

---

---

No. 2008-1352

---

RECEIVED  
OCT 06 2008

**United States Court of Appeals  
for the Federal Circuit**

---

TRIANTAFYLLOS TAFAS,

*Plaintiff-Appellee,*

AND

SMITHKLINE BEECHAM CORPORATION (D/B/A GLAXOSMITHKLINE), SMITHKLINE  
BEECHAM PLC, AND GLAXO GROUP LIMITED (D/B/A GLAXOSMITHKLINE),

*Plaintiffs-Appellees,*

v.

JON DUDAS, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR  
OF THE UNITED STATES PATENT AND TRADEMARK OFFICE, AND UNITED STATES PATENT  
AND TRADEMARK OFFICE,

*Defendants-Appellants.*

---

Appeal from the United States District Court for the Eastern District of Virginia in consolidated  
case nos. 1:07-CV-846 and 1:07-CV-1008, Senior District Judge James C. Cacheris

---

**BRIEF OF *AMICI CURIAE* INTELLECTUAL VENTURES, LLC, THE  
GENERAL ELECTRIC COMPANY AND DOLBY LABORATORIES, INC.,  
IN SUPPORT OF APPELLEES & AFFIRMANCE**

---

John M. Neukom  
SUSMAN GODFREY LLP  
1201 Third Ave., Ste. 3800  
Seattle, WA 98101  
(206) 516-3832

Matthew C. Rainey  
INTELLECTUAL VENTURES, LLC  
227 Bellevue Way, PMB 502  
Bellevue, WA 98004  
(425) 467-2300

Buckmaster De Wolf  
GENERAL ELECTRIC CO.  
3135 Easton Turnpike  
Fairfield, CT 06828  
(203) 373-2211

Heath Hoglund  
DOLBY LABORATORIES, INC.  
100 Potrero Avenue  
San Francisco, CA 94103  
(415) 558-0200

*Principal Attorney for  
Amicus Intellectual  
Ventures, LLC*

*Of Counsel for Amicus  
Intellectual Ventures, LLC*

*Principal Attorney for  
Amicus General  
Electric Co.*

*Principal Attorney for  
Amicus Dolby  
Laboratories, Inc.*

October 3, 2008

---

---

**CERTIFICATE OF INTEREST  
FOR *AMICUS CURIAE* INTELLECTUAL VENTURES, LLC**

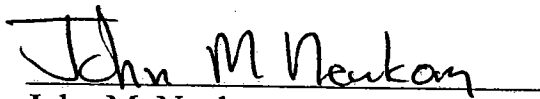
Counsel for the *amicus* Intellectual Ventures, LLC, certifies the following:

1. The full name of every party or amicus represented by me is:  
Intellectual Ventures, LLC.
2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is: None.
3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are: None.
4. The names of all lawyers, law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

John M. Neukom, Principal Attorney  
SUSMAN GODFREY LLP  
1201 Third Ave., Ste 3800  
Seattle, WA, 98101

Matthew C. Rainey, Of Counsel  
INTELLECTUAL VENTURES, LLC  
227 Bellevue Way, PMB 502  
Bellevue, WA 98004

Dated: October 3, 2008

  
\_\_\_\_\_  
John M. Neukom

**CERTIFICATE OF INTEREST  
FOR *AMICUS CURIAE* GENERAL ELECTRIC COMPANY**

Counsel for the amicus the General Electric Company certifies the following:

1. The full name of every party or amicus represented by me is: the General Electric Company.
2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is: None.
3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are: None.
4. The names of all lawyers, law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

Buckmaster De Wolf, Principal Attorney  
GENERAL ELECTRIC CO.  
3135 Easton Turnpike  
Fairfield, CT 06828

Dated: October 3, 2008

Buckmaster De Wolf.  
Buckmaster De Wolf

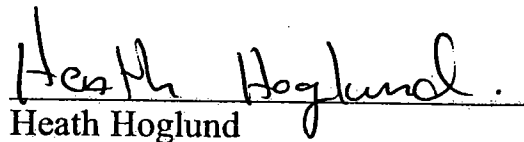
**CERTIFICATE OF INTEREST  
FOR *AMICUS CURIAE* DOLBY LABORATORIES, INC.**

Counsel for the amicus Dolby Laboratories, Inc., certifies the following:

1. The full name of every party or amicus represented by me is: Dolby Laboratories, Inc.
2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is: None.
3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are: Dolby Laboratories, Inc., which joins this brief as an *amicus curiae*, is a California corporation. It is owned 100% by Dolby Laboratories, Inc., a Delaware corporation and a NYSE listed company (DLB).
4. The names of all lawyers, law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

Heath Hoglund, Principal Attorney  
DOLBY LABORATORIES, INC.  
100 Potrero Avenue  
San Francisco, CA 94103  
(415) 558-0200

Dated: October 3, 2008

  
Heath Hoglund

~ TABLE OF CONTENTS ~

CERTIFICATES OF INTEREST .....	ii
TABLE OF AUTHORITIES.....	vi
SUMMARY OF ARGUMENT .....	1
<i>AMICI CURIAE</i> INTELLECTUAL VENTURES, GENERAL ELECTRIC AND DOLBY LABORATORIES .....	2
ARGUMENT .....	4
I.    This Court Should Affirm the District Court's Finding That The Final Rules Are Substantive And Thus <i>Ultra Vires</i> , But Should Also Affirm That The Final Rules Should Be Voided Expressly On The Separate, Dispositive Basis That They Are Contrary To The Existing Patent Law.....	4
a.    For reasons well established in the record, the Final Rules are contrary to the existing patent law .....	4
b.    For numerous compelling reasons, this Court should affirm the District Court's Order on the independent ground that the Final Rules are contrary to the existing patent law.....	7
i.    Affirmance on the basis of illegality will preserve judicial economy and avoid piecemeal litigation .....	10
ii.   Affirmance on the basis of illegality will safeguard Congress' authority over the patent law.....	11
iii.  Affirmance on the basis of illegality will ensure predictability for the PTO and the public regarding the patent prosecution process.....	12
CONCLUSION .....	13

~ TABLE OF AUTHORITIES ~

Cases:

*American Hoist & Derrick Co. v. Sowa & Sons, Inc.*,  
725 F.2d 1350 (Fed. Cir. 1984)..... 7 n.1

*Bailey v. Dart Container Corp. of Mich.*,  
292 F.3d 1360 (Fed. Cir. 2002)..... 8 n.2

*Ernst & Ernst v. Hochfelder*, 425 U.S. 185 (1976) .....4-5

*Filipino Accountants' Assn. v. State Bd. of Accountancy*,  
155 Cal. App. 3d 1023 (Cal. App. 3 1984)..... 9 n.3

*FMC Corp. v. Hennessy Indus., Inc.*, 836 F.2d 521 (Fed. Cir. 1987) ..... 7 n.1

*FMC Corp. v. Manitowoc Co.*, 835 F.2d 1411 (Fed. Cir. 1987)..... 7 n.1

*Frazier v. Roessel Cine Photo Tech, Inc.*, 417 F.3d 1230 (Fed. Cir. 2005) ..... 7

*Graham Eng'g Corp. v. United States*, 510 F.3d 1385 (Fed. Cir. 2007)..... 5

*Gurley v. Peake*, 528 F.3d 1322 (Fed. Cir. 2008)..... 10

*In re Henricksen*, 399 F.2d 253 (C.C.P.A. 1968) ..... 6

*In re Hogan*, 559 F.2d 595 (C.C.P.A. 1977) ..... 6

*Nordberg, Inc. v. Telsmith, Inc.*, 82 F.3d 394 (Fed. Cir. 1996)..... 7 n.1

*In re Oetiker*, 977 F.2d 1443 (Fed. Cir. 1992)..... 7

*In re Wakefield*, 422 F.2d 897 (C.C.P.A. 1970) ..... 7

Statutes:

5 U.S.C. § 706..... 4

35 U.S.C. §§ 1 *et seq.* ..... *passim*

U.S. Const. Art. I, § 8(8)..... 11

Other Authorities:

37 C.F.R. § 1.75 ..... 6

37 C.F.R. §§ 1.78 & 1.114..... 5-6

37 C.F.R. § 1.265 ..... 7

Fed. R. App. P. 10 ..... 9 (8 n.2 *cont.*)

Patent Reform Act of 2007, H.R. 1908, 110th Cong. § 1 (2007)..... 8

Patent Reform Act of 2007, S. 1145, 110th Cong. § 2 (2008)..... 8

Patent Reform Act of 2008, S. 3600, 110th Cong. (2008)..... 7-8

~ SUMMARY OF ARGUMENT ~

*Amici curiae* Intellectual Ventures, LLC, the General Electric Company, and Dolby Laboratories, Inc. (collectively, *Amici*), support the decision of the District Court invalidating the “Final Rules” of the United States Patent & Trademark Office (PTO) principally on the grounds that they are substantive, and thus unlawful given Congress’ lack of delegation of substantive rulemaking authority to the PTO. *Amici* also support Appellees’ arguments that the Final Rules are alternatively improper for being contrary to the existing patent law, vague and retroactive.

Aside from lodging their support for those arguments, *Amici* submit this brief to assert the discrete argument that of the four independently valid grounds for affirmance available to this Court, one ground in particular—that the Final Rules contradict the existing patent law—presents unique advantages over the others. Affirming expressly on that particular ground will serve the federal policy of avoiding piecemeal litigation; safeguard the authority of Congress (not the PTO) to legislate patentability requirements; and lend predictability to future patent prosecution proceedings for the PTO and the public.

~ AMICI CURIAE ~

**INTELLECTUAL VENTURES, GENERAL ELECTRIC, AND DOLBY LABORATORIES**

*Amici* file this brief pursuant to Fed. R. App. P. 29(a). The undersigned counsel represents that all named parties in the captioned matter have consented.

Intellectual Ventures: IV is a company that invents and invests in invention. IV has more than 350 staff dedicated to invention, including at the doctorate level computer scientists, technical analysts, material scientists, aeronautical engineers, biomedical engineers, nuclear engineers, electrical engineers, mechanical engineers, chemists, optical engineers, software engineers, biotechnologists, physicists and mathematicians. IV operates a laboratory dedicated to testing and proto-typing in-house inventions. IV's patent prosecution team has hundreds of years of collective experience in patent prosecution, evaluation, licensing and enforcement.

While IV is a relatively small enterprise, it is an unusually high-volume customer of the PTO: IV has filed over 1,400 patent applications, been issued over 50 patents, and owns over 20,000 patents and applications. The PTO's promulgated "Final Rules," because they would so substantially affect inventor and patentee rights in their departure from the existing patent law, would have a substantial effect on IV's business operations.

General Electric: GE is one of the largest and most diversified industrial corporations in the world. Since its incorporation in 1892, GE has developed a

wide variety of products for the generation, transmission, control, and utilization of electricity. GE is also a major supplier of other major technologies and services, including healthcare products, security products for homeland security, nuclear-power support services, and commercial and military jet aircraft engines. GE is also a global leader in financial services and has a significant presence in the entertainment industry through its NBC Universal subsidiary. Total research and development expenditures at GE were \$4.1 billion in 2007. GE has a substantial active patent portfolio, with over 22,000 United States patents, 820 of which were issued last year, and over 42,000 patents worldwide.

Dolby Laboratories: Dolby develops and delivers products and technologies that make the entertainment experience more realistic and immersive. For more than four decades, Dolby has been at the forefront of defining high-quality audio and surround sound in cinema, broadcast, home audio systems, cars, DVDs, headphones, games, televisions, and personal computers. Dolby's technologies have been included in more than 3 billion products through licenses with major manufacturers throughout the world.

Dolby has over 1,100 employees, including technicians, engineers, researchers and scientists who are vital to Dolby's patent process. Its worldwide portfolio includes over 1,400 issued patents and over 1,900 pending applications. For fiscal year 2007, Dolby spent more than \$44 million for research and development.

~ ARGUMENT ~

**I. This Court Should Affirm the District Court's Finding That The Final Rules Are Substantive And Thus *Ultra Vires*, But Should Also Affirm That The Final Rules Should Be Voided Expressly On The Separate, Dispositive Basis That They Are Contrary To The Existing Patent Law**

*Amici* urge this Court to affirm the District Court's decision on the basis that the PTO has no authority to issue substantive rules for the reasons set forth in Appellees' briefs. However, there are separate and independent bases for affirming the District Court's decision, notably that the Final Rules are contrary to United States patent statutes and judicial decisions interpreting those statutes.

**a. For reasons well established in the record, the Final Rules are contrary to the existing patent law**

The United States Code bars the PTO from promulgating any rules contrary to existing federal law, and requires courts to invalidate any such rules. *See* 35 U.S.C. § 2(b)(2) (authorizing the PTO to "establish regulations, not inconsistent with law") & 5 U.S.C. § 706(2)(A) ("The reviewing court shall . . . hold unlawful and set aside agency action . . . not in accordance with law.").

Consistent with that federal Code, federal appellate courts have consistently held that an agency's rulemaking power—even if exercised within the agency's rulemaking jurisdiction—may not be used to traverse any relevant federal statutes. *See, e.g., Ernst & Ernst v. Hochfelder*, 425 U.S. 185, 213-14 (1976) ("The rulemaking power granted to an administrative agency charged with the

administration of a federal statute is not the power to make law. Rather, it is the power to adopt regulations to carry into effect the will of Congress as expressed by the statute.”) (quotation marks omitted); *Graham Eng’g Corp. v. United States*, 510 F.3d 1385, 1389 (Fed. Cir. 2007) (noting that an agency-promulgated rule, even if squarely within the bounds of Congress’ delegation of authority to the agency, must also be “not inconsistent with the statute,” and upholding a contested agency regulation in part by finding it “not inconsistent with the substantive requirements of” the relevant statute).

The relevant statutory framework with which PTO rules must remain consistent includes Title 35 of the United States Code. *See* 35 U.S.C. § 1 *et seq.* The record below and Appellees’ principal briefs on appeal establish in detail how the Final Rules contravene Title 35 in numerous ways. Accordingly, in lieu of submitting redundant briefing to the Court, *Amici* rely on and incorporate by reference those materials. *See Tafas v. Dudas*, Cause No. 1:07-cv-846, E.D. Va., Docket Nos. 141 & 142; *see also* Appellees’ Briefs (filed Sept. 24, 2008).

*Amici* note however for summary reference that the Final Rules contradict the federal Code in at least the following ways:

Final Rules 78 and 114 would limit an inventor to two continuation or continuation-in-part applications (which may then benefit from an earlier filing date corresponding to a parent application) and one request for continued examination. 72 Fed. Reg. at 46838, 46841; 37 C.F.R. §§ 1.78(d)(1)(i)–(iii),

1.114(f). Those Rules further provide that if an inventor seeks to surpass those limits, he must present a “petition and showing” to establish either (i) the infeasibility of presenting the subject matter of third-or-later continuation applications in prior-filed applications, or (ii) an injustice by application of the numerical limits.

Section 120 of 35 U.S.C., however, imposes no numerical limit on the number of continuation applications that may claim priority to a prior-filed application, and provides no authority to the PTO to impose conditions on an applicant’s rights to the benefits of Section 120 if the applicant otherwise meets the requirements of the statute. Section 132 imposes no limit on the number of requests for continued examinations, and provides authority only to prescribe regulations to accommodate requests of the applicant for continued examination—not to require the filing of a petition. In these respects, Final Rules 78 and 114 contradict the federal Code. *See In re Hogan*, 559 F.2d 595, 604 n.13 (C.C.P.A. 1977) (“[A] limit upon continuing applications is a matter of policy for Congress, not us.”); *In re Henricksen*, 399 F.2d 253 (C.C.P.A. 1968) (finding no statutory basis to limit the number of continuation applications).

Final Rule 75 would limit an inventor to five independent claims, and 25 claims total, for a single patent application. 72 Fed. Reg. at 46836; 37 C.F.R. § 1.75(b)(1). Section 112 of 35 U.S.C., however, does not impose any limit on the number of permissible claims in an application, instead bestowing on inventors the

