

2008-1352

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IN THE  
**UNITED STATES COURT OF APPEALS**  
FOR THE FEDERAL CIRCUIT

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TRANTAFYLLOS TAFAS,

*Plaintiffs-Appellee,*

-and-

SMITHKLINE BEECHAM CORPORATION (doing business as GlaxoSmithKline),  
SMITHKLINE BEECHAM PLC, and GLAXO GROUP LIMITED (doing business as  
GlaxoSmithKline),

*Plaintiffs-Appellees,*

v.

JON DUDAS, Undersecretary of Commerce for Intellectual Property and Director of  
the United States Patent & Trademark Office, and UNITED STATES PATENT AND  
TRADEMARK OFFICE,

*Defendants-Appellants.*

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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 Judge James C. Cacheris

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**BRIEF OF AMICUS CURIAE CFPH, L.L.C. IN SUPPORT OF  
APPELLEES**

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OCTOBER 3, 2008

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## CERTIFICATE OF INTEREST

Counsel for Amicus Curiae CFPH, L.L.C. certifies the following:

1. The full name of every party represented by me is:  
  
CFPH, L.L.C.
  
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:  
  
Not applicable.
  
3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus represented by me are:  
  
BGC Partners, Inc. is publicly held and is a parent corporation of CFPH, LLC. CF Group Management, Inc. (the managing general partner of Cantor Fitzgerald, L.P.) owns 10% or more of the stock of BGC Partners, Inc.
  
4. The names of all 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:

Townsend and Townsend

Richard S. Meyer  
Jonathan D. Link

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## **IDENTITY AND INTEREST OF THE AMICUS**

CFPH, LLC (Cantor Fitzgerald Patent Holdings, “CFPH”) submits this brief amicus curiae to assist the Court in evaluating whether the U.S. Patent and Trademark Office (“PTO”) exceeded its legal authority in promulgating the rules at issue. The Final Rules substantively change the manner in which the PTO would evaluate patentability, in ways that would dramatically limit and delay the ability of CFPH and its affiliates (collectively “Cantor”) to obtain patents, limit the duration of the many patents that Cantor would nevertheless obtain, and increase the costs of obtaining those patents.

Cantor is a global financial services provider and recognized leader in the specialized areas of equity and fixed income capital markets, which also operates in investment banking, merchant banking, asset management, clearing and market data services, and energy emissions. Cantor invests substantial financial and human resources in developing important new technologies and in seeking patent protection for them. Cantor (and many other entities) would be dramatically and adversely affected by the Final Rules if they were allowed to go into effect. Cantor provided extensive comments on the proposed rules that were published by the PTO, explaining why the proposed rules were unauthorized substantive rules, how they would illegally shift burdens of proof, that they lacked evidentiary support and rational justification, and many other legal failures.

## ARGUMENT

### The Final Rules Illegally Shift The PTO's Burden of Proof.

Both the Administrative Procedure Act (“APA”) and Title 35 of the United States Code (“Patent Act”)<sup>1</sup> impose a burden of proof on the part of the PTO to show why an applicant is not entitled to a patent. The Proposed Rules purport to shift to applicants the burden of *persuasion* and / or the burden of *production*. Either way, the proposed rules would violate the APA, which prevents exactly such shifting of burdens by rulemaking, and would also violate the Patent Act’s statutory mandate that the PTO should bear the burden of proof with respect to patentability.

The Patent Act specifies that “a person shall be entitled to a patent unless [one of several conditions of unpatentability are satisfied].”<sup>2</sup> The plain language of the statute and the case law make it clear that the PTO has the burden of persuasion to show why an applicant is not entitled to a patent. *See, e.g., In re Epstein*, 32 F.3d 1559, 1570 (Fed. Cir. 1994) (Plager, J., concurring) (unlike the normal rule that an applicant seeking government-issued property “bears the burden of establishing entitlement to that grant,” for patents “the rule is that the burden of

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<sup>1</sup> 35 U.S.C. § 101 et seq.

<sup>2</sup> 35 U.S.C. § 102.

persuasion is on the PTO to show why the applicant is not entitled to a patent”).<sup>3</sup>

Accordingly, a patent application should be granted unless the PTO, after satisfying the burden of showing why an applicant is not entitled to a patent, issues an adjudicative order denying the patent application.

The APA also imposes a burden of proof on the PTO. 5 U.S.C. § 556(d) of the APA provides that “[e]xcept where otherwise provided by statute, the proponent of a rule or order has the burden of proof.”<sup>4</sup> When the PTO rejects a patent application, the PTO is construed to be the “proponent of [an] order” denying the application. Accordingly, the APA directly imposes the burden of proof on the PTO, and no agency can by rulemaking violate the APA. On the other hand, if the applicant were construed to be the “proponent” (e.g., of an order granting a patent), then under the APA the burden of proof is still on the PTO as “otherwise provided by statute” in the Patent Act. This latter interpretation of the APA’s application to the Patent Act necessarily requires that the Patent Act

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<sup>3</sup> See also, e.g., *In re Warner*, 379 F.2d 1011, 1016 (C.C.P.A. 1967) (“the precise language of 35 U.S.C. § 102 that ‘(a) person shall be entitled to a patent unless,’ concerning novelty and unobviousness, clearly places a burden of proof on the Patent Office”), and *In re Rouffet*, 149 F.3d 1350, 1355 (Fed. Cir. 1998) (“In the absence of a proper *prima facie* case of obviousness, an applicant ... is entitled to a patent”).

<sup>4</sup> 5 U.S.C. § 556(d). This section applies by its terms only to rulemaking proceedings and formal hearings under §§ 553 and 554 of the APA, respectively. However, the relevant principle would apply equally to patent examinations given the Patent Act’s initial allocation of the burden of persuasion to the PTO.

unambiguously allocates the burden of proof to the PTO.<sup>5</sup> Thus, regardless of whether the PTO or the applicant is construed to be the “proponent” under the APA, the APA directly or indirectly requires the PTO to bear the burden of proof with respect to patentability.

The new Rules would violate the PTO’s statutory burden of proof requirements under the APA and the Patent Act. New Rule 1.78(f)(2)(ii) proposes to shift to applicants the PTO’s burden of *persuasion* to prove patentable indistinctness. New Rules 1.75(b)(1) and 1.265(a)(1), (4) and (5) propose to shift to applicants the PTO’s burden of persuasion to prove additional grounds of unpatentability. However, shifting the PTO’s burden of proof to the applicant is contrary to the clear provisions of the APA and the Patent Act. Federal agencies such as the PTO cannot use rulemaking to shift the burden of proof from the PTO to applicants, as to do so would violate 5 U.S.C. § 556(d) of the APA and would also interfere with the APA’s goal of assuring uniformity of approach among

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<sup>5</sup> It would be unreasonable to argue that the “proponent” is the applicant but the Patent Act allocates the burden to *applicants* rather than the PTO, as this position has no support in the language of the Patent Act. As noted above, 35 U.S.C. § 102 clearly places the initial burden of proving unpatentability on the PTO.



federal agencies in this regard.<sup>6</sup> The new Rules are therefore invalid for at least these reasons.

Even if new Rules 1.78(f)(2)(ii), 1.75(b)(1), and 1.265(a)(1), (4) and (5) only shifted from the PTO to applicants the burden of *producing* a prima facie case of unpatentability, as opposed to the burden of persuasion, the new Rules would still be invalid. Agencies may, through rules that sets burdens of production, resolve issues for adjudication (even if only tentatively), but may only do so for issues of general applicability that do not require case-by-case adjudication.<sup>7</sup> Thus, the issues addressed by rulemaking cannot be unique to the applicant, and must “be resolved as fairly through rulemaking” as through adjudication considering the evidence.<sup>8</sup> That is not the case for determining the patentability of patent claims, as the new Rules do, because claims and their relationships to other applications, patents, and prior art vary for each and every patent application.

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<sup>6</sup> *Director, Office of Workers Compensation Programs v. Greenwich Collieries*, 512 U.S. 267, 280-81 (1994).

<sup>7</sup> See *Heckler v. Campbell*, 461 U.S. 458, 46 (1983) (citing *FPC v. Texaco, Inc.*, 377 U.S. 33, 41-44 (1964), and *United States v. Storer Broadcasting Co.*, 351 U.S. 192, 205 (1956)).

<sup>8</sup> *Id.* at 468 (citing *Am. Airlines, Inc. v. CAB*, 359 F.2d 624, 633 (D.C. Cir. 1966) (en banc)).

The Final Rules also lack any legislative facts in the record to support factual inferences of unpatentability that might rationally justify shifting these burdens of *production* from the PTO to applicants.<sup>9</sup> Absent some evidence in the record for such a decision, judicial review of such agency decision making is impossible. Therefore, such a shift in the burden of production by rulemaking is illegal.

In sum, these rules cannot stand as they have no foundation.


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<sup>9</sup> See 5 U.S.C. § 706(2)(A)&(E); *Motor Vehicle Mfrs. Ass'n v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 43 (1983) (requiring a rational connection between the facts found and the choices made); *In re Lee*, 277 F.3d 1338, 1342 (Fed. Cir. 2002) (judicial review is premised on an agency's ability to make required findings and to show the evidence on which they are based). In regard to Rule 1.78(f)(2)(ii), the Final Rules note that the presumption of patentable indistinctness applies "only to applications that *most likely* contain patentably indistinct claims." 72 Fed. Reg. at 46,784 (emphasis added). But the Final Rules provide no evidence for either meaning of the emphasized words – that applications subject to the new rule are the most likely kinds of applications to contain indistinct claims or that such applications are highly likely to do so.

**CONCLUSION**

For the foregoing reasons, the judgment of the district court should be affirmed.

Respectfully submitted,



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October 3, 2008

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**CERTIFICATE OF SERVICE**

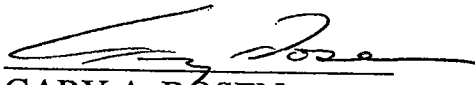
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GARY A. ROSEN

**CERTIFICATE OF COMPLIANCE**

I certify that the foregoing Brief of Amicus Curiae CFPH, LLC contains 1,450 words as measured by the word processing software used to prepare this brief.

October 3, 2008

  
GARY A. ROSEN