



Injunction blocks new USPTO rules

At the 11th hour – in fact, on the day before they were due to come into force – controversial new USPTO rules on continuation practice and claiming were blocked by a court in Virginia

In late August, just a few days after its new rules were published in the Federal Register, (when many were away on vacation or preparing to send children off to school) the US Patent and Trademark Office (PTO) sponsored a webcast of these long anticipated changes to US patent practice. The rule changes, that were set to come into effect on 1st November 2007, were introduced by the PTO in the face of a growing backlog of applications (a September 2007 GAO report to Congress quantifies the current backlog at 730,000 applications. The PTO also reported that in fiscal 2007, its almost 5000 patent examiners examined approximately 360,000 applications).

The rule changes were drastic – the previously unlimited numbers of claims in an application were effectively limited to five independent and 25 total claims. In addition, the new rules allowed for only two continuing applications and one request for continuing examination that could be filed during prosecution of a patent application. Previously, these were unlimited as well. The intent, said the PTO, was to make the patenting process more effective and more efficient.

The response from the patent legal community was immediate. The day after the announcement, Triantafyllos Tafas, the chief technology officer of Ikonisys of New Haven, Connecticut, filed suit against the PTO, seeking to enjoin implementation of the new rules. A few weeks later, this initial assault on the rules was strongly reinforced when pharmaceutical giant GSK joined the fight to block implementation of the new rules. In the meantime, under an air of uncertainty following the initial PTO announcement, firms all over the country (indeed, the world) scrambled to understand and to prepare their clients for the effects of the rule changes.

However, on 31st October – just one day before the rules were to take effect – a

dramatic turn of events occurred. Judge James C Cacheris of the US District Court for the Eastern District of Virginia, at the conclusion of a long, tense and packed hearing, issued an order granting a preliminary injunction to prevent the proposed rule changes from coming into force.

In reaching its decision, the court analysed the four factors relevant necessary to provide preliminary injunctive relief:

(1) the likelihood of success on the merits; (2) whether irreparable harm will occur if the injunction is not granted; (3) the balance of hardships between parties; and (4) the public interest.

Success on the merits

In the analysis of the likelihood of success on the merits, plaintiffs successfully argued that Congress never granted the PTO authority to make substantive rule changes (that effectively truncated a statutory entitlement to file continuation applications), and that the rule changes were indeed substantive. Furthermore, the plaintiffs argued (persuasively) that the rule changes were unfairly retroactive (since many applications that would be subject to the new rules had long since been published effectively extinguishing any trade secrets they contained) and vague.

Irreparable harm

The court also held that the plaintiff, GSK, had shown it was likely to suffer irreparable harm if the injunction was not granted due to the loss of the rights of their over 2,000 pending patent applications. GSK showed that the new rules would truncate the number of claims, and therefore the full patent protection of the inventions developed and applied for under the old rules would not be granted, a clear violation of the American Constitution.

Balance of hardships

On the issue of balancing the hardships between the parties, the PTO alleged that because of the millions of dollars spent in training staff and retooling computers, they would endure the hardship of stopping and reversing course in the midst of massive changes to their organisation. However, GSK

argued that the harm suffered by the PTO is in the form of sunk costs already incurred for actions taken to implement rules that they knew might not go into effect. As such, any costs incurred by a preliminary injunction would be merely to maintain the *status quo*. Although the court agreed that the PTO would have some hardship, it held that the uncertainty and loss of investment that would be suffered immediately by GSK tipped the balance in their favor.

Public interest

As to the public interest factor, the PTO argued that the rule changes promote efficiency and timeliness and are needed immediately to lessen the harm inventors suffer due to the untenable delays under the current rules. The PTO also argued that an injunction would only serve to spread further uncertainty as how to proceed with prosecution. However, GSK asserted that preserving the status quo would best serve patent holders. The three *amicus* briefs (filed in support of the motion for preliminary injunction) served to demonstrate to Judge Cacheris the depth of the opposition to the new rule changes, and how prevalent that opposition was in many diverse organisations. Judge Cacheris concluded that the public interest factor mitigated in favor of the *status quo*.

Based on his weighing of the preliminary injunction factors, Judge Cacheris granted Tafas and GSK's Motion for preliminary injunction. As a result of this ruling, the patent legal community can take a (very short) deep breath and return to business as usual, for now. A preliminary injunction is just that – a temporary stay of the new rules. A trial on the merits is scheduled in early 2008 and it is expected that the case will be decided later next year. In the meantime, the PTO is reportedly busy working on more rule changes. Stay tuned.

Paul Devinsky and Michael Fogarty are partners in the Washington DC office of McDermott Will & Emery LLP. As members of the Intellectual Property, Media & Technology Department, both counsel on patent procurement, licensing and litigation