantive in nature and that the U.S.P.T.O. lacks substantive rulemaking authority. The U.S.P.T.O. timely appealed.

## II. Issues

- A. Does the PTO have substantive rulemaking authority?
- B. Is the PTO’s statutory interpretation entitled to deference under Chevron?
- C. Are the Final Rules substantive?
- D. Are the Final Rules consistent with the Patent Act?

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### III. Discussion

- A. No. 35 U.S.C. § 2(b)(2) empowers the Office to “establish regulations, not inconsistent with the law” to “govern the conduct of proceedings in the Office.” The panel sided with the Appellees in deciding that a substantive/procedural rule distinction did exist and that the U.S.P.T.O. does not have substantive rule making authority. In particular, the case law with regard to § 2(b)(2) limits the Office’s rulemaking authority to rules governing the “conduct of proceedings” before the Office (i.e., to procedural rules), as set forth in 35 U.S.C. § 2(b)(2)(A). Thus, the Court found that 35 U.S.C. § 2(b)(2) does not permit the USPTO to promulgate substantive rules.
- B. Yes and no. In Chevron, the Supreme Court set forth the legal analysis for determining whether a government agency’s interpretation of its own statutory mandate would be granted deference. Under Chevron, a two-part test is administered. Under the first step, a determination is made whether the statute is ambiguous or if there is a gap in the delegated authority that the legislature intended the agency to fill. If the statute is unambiguous and the agency’s interpretation is contrary to the statute, the interpretation is unreasonable and not permitted. If the statute is ambiguous or expansive, a determination is made as to whether the agency’s interpretation of the statute is reasonable. If the interpretation is reasonable, deference is granted to the agency’s interpretation of the statute.

In the present case, the majority did not agree that Chevron deference should be extended as to whether 35 U.S.C. § 2(b)(2) provides substantive rulemaking authority to the U.S.P.T.O. The majority did not clearly articulate why Chevron deference was not accorded with respect to the issue of substantive rule making authority though one might assume that it was because 35 U.S.C. § 2(b)(2) was not ambiguous in withholding substantive rule making authority.

However, the majority found that, with respect to procedural rules, which are within the scope of the U.S.P.T.O.’s delegated rule making authority, Chevron deference is proper. Therefore, when reviewing procedural rules issued by the U.S.P.T.O., the majority would grant deference to the agency’s interpretation of statutory provisions related to the exercise of the delegated rule making authority.

- C. No. The majority found that the district court’s test that “any rule that ‘affect[s] individual rights and obligations’” was substantive was overly broad. The majority instead noted that a rule could result in a substantive loss of rights but still be procedural in nature if the rule did not “foreclose effective opportunity to make one’s case on the merits.” While declining to formulate a definitive test for distinguishing between procedural and substantive rules, the majority, based on this observation, concluded that the Final Rules were procedural in nature. In particular, the majority indicated that the Final Rules governed the “timing of and materials that must be submitted with patent applications” and, thus, conceivably altered the manner in which an applicant presented their views to the U.S.P.T.O., but did not foreclose the applicant from having an effective opportunity to present patent applications for examination.

Based on this analysis, the majority indicated that Final Rules 78 and 114 (covering continuations and RCE practice respectively) merely set forth *timing* requirements and that time schedules fell on the procedural end of the spectrum. With respect to Final Rules 75 and 265 (limiting the number of claims that can be filed without an ESD), the majority noted that the Final Rules may place a burden of production on the applicant, but that the burden of persuasion remains on the Examiner as to the rejection of claims.

- D. Yes and no. Because the majority found that the Final Rules were procedural and that the U.S.P.T.O. was entitled to deference with respect to procedural rules promulgated by the agency, the final step was to determine whether the Final Rules were reasonable in view of the statutory provisions. If the statute is ambiguous or silent with respect to the subject matter of the proposed rules, the issue is whether the proposed rule is based on a permissible construction of the statute at issue.

With respect to Final Rule 78 limiting continuations, the majority found that this rule was inconsistent with the clear and unambiguous language of 35 U.S.C. § 120, which lists four requirements which, if met, accords an application a priority date of a previously filed application. Final Rule 78 would add an additional requirement to those listed, which is contrary to the plain language of the statute. Final Rule 78, therefore, is not valid.

With respect to Final Rule 114 limiting RCEs, the majority found that 35 U.S.C. § 132 does not unambiguously dictate that its provisions are to be applied on a per application basis or that availability of RCEs cannot be limited. Final Rule 114, therefore, is not invalid.

With respect to Final Rules 75 and 265 limiting the number of claims that can be filed without submission of an ESD, the majority found that these rules did not limit the number of claims that could be filed. Further, the majority found, with respect to the search requirement, that the U.S.P.T.O. was not prohibited from requesting the information, e.g., a search statement and so forth, even if the applicant would have to take additional action to acquire the information. In addition, the majority disagreed that the Final Rules shifted the burden regarding patentability to the applicant. Final Rules 75 and 265, therefore, are not invalid.

**Issues Still to be Decided:** The majority opinion clarified that the following issues remain to be decided by the district court on remand:

- 1) whether any of the Final Rules are arbitrary and capricious (i.e., the APA analysis)
- 2) whether any of the Final Rules conflict with the Patent Act in ways not presently addressed,
- 3) whether all U.S.P.T.O. rulemaking is subject to notice and comment
- 4) whether any of the Final Rules are impermissibly vague
- 5) whether the Final Rules are impermissibly retroactive.

**Judge Bryson:** In the concurrence, Judge Bryson expressed the opinion that the question of whether the U.S.P.T.O. could promulgate rules did not hinge on the abstract inquiry of whether a rule was substantive or procedural. In Judge Bryson's view, the relevant analysis is determining what Congress has empowered the agency to do in the way of rulemaking, here an analysis of 35 U.S.C. § 2(b). Thus, Judge Bryson's analysis would have been merely to determine whether the Final Rules were of the type that Congress authorized in 35 U.S.C. § 2(b) as that provision has been construed by the Federal Circuit.

Judge Bryson also expressed an opinion that the invalidation of Final Rule 78 was narrow and drawn to the circumstance of co-pending, i.e., parallel, continuations. Judge Bryson did not believe the present analysis necessarily applied to what he construed as serial continuances where the latest continuation is not co-pending with respect to the first application.

**Judge Rader:** Judge Rader concurred with respect to the majority's invalidation of Final Rule 78 and otherwise dissented from the majority opinion. In particular, Judge Rader expressed the opinion that the Final Rules are substantive, not procedural, and would therefore have affirmed the district court.

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**Relevant Statutes**

**35 U.S.C. § 2 Powers and duties.**

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(b) SPECIFIC POWERS.- The Office-

- (1) shall adopt and use a seal of the Office, which shall be judicially noticed and with which letters patent, certificates of trademark registrations, and papers issued by the Office shall be authenticated;
- (2) may establish regulations, not inconsistent with law, which-
  - (A) shall govern the conduct of proceedings in the Office;
  - (B) shall be made in accordance with section 553 of title 5;
  - (C) shall facilitate and expedite the processing of patent applications, particularly those which can be filed, stored, processed, searched, and retrieved electronically, subject to the provisions of section 122 relating to the confidential status of applications;
  - (D) may govern the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the Office, and may require them, before being recognized as representatives of applicants or other persons, to show that they are of good moral character and reputation and are possessed of the necessary qualifications to render to applicants or other persons valuable service, advice, and assistance in the presentation or prosecution of their applications or other business before the Office;
  - (E) shall recognize the public interest in continuing to safeguard broad access to the United States patent system through the reduced fee structure for small entities under section 41(h)(1) of this title; and
  - (F) provide for the development of a performance-based process that includes quantitative and qualitative measures and standards for evaluating cost-effectiveness and is consistent with the principles of impartiality and competitiveness;

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**35 U.S.C. § 112 Specification.**

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

A claim may be written in independent or, if the nature of the case admits, in dependent or multiple dependent form.

Subject to the following paragraph, a claim in dependent form shall contain a reference to a claim previously set forth and then specify a further limitation of the subject matter claimed. A claim in dependent form shall be construed to incorporate by reference all the limitations of the claim to which it refers.

A claim in multiple dependent form shall contain a reference, in the alternative only, to more than one claim previously set forth and then specify a further limitation of the subject matter claimed. A multiple dependent claim shall not serve as a basis for any other multiple dependent claim. A multiple

dependent claim shall be construed to incorporate by reference all the limitations of the particular claim in relation to which it is being considered.

An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.

**35 U.S.C. § 120 Benefit of earlier filing date in the United States.**

An application for patent for an invention disclosed in the manner provided by the first paragraph of section 112 of this title in an application previously filed in the United States, or as provided by section 363 of this title, which is filed by an inventor or inventors named in the previously filed application shall have the same effect, as to such invention, as though filed on the date of the prior application, if filed before the patenting or abandonment of or termination of proceedings on the first application or on an application similarly entitled to the benefit of the filing date of the first application and if it contains or is amended to contain a specific reference to the earlier filed application. No application shall be entitled to the benefit of an earlier filed application under this section unless an amendment containing the specific reference to the earlier filed application is submitted at such time during the pendency of the application as required by the Director. The Director may consider the failure to submit such an amendment within that time period as a waiver of any benefit under this section. The Director may establish procedures, including the payment of a surcharge, to accept an unintentionally delayed submission of an amendment under this section.

**35 U.S.C. § 131 Examination of application.**

The Director shall cause an examination to be made of the application and the alleged new invention; and if on such examination it appears that the applicant is entitled to a patent under the law, the Director shall issue a patent therefor.

**35 U.S.C. § 132. Notice of rejection; reexamination.**

(a) Whenever, on examination, any claim for a patent is rejected, or any objection or requirement made, the Director shall notify the applicant thereof, stating the reasons for such rejection, or objection or requirement, together with such information and references as may be useful in judging of the propriety of continuing the prosecution of his application; and if after receiving such notice, the applicant persists in his claim for a patent, with or without amendment, the application shall be reexamined. No amendment shall introduce new matter into the disclosure of the invention.

(b) The Director shall prescribe regulations to provide for the continued examination of applications for patent at the request of the applicant. The Director may establish appropriate fees for such continued examination and shall provide a 50 percent reduction in such fees for small entities that qualify for reduced fees under section 41(h)(1) of this title [35 USC 41(h)(1)].