

THE COALITION FOR 21ST CENTURY PATENT REFORM

Protecting Innovation to Enhance American Competitiveness

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Substantive Rule-Making Authority for the USPTO Director

Current Law – 35 U.S.C. § 2(b)(2)(A) provides that “The Office...may establish regulations, not inconsistent with law, which...shall govern the conduct of proceedings in the Office...” The Federal Circuit has interpreted this section as a limited grant of authority: “As we have previously held, the broadest of the PTO's rulemaking powers – 35 U.S.C. § 6(a) [now Section 2] – authorizes the Commissioner to promulgate regulations directed only to ‘the conduct of proceedings in the [PTO]’; it does not grant the Commissioner the authority to issue substantive rules.”

S.1145/H.R. 1908 – would provide that, “in addition to the authority conferred by other provisions of this title, the Director may promulgate such rules, regulations, and orders that the Director determines appropriate to carry out the provisions of this title or any other law applicable to the United States Patent and Trademark Office or that the Director determines necessary to govern the operation and organization of the Office.”

Coalition Position – the case for this provision has not been made. The Coalition therefore recommends further study and consultation with all stakeholders before legislation is passed in this area. Moreover, the proposed language does not contain the important limitation of regulatory authority in current title 35 “not inconsistent with law.” The potential for unintended (and unknown) consequences is too great to adopt this provision without a full appreciation of its impact on patent system users.

Public Policy Rationale – the difference in Congress granting the authority to establish regulations to conduct proceedings in the Office vs. substantive rulemaking as provided in the legislation is significant. With substantive rulemaking authority, the rules and determinations by the Office would then have the “force and effect of law” and would be entitled to the controlling deference set forth in *Chevron*. Such a broad grant of authority would trigger a much higher level of deference to the PTO on questions of law and mixed questions of law and fact. To illustrate, rather than promulgating guidelines regarding the Office’s interpretation of utility under § 101 or obviousness standards under § 103, the Office could draft substantive rules applying the Office’s interpretation and setting forth a rule-based interpretation of the statute. Such rules and the resulting determination would have the force and effect of law, which would be entitled to the *Chevron* deference. The determination of the Office would be sustained unless the Court found the rule or determination to not be a “reasonable one.” Such important public policy determinations are far more properly made by Congress which can reflect the needed delicate balance of competing policies. Congress is in the best position to make the policy trade-offs to achieve the constitutional mandate to promote the sciences.

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