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USPTO Rule Change Could Raise Costs For Appellants

By **Shannon Henson**

Law360, New York (October 17, 2008) -- A U.S. Patent and Trademark Office rule change regarding appeals potentially limits the arguments appellants can advance and will make the process more costly and time-consuming for intellectual property practitioners and their clients, lawyers say.

Prompted by a dramatic increase in appeals, the USPTO is streamlining the appearance of briefs by demanding certain fonts and formatting. It is also capping the maximum number of pages at 30 and requiring additional analysis.

The USPTO published a notice in the Federal Register in June announcing the final rules for ex parte appeals before the USPTO's Board of Patent Appeals and Interferences. The changes are set to become effective in December.

Citing a rapid increase in ex parte appeals as its motivation, the USPTO argues that the changes will lead to increased efficiencies. Ex parte appeals are filed by patent applicants dissatisfied with the result of examination of their application by the patent examiner.

In fiscal year 2007, the board received 4,639 ex parte appeals – over 1,000 more than in the fiscal year prior. Allen MacDonald, vice chief administrative patent judge with the USPTO, said the office anticipates handling more than 10,000 such appeals by 2010.

Given the substantial workload that must be handled in a timely way, the USPTO needs to make sure the briefs can be easily read, MacDonald said.

The USPTO says that the rule changes force examiners to produce the reasons for rejections earlier in the appeal process. Examiners will no longer provide a response to the reply brief and new grounds of rejection will no longer be permitted in examiners' answers.

But intellectual property attorneys are concerned with the requirements set out for appeals briefs. David Boundy, assistant general counsel of intellectual property at Cantor Fitzgerald LP, said the USPTO is requiring inclusions that "have nothing to do with what's in dispute."

The changes are "far more costly and shift the burden of proof," Boundy said. "Right now it's always on the patent office to show unpatentability by a preponderance of evidence. And they are shifting it so that in a close case the examiner wins."

Bernard Codd, a partner with McDermott Will & Emery, said he and other attorneys suspect the USPTO is changing the rules with the hopes that the rules will dissuade people from filing appeals. The more stringent rules would also allow the office to reject more appeals on procedural matters, he said.

The rule change calls for appeals to contain a statement of facts section, among other things. Codd said that the section will make preparation more difficult, increasing the time and cost of putting briefs together.

"I think they are concentrating on form over substance," Codd said. "The reason to do that is to decrease the number of appeals because applicants think twice about appealing. It's also more expensive for our clients."

Codd said that a 30-page brief would generally be sufficient to make a case, but noted that the new statement of facts section will chew up real estate.

Petitioners can ask to exceed the page limits, but Sterne, Kessler, Goldstein & Fox director Eldora Ellison said it is unlikely many such petitions would be granted because it would obviate the purpose of the page limit rule.

While practitioners understand the USPTO is stretched thin, they are unsure as to whether the rule change achieves the proper balance between patent applicants and the office.

"A lot of people look at it from the standpoint that here the PTO is again increasing the burden on patent practitioners in order for it to deal with the limitations it faces," said Ellison.

James Surber, an associate at Bryan Cave, said the rules place more of a burden on practitioners, but that many of the changes seem to be consistent with the practices of appellate courts.

He said that the analysis requirements will take a lot of work to complete and the page limit "could make life very difficult for appellants."

"I can appreciate that these new rules tend to expedite things for the PTO," Surber said. "My take on it would be that it's something that we should have expected to come at some point."

MacDonald said that concerns from the patent bar raised during the public comment period were taken into consideration before the final rules were released.

"We, in fact, made major changes to reduce the burden. The comment process was extremely helpful in helping us to come up with a better set of rules."

He added that contrary to the beliefs of some attorneys, the office believes fewer appeals will be rejected because of procedural mistakes.

The briefing rules are similar to a controversial rules package proposed in 2007 by the USPTO in that both are attempts to make the agency more efficient.

The rules package was struck down by Judge James C. Cacheris of the U.S. District Court for the Eastern District of Virginia in April, after a finding that the agency did not possess the proper authority to make them.

The ruling handed a victory to plaintiffs Dr. Triantafyllos Tafas, an inventor, and pharmaceutical giant GlaxoSmithKline. The USPTO has appealed the district court decision to the U.S. Court of Appeals for the Federal Circuit.

The rules would have allowed applicants to file only two new continuing applications and one request for continued examination unless they could provide a convincing argument for why the additional information in question was not previously submitted.

The new rules would also have limited applications to 25 claims, including no more than five independent claims, unless the applicants could demonstrate why the additional claims were necessary.

Currently applicants can automatically file an unlimited number of continuations and, in principle, their applications can have an unlimited number of claims.

--Additional reporting by Jacqueline Bell

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