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From: Doody, Patrick [mailto:pdoody@hunton.com]

Sent: Tuesday, May 02, 2006 9:30 PM

To: AB93Comments

Subject: Comments on proposed rule changes

ATTN: Robert W. Bahr:

I have attached my personal comments regarding the proposed rule changes.

Patrick Doody

May 2, 2006

The Honorable Jon Dudas
Under Secretary of Commerce for
Intellectual Property and
Director of the U.S. Patent and Trademark Office
Mail Stop – Comments
P.O. Box 1450
Alexandria, VA 22313-1450

Attn: Robert W. Bahr
Senior Patent Attorney
Office of the Deputy Commissioner
For Patent Examination Policy

Re: Comments on Proposed Rules: “Changes to Practice for Continuing Applications, Requests for Continued Examination Practice, Applications Containing Patentably Indistinct Claims and the Examination of Claims in Patent Applications”
71 Fed. Reg. 48, 61 (January 3, 2006)

Dear Under Secretary Dudas:

I am a registered patent attorney, and have practiced patent law in a small intellectual property boutique firm, two large general practice firms, and in-house at a Fortune 500 company. I also was a patent examiner for four years from 1987-1991. I offer the following comments on the proposed rule changes, mostly with respect to the proposed changes to practice for continuing applications.

Below I offer a few comments regarding the proposed rule changes. Underneath each comment is an explanation with supporting factual and legal authority, if appropriate, for the comments. I also provide a proposed solution, together with a detailed explanation as to what the problem is, and how the proposed solution will solve the problem.

Introductory Remarks

I will limit my comments to a select few that I feel are the most important. I do not comment on the specifics of implementing the proposed rules, especially if, as I point out below, they exceed the Commissioner’s regulatory authority, and because I suspect many, many others will offer comments in this regard. I offer up-front a proposed solution that, based on my collective experience, will help solve the backlog issue at the PTO, and I offer a more detailed rationale for why the solution will work further in my comments. I do not believe that the PTO has an issue with quality, despite the constant publication by non-patent attorney University law professors of articles critical of the patent system in the United States. You addressed their comments nicely at the AIPLA mid-winter meeting in Palm Springs, California, earlier this year.

Proposed Solution

Encourage more pro-active examination by rewarding examiners with an extra counter (or credit), or portion thereof, for finally disposing of an originally filed application, whether it be by allowance of original or revised claims, complete abandonment, appeal, or interference. An abandonment accompanied by a re-filed continuation application does not receive the reward.

Discourage reactive examination by holding the counter an examiner receives when an applicant abandons the application in favor of a re-filed continuation in abeyance until final disposition of the application. An alternative approach would be to reward the examiner with only a fraction of a counter in this instance. This will not apply to the first filed continuation, because that first continuation could be caused by both reactive examination and inefficient prosecution by the applicant. Holding back the abandonment counter will only apply to the second and subsequently filed continuation applications.

Discourage multiple continuations by charging the applicant a multiple of the filing fee for second, third, fourth, etc. filed continuation applications, as is the case with the fees charged for extensions of time.

Comment 1:

The proposed rule changes to continuation practice exceed the Commissioner's statutory authority. They are not valid. Adopting the proposed rule changes therefore will expose the PTO to lawsuits challenging the agency's authority to implement the rules.

Discussion of comment 1:

The Patent Office derives its rulemaking authority from 35 U.S.C. § 2, which states, in pertinent part, that "The Office . . . may establish regulations, not inconsistent with law . . ." (Emphasis added).

If implemented, the proposed rules would exceed the Patent Office's rulemaking authority for at least the following reasons:

- A. The proposed limitations to continuation practice would exceed the Patent Office's rulemaking authority.
 - i) 35 U.S.C. §120 states that "An application for patent for an invention. . . **shall** have the same effect, as to such invention, as

though filed on the date of the prior application. . . “ 35 U.S.C. §121 contains similar language. Use of the word “shall” means that Congress intended the statute to represent the minimum requirements to obtain the benefit of the filing date of the prior application.

- ii) An agency, like the PTO, may not promulgate a rule or regulation that adds a requirement that does not exist under the statute. 2 Am Jur 2d, §132, page 141. Likewise, a regulation that contravenes a statute is invalid. *R&W Flammann v. U.S.*, 339 F.3d 1320 (Fed. Cir. 2003), *citing United States v. Vogel Fertilizer Co.*, 455 U.S. 16 (1982). The Federal Circuit further has held that “[e]ven substantive rules cannot be promulgated that are contrary to statute. If the intent of Congress is clear, that is the end of the matter. . . “ *Travelstead v. Derwinski*, 976 F.2d 1244, 1250 (Fed. Cir. 1992), *citing Chevron U.S.A. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984).
- iii) The C.C.P.A. has held that there is no statutory basis under 35 U.S.C. § 120 to limit the number of continuation applications allowed an applicant who otherwise complies with the requirements of 35 U.S.C. § 120. (See *In re Henriksen*, 399 F.2d 253 (C.C.P.A. 1968).
- iv) *In re Bogese II*, 303 F.3d 1362 (Fed. Cir. 2002) (holding that the PTO’s forfeiture of an applicant’s rights to a patent due to unreasonable delay was not arbitrary) does not alter the holding of *Henriksen*.
- v) Practitioners who elect of file a 111a application as their priority case (instead of a provisional application) and then update the application during the Paris Convention year by filing a continuation-in-part application (continuing application #1), would not able to file a PCT case and check the US box (continuing application #2) without being able to supply evidence as to why continuing application #2 could not have been filed earlier. The proposed rules therefore would appear to run contrary to the PCT signed by the US. Accordingly, the proposed rules likely exceed the Commissioner’s authority in that it includes the possibility of violating an international treaty.

- B. The proposed limitations to RCE practice would exceed the Patent Office’s rulemaking authority.

- i) 35 U.S.C. § 132 (b) unambiguously states, “The Director shall prescribe regulations to provide for the continued examination of applications for patent at the request of the applicant. The Director may establish appropriate fees for such continued examination and shall provide a 50 percent reduction in such fees for small entities that qualify for reduced fees under **section 41(h)(1)** of this title.
- C. The proposed limitations to divisional practice would exceed the Patent Office’s rulemaking authority.
 - i) 35 U.S.C. § 121 unambiguously states, “If the other invention is made the subject of a divisional application which complies with the requirement of section 120 of this title it shall be entitled to the benefit of the original application.” (Emphasis added).
 - ii) The Patent Office has no authority to limit the number of continuation applications that comply with the statutory requirements of 35 U.S.C. § 120. (See I(A), *supra*).
- D. Exceeding the Commissioner’s authority exposes the PTO to legal action under 5 U.S.C. §702. The Commissioner’s actions violate 5 U.S.C. §706(2)(c), rendering them invalid.

Comment 2:

The proposed rule under which the Patent Office will presume claims to be patentably indistinct on the basis of overlapping subject matter in a concurrently filed application would exceed the Patent Office’s rulemaking authority.

Discussion of Comment 2:

- i) The Patent Office has the statutory burden to prove that a claimed invention is not patentable. 35 U.S.C. §102 states that a **person shall be entitled to a patent unless**. . . “
- ii) The Patent Office does not have the authority to shift the burden to applicant to prove the patentability of a claimed invention absent evidence that establishes a *prima facie* case that the claimed invention is not patentable. 35 U.S.C. §103.
- iii) The mere existence of overlapping subject matter in co-pending applications does not establish a *prima facie* case that the claimed invention is not patentable.
 - a) Obviousness-type double patenting requires that the claimed invention be obvious in view of the claims of the co-owned application or patent, not in view of the disclosure of the co-owned application or patent.

- b) Thus, mere overlapping subject matter in the disclosure does not establish a *prima facie* case of unpatentability.

Comment 3:

The proposed limitations to the number of claims examined without filing a Substantive Examination Report exceeds the Patent Office's rulemaking authority.

Discussion of Comment 3:

- i) The Patent Office does not have the authority to set an absolute limit as to the number of claims that will be examined in an application. 35 U.S.C. §112, second paragraph states: "The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention." The proposed limit to 10 examined claims contravenes this statute.
- ii) In view of applicant's duty of candor as set forth in 37 C.F.R. § 1.56 and the current state of the law regarding inequitable conduct, the proposed requirement of submitting an examination support document in order to obtain examination of more than 10 claims in an application sets a *de facto* absolute limit as to the number of claims that will be examined in an application, since no reasonable or responsible applicant will file the onerous substantive examination report.
- iii) This proposal also does not square well with the statutory presumption of validity. Title 35 of United States Code, section 282 states: "each claim of a patent ... shall be presumed valid independently of the validity of other claims." 35 U.S.C. § 282 (2001). If a patentee asserts in litigation a dependent claim, which it often does, that under the new rules was not examined for patentability in view of the prior art, then why should a court accord that claim its statutory presumption of validity?

Comment 4:

The proposed rule changes to continuation practice are not rational ideas, but rather have the support **only** from non-practicing attorneys. I know of no registered patent attorney or patent examiner that thinks the proposed rule changes are a good idea, although it is not inconceivable that there are a few.

Discussion of Comment 4

The proposed rule changes are irrational and will have the opposite effect articulated by the PTO. The proposed rules will, in my opinion, increase greatly the number of petitions and appeals, creating a significant backlog in those areas of the PTO. As noted in the proposed rule changes, the Board of Appeals no longer has the significant backlog it used to have in the 1990s. But that is not because of any internal changes at the PTO, but more likely because applicants would decide to forego an appeal, even if warranted, in an attempt to convince the examiner to allow the claims in one or more continuation applications. The delay in prosecution in filing and prosecuting the continuations was not as severe as the 4-5 year delay at the Board. That will change if the proposed rules are implemented, and applicants will simply appeal most final rejections, which will create a backlog at the Board.

The number of petitions will increase significantly. Nearly all restriction requirements advanced in the biotech group (every case I have there now (about 20) has at least a 100-way restriction requirement) will be petitioned, and litigated if needed. If the proposed rules are promulgated, applicants will petition nearly every premature final rejection, and almost every refusal to enter an amendment or consider evidence after final. I have a petition to withdraw the holding of abandonment because we filed a timely response, but the PTO mis-placed the filing (a very common petition that I have filed dozens of times over the years) that has been pending in the petitions branch that has been pending for 9 months, and that used to take an examiner about 5 minutes to grant. These petitions used to be handled by examiners, but now are forwarded to petitions. If it takes them this long to decide a non-substantive petition, one can only imagine the backlog this will create if the petitions branch now has to decide thousands of substantive petitions.

If the proposed rules are promulgated, the exchange between attorneys and examiners will become extremely litigious. Applicants will no longer give in to what they believe are unreasonable demands, with the expectation of fighting the broad claims later in a continuation. Applicants will be forced to challenge all examiner's actions.

The net effect of all of these natural consequences to the proposed rule changes will be to severely limit the ability of the PTO to examine applications, because it will be bogged down with petitions, appeals, and litigation. While the proposed rules might arguably reduce some examination workload (around 3% by most accounts), it will do so at the expense of dramatically increasing the workload, and hence, pendency, in other areas at the PTO. It will take an applicant much longer to obtain a patent than it does now.

The proposed rules also will hinder the ability of an applicant to cite relevant prior art, as required by 37 C.F.R. §1.56, to the PTO when the PTO might not consider the art to have been "timely" discovered. The PTO (and 37 CFR 1.56) places significant

emphases on citing all relevant art known to the applicant to the examiner. There has always been a straight-forward method to cite references to the Office at any stage of prosecution (for example - filing an RCE). It is not unusual for large multinational corporations to uncover relevant references during the prosecution of an application that were known to members of the corporation, but not to the prosecuting attorney. Under the proposed rules for filing continuations, practitioners who have already filed one continuation application may not be able to file an RCE to cite the newly discovered references because the PTO could hold that the references should have been identified and cited earlier.

The proposed rules therefore must provide a means to cite additional references at any stage of prosecution. Such means should also provide an opportunity to comment on and amend the claims in view of the additional references. Without providing the unlimited ability to cite references, the proposed rules adversely effects an applicants' duty of disclosure.

Comment 5:

While training the examiners certainly would benefit the examination process, that training is conducted by PTO personnel. The PTO precludes practicing attorneys and agents from discussing legal issues and examination procedures with examiners. I suggest allowing practicing attorneys and agents to present their views on existing case law and examination procedures in formal seminars with the examining corps, with the understanding that a PTO official approve the seminar content in advance of the presentation.

Proposed Solution: Offer incentives to examiners to move cases faster through the examination process, and provide disincentives to discourage examiners from forcing applicants to file continuations. Because filing continuations can be the result of inefficient examination, as well as inefficient applicant prosecution, the PTO also should penalize the applicant for filing continuations after the 2nd continuation.

I propose that the PTO award examiners as an incentive with an extra counter or a percentage of a counter, say 1/3 or 1/2, for finally disposing of an originally filed application, other than an abandonment in favor of a re-filed continuation application. The PTO could hold the abandonment counter in abeyance as a disincentive when an applicant re-files an application as a continuation, RCE, or continuation other than a divisional or CIP, until final disposition of that application. This could be applied only after the 2nd continuation is filed, and would not apply to the first continuation. If the continuation results in the filing of a subsequent continuation (and abandonment), then the examiner will receive the first abandonment counter, but the second abandonment counter will be held

in abeyance. Finally, the filing fee for filing a 2nd continuation and each continuation thereafter could be increased, say 1.5X, 2X, 3X, 4X, etc.

Comments on Basis For Proposed Solution

Before the PTO can solve the problems it is facing, it must first determine, to the extent possible, the cause of the problem. I try to do that by noting the following.

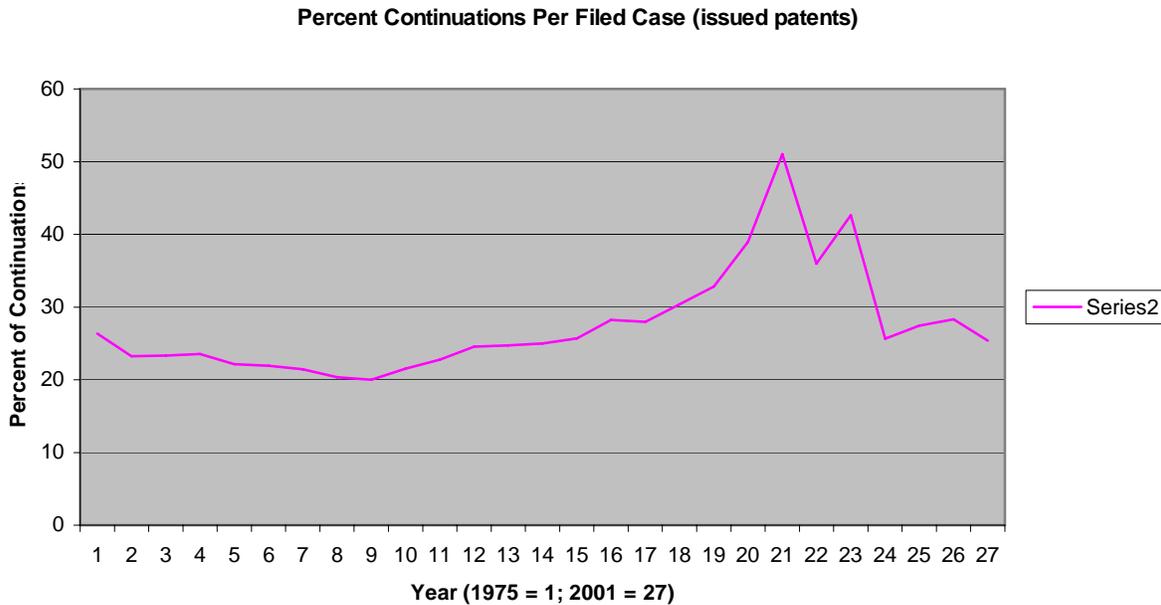
As I see it, the problem facing the PTO is its backlog. The PTO has not provided any evidence that the number of claims in an application, or the percentage of continuations filed each year, bear any relationship to the backlog.¹ The chart below reveals that, with the exception of the anomaly in the mid 1990's due to enactment of the 20 year patent term from date of filing, the percentage of continuations has stayed statistically the same (about 27%) since 1975. The PTO has provided no evidence that suggests that the backlog has any relationship to the number or percentage of continuation applications filed.²

¹ I have gathered data for the percentage of continuations filed for issued patents from applications having filing dates between the years of 1975 and 2001. Contrary to the statements made in Lemley, M.A., and Moore, K.A., "Ending Abuse of Patent Continuations," 84 B.U.L. Rev. 63 (2004) that the percentage of continuations has been a steady increase up until the mid 1990's, the percentage of continuations actually has stayed, on average, statistically the same, at or about 27%, (with exceptions in the mid 1990's where the rate surged to over 50% in 1995 due to the enactment of TRIPPS, and nearly 40% the year before in anticipation of enactment of that legislation. In 1996 and 1997, the rates were quite high as well, most likely as a result of the TRIPPS agreement). Using the PTO's logic, one would have anticipated a huge backlog in the mid to late 90's, but that did not exist. Since that time, the percentage of continuations has decreased, while the backlog has increased.

² The PTO presented a recent chart that does show an increase since 1980 in the percentage of continuations based on applications filed. See <http://www.uspto.gov/web/offices/pac/dapp/opla/presentation/laiplabbackground.ppt>, slide 10. But the PTO's chart does not include CIP applications or divisional applications. In addition, the chart does not appear to include FWCs, which understates the rates of continuation filings prior to 1997 when FWCs were available to applicants. On the other hand, the PTO chart includes CPA and RCE filings (which replaced the FWC procedure after 1997), which weights the continuation filing rate after 1997. Thus, it is not surprising that the PTO's chart shows a noticeable increase in the percentage of continuations since the mid to late 1990s. Even if I assume that the PTO chart were accurate, it fails to provide the nexus between continuation filings and backlogs. The chart appears to reveal a steady increase in continuation filings, but the backlog at the PTO has come in ebbs and flows over the same time period. Indeed, the backlog in certain arts at the PTO was extremely high in the early 1990's (biotech, for example), and it took the PTO about 7 or 8 years to decrease the backlog, only to find it creep back up again the past few years. If there were any relationship between continuation filings and the PTO backlog, we would have seen a high percentage of continuations in the late 1980's, early 1990's, and we would have seen an enormous backlog in 1996-1999 due to the incredibly high percentage of continuation applications filed prior to June 8, 1995.

May data includes all continuations and does not attempt to select certain types of continuations, and shows that the percentage of continuations (based on issued patents) actually has stayed, on

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The PTO initially stated that one of the primary reasons for proposing the change to continuation practice was to reduce the back-log of applications.³ But the statistics the PTO has provided actually reveal that the percentage of new cases that are continuations and that are filed in the art units/groups with the greatest back-log is at or below the average percentage. In addition, the groups with the greatest back-log actually have the lowest inventory of new cases.⁴ This tells us that the back-log has nothing to do with the percentage of continuations or the number of claims presented for examination, but rather is directly related to inefficiencies in those groups where the back-logs are most prevalent.

average, statistically the same, at or about 27%, (with exceptions in the mid 1990s where the rate surged to over 50% in 1995 due to the enactment of TRIPS, and nearly 40% the year before in anticipation of enactment of that legislation). The data post 1998 likely is not accurate since it does not include RCE filings, (RCE filings cannot be discerned from the web site), so the chart would be a little higher in these years.

³ Recent statements by the General Counsel of the PTO and John Doll have back-peddled from the statements in the Federal Register publications. At a "Town Hall" meeting in Chicago on Feb. 1, 2006, and at the AIPLA mid-winter meeting in Palm Springs on Feb. 4, 2006, both John Doll, and James Toupin, the PTO's general counsel, now state that the "number one reason we would like to do this is to make patent examination quality better."

⁴ See, slides presented by John Doll and James Toupin at the AIPLA mid-winter meeting in Palm Springs, on Feb. 3, 2006. One exception is Group 2600, which has the highest inventory of cases.

The reason for this is clear. In general, the groups with the highest back-log, lowest inventory of new cases, and average or lower percentage of continuations (groups 1600, 2100, 2600, and 3600) are those that have the lowest patent in-process examination compliance rate.⁵ They are the most inefficient groups. Indeed, Jon Dudas noted that the allowance rate for business method patents, most of which belong in Group 3600, which has the greatest backlog of all groups, is only 11%, whereas the average allowance rate is 58.7%.⁶

As a former examiner, I believe the inefficiency results from the following. There are in general two types of examiners: (i) proactive; and (ii) reactive.⁷ The proactive examiner is an examiner that works with the attorneys to find allowable subject matter, suggesting alternative claim language to overcome rejections, and in general finds ways to allow an application (unless the examiner truly believes there is nothing patentable, in which case (s)he conveys that early on to the applicant so as not to prolong prosecution). The proactive examiner typically has an allowance rate at or above the average, and obtains a larger percentage of final disposal counters from allowances. The proactive examiner has a shorter pendency, moves cases faster through the system, and usually has a production rate above 100%.

In contrast, the reactive examiner tries to find ways to reject an application claim, instead of seeking ways to allow an application claim (or amended versions thereof). The reactive examiner offers little or no suggestions for claim language or claim limitations that will distinguish over the cited art, and often issues premature final rejections, and almost never enters an amendment or considers evidence after final.⁸

⁵ *Id.* The average In-Process Examination Compliance Rate for FY 05 was 86.2, whereas the Compliance Rate for the groups discussed here are as follows: 1600 - 81.7; 2100 - 88.1; 2600 - 84.7; and 3600 - 84.4%. With the exception of Group 2100, the Compliance Rate for the groups with the greatest backlog of cases was below the PTO average.

⁶ "Battle Against False Perceptions," Statements by Jon W. Dudas, director of the PTO, Feb. 3, AIPLA mid-winter institute. I do not know the statistics for Groups 1600 and 2100, but I suspect they too are far below the 58.7% average. My suspicion is premised mostly on personal experience, since I have prosecuted patent applications in numerous arts.

⁷ Clearly, there are a number of examiners that might not necessarily fall into either category, and may fall into both at times, but the two types of examiners I believe represent a majority of examiners at the PTO.

⁸ Applicants typically do not challenge these actions by petition to the Director, even though they likely would be successful. The rationale for this is that the applicant does not want to alienate the examiner by going over the examiner's head via petition, but rather will try to work the issues out in a continuation application. All of this will change dramatically if the proposed rules take effect. The examination process will become increasingly litigious, applicants will petition premature final rejections, nearly every refusal to enter an amendment or consider evidence, and will no longer agree to the

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The reactive examiner typically has an allowance rate at or below the average, and obtains a larger percentage of final disposal counters from abandonments. The reactive examiner has a longer pendency, moves cases slower through the system, and usually has a production rate below 100%, unless (s)he works voluntary overtime.

While I have no statistics to prove this, and I suspect the PTO has none, other than the in-process compliance rate mentioned above, the art units with the greatest backlog likely are those containing the greatest number of reactive examiners, most likely because they were trained by reactive Supervisory Primary Examiners (SPE) or Group Directors. This I believe is the cause of the backlog at the PTO.

The solution to the backlog problem naturally follows from the cause I have elucidated above. The PTO needs to adopt incentives to encourage more proactive examination, and to adopt penalties to discourage reactive examination. This does not mean that examiners should simply knee-jerk allow every claim. Rather, the goal of the examiner should be to work with the applicant to find allowable subject matter, rather than simply react to the applicant and find ways to reject the pending claims. If the examiner does not believe any subject matter is patentable, then the examiner should convey that to the applicant early in prosecution so the claims can be appealed, or abandoned.

issuance of a narrow claim in the hopes of prosecuting the broader claim in a continuation to which the applicant believes (s)he is entitled.