

-----Original Message-----

From: fckirk [mailto:fckirk@comcast.net]
Sent: Tuesday, May 02, 2006 11:15 PM
To: AB93Comments
Cc: Francis Kirkpatrick
Subject: Comments on proposed rule

To: Commissioner of Patents
At: AB93Comments@uspto.gov

From: Francis H Kirkpatrick (Reg. 35,219)

Concerning: Docket 2005-P-066 RIN 0651-AB93

37 CFR Part 1

"Changes to Practice for Continuing Examinations, [etc]...Containing Patentably Indistinct Claims"

COMMENTS

SUMMARY: The proposed changes should NOT be implemented in their present form. The essence of the proposal is to ban all RCEs (Request for Continued Examination) after the first, and effectively most continuation applications and continuation in part applications. These major changes are draconian in effect, retroactive regarding all pending applications (and hence unfair), and are unlikely to solve the basic problem of inadequate numbers of examiners. The justification for the change is that it will help the PTO reduce its backlog. In reality, the response by practitioners to these rule changes will likely increase the backlog, choke up the appeals system, greatly increase the expense to patentees and assignees for legal representation, and decrease the predictability of prosecution. It will produce particularly harsh results in the prosecution of "breakthrough" applications.

There is an allusion in the proposal to a "small minority" of applicants who are alleged to abuse the current process.

However, there is not any substantiation of this statement - not even a blatant example - let alone hard statistics.

Indeed, there are no data provided on where the current workload actually comes from, and the possible major impact of worldwide increases in patenting activity is never mentioned, let alone considered.

Against this background of important assertions and few facts, and assuming that the allusion has a factual base, a counterproposal is offered.

COUNTERPROPOSAL: RCEs and continuations/continuations-in-part are - like extensions of time - perhaps theoretically unnecessary, but in practice are very important for smooth running of the patenting system at reasonable cost. RCEs and continuations are particularly important to inventors and assignees, as a way to pay legal fees for only what initially appears to be needed, rather than paying a great deal more for analysis and initial presentation of all possible contingencies - most of which will not happen.

It seems likely that RCEs are not a financial burden to the PTO, but actually are a revenue enhancer and time-saver, since the Examiner invests the major searching effort on the first action. If RCEs nevertheless need to be discouraged, an appropriate change would be to charge extra for RCEs after the first - for example, 50% extra for the second, 100% extra for the third, and 200%, 300% and 400% for the fourth, fifth and sixth RCE. (The sixth might later be made the last, in light of experience gained with the surcharge system.)

This would allow applicants to cope with unexpected problems in the prior art - or in the initial drafting, or from the examiner's misunderstanding of the invention - while minimizing abuse of the system. (Charging a large-entity inventor \$7000 for the 6th RCE will likely cause considerable discussion between the applicant and its law firm - if it hasn't happened earlier.)

It is possible that a case could be made for similarly increased fees for third and subsequent continuation applications. It might be tried, but accurate, well-analyzed, objective data should be developed and presented along with such a proposal.

In terms of coping with increased numbers of applications, all alternatives for reducing the number of applications should be examined. For example, reforming restriction practice to allow independent claims in more than one class or type to be examined in an application, perhaps after payment of additional search fees, would save Examiner time, and save applicants money. Many inventors and assignees would prefer to have such an option. This would be somewhat revenue-reducing for the Office, to the extent that the search is the biggest expense in terms of examiner's time, but it would clearly save examiner time overall.

OTHER: It is clear that more examiners are needed. Since the PTO is self funding, and since extra applications, especially RCEs and continuations, increase fee revenue more than they do examiner time, compared to original cases, then the Office should work to end the artificial caps on numbers of examiners imposed by the 1993 "Strategic Plan". It might also be necessary to increase fees in general to allow better pay rates for examiners, and/or for the PTO to open one or more examination branches in cities with lower costs of living than metro Washington DC. (There are dozens of candidates between the Appalachians and the Sierra Nevada, many in the Eastern time zone for easy communication with Alexandria.) For comparison, the European Patent Office has several sites.

ANALYSIS

The Patent and Trademark Office (*PTO: Office*) proposes to impose on all applications, both pending and new, a ban on RCEs (Requests for Continued Examination) after the first, and an effective ban on most continuation and CIP (Continuation In Part) applications. The latter two restrictions are part of a ban on "initially filed applications not sufficiently different in scope from previous applications", which is slated to be a major hit on the litigation circuit if enacted. Only divisional applications will remain as avenues for obtaining patents on subject matter not allowed in the

first effort.

The proposal amounts to stating that applicants should anticipate every claim they would ever want to make in an initial filing, and should respond to early office actions in such complete detail that no more than four formal responses would ever be required. As a practical matter, this is not possible, and imposing an impossible condition would be a severe blow to all applicants.

To place PTO fees in context, most applicants pay registered professionals to write and prosecute their applications. The legal fees for writing an application – usually \$15,000 and up at law firms – far outweigh the filing fees paid to the PTO. The PTO's proposal - that every possible angle be anticipated at the beginning - would likely significantly increase these costs.

With present cost ratios (PTO vs drafting), most applicants prefer to submit shorter and simpler applications, and more of them, using the experience from the first application(s) to develop better approaches to avoiding or overcoming the prior art. This is particularly important for cases that open up new territory – especially when it is something new in a supposedly well-settled art, producing a maximum number of possibly anticipating references. And in fact, RCE practice has been helpful in this regard.

The good feature of current RCE practice is that it simplifies the procedure both for the PTO and for the applicant. In essence, applicant pays a fee, the same as a new application fee, and the examiner commits enough time to look at the claims (often amended) from a different angle. S/he may also cite new art, or consider documents submitted by applicant, but the time investment by an examiner in an RCE has to be considerably less than in a new case, which must first be understood and then searched de novo.

On applicant's side, fees for representation are generally lower in an RCE (or a continuation, or a CIP) because the practitioner is focused on logical issues, and so composition time and ancillary costs are minimized. (The exception is IDS costs – things that must be cited seem to continually appear when reading in an area.) Hence, both the Office and applicants are currently lowering their costs by use of the RCE procedure, compared to filing additional applications of any sort. Even continuations and CIPs are cheaper to both sides than a new application: a *de novo* search is not required; the first IDS is already prepared; many issues are already settled.

Divisionals caused by restriction or election requirements – which will continue to be permitted – have the same advantages for applicants - but not for the Office, which must examine the literature as for a new application since it has been declared to be a distinct invention. (However, it might take less time to create the search strategy for a divisional than for a new application!) If the proposal is enacted, applicants will probably increase the number of independent claims initially submitted, to increase the availability of divisionals as backups.

In short, if this proposal is enacted as written, it will dramatically increase the burden on examiners (which could lead to more examiner turnover), without making anything better for applicants in terms of examination, and making preparation considerably more expensive. (Applicants and assignees can expect increased attorney fees – the proposed rules and their commentary are very explicit about wanting everything to be more carefully thought out before filing.)

The proposed rules would also produce a huge increase in appeals. Currently, if a second action by examiner is still off-base in the same way as the first, applicant has to decide between appealing and filing an RCE. While there are exceptions, applicant's legal costs for filing even a notice of appeal are generally the same as or higher than simply filing an RCE. Hence it is usually faster and more cost effective for applicants to file an RCE, perhaps with a hint (using appeal-like language in spots, for instance), than to actually appeal. If that doesn't produce progress, then appeal may be warranted. It cannot require a great deal of time for examiners to stonewall a RCE and later give ground upon the notice of appeal, as is frequently seen - at least judging by the usually brief responses. (There is a certain amount of ritualized combat in some of these patterns: applicants, who pay for it all, dislike this!)

But the banning of a second RCE (or, effectively, of a CON or CIP) totally changes these calculations. The penalty to applicant for lack of success in the first RCE is now the loss of ALL of the subject matter of the patent. This draconian penalty means that appeal will often have to be exercised no later than the second rejection on the merits, and perhaps on the first (!). The Bar has lately become aware of this problem, as evidenced by the following e-mail (redacted) recently received:

Dear Members: The [next Law Society meeting] will be hosting... who will be presenting on best practices on appeal, oral argument, brief drafting, and the impact of recent and proposed statutory and rule changes on the Board [of Patent Appeals and Interferences]. We are also [hoping] to have the Petitions Office represented.... [T]his is a tremendous opportunity to better understand how appeals are reviewed and how to craft briefs for a good outcome. This is critical as term extension and proposed limits on RCE practice (emphasis added) make appeals and petitions integral to client representation....Space will be limited. To guarantee a spot, pre-register...

The Bar is rising to the occasion, and the Office can expect a flood of appeals from second (or even first) round rejections if the present proposal is implemented - and maybe even if it is not, now that retroactive change has been put on the table by the Office. It seems likely that the appeals process will first jam up, and later perhaps become even more arbitrary than at present. While this may, at first, allow the Office to read a few more new applications, the effect will only be temporary, and the overall effect will be a setback to clearing the backlog. Enactment of the proposal will likely increase hostility to the Office among inventors, large and small, and their companies.

One difficulty in evaluating the Office's proposal - even without the above problems – is its lack of an overview as to where the bottlenecks actually *are* in the examination system at present. The phrase "*absorb* agency resources" is found frequently in the proposal. The proper remedy for "absorption" of its resources should be for the Agency to grow more resources, since its charter, as written in the Constitution, is to grant patents to Inventors to protect their inventions. There is no exception in the Constitution for deference to an executive order to minimize the number of patent examiners (which were not contemplated in the first place...) The Office's fees are supposed to cover its costs, and if there is still a

surtax on Office receipts for the general fund, prices need to be increased accordingly. I believe that most applicants (Inventors and their assignees) would much rather pay increased fees to the PTO for examining applications, than pay significantly higher amounts to legal representatives to appeal every adverse office action, and to write specifications at twice the level of detail and at least twice the expense.

Another problem with the proposal as drafted is the functional banning of continuation applications on the grounds that the claims, if patentably distinct, should have been submitted in the initial application (and if not, shouldn't be submitted at all). This completely ignores the reality of patent prosecution, in which claims are often found to contain patentable elements upon examination, but since a patentable version of the claim was not filed, a continuation (and often not an RCE) is needed. Frequently, the discovery of what is patentable gives insights, supported by the original specification, as to a better way of approaching the protection of the invention.

In addition, it would in turn be fair that if all patentable claims should be submitted initially, then there should not be a limit on their number, perhaps other than page fees. The co-pending PTO proposal that not more than 20 claims be designated for examination - at any one time - should serve, if adopted, to prevent any increase in the burden on examiners of many pages of claims. Inventors and assignees might find it less expensive to pay to have the extra claims written, than having the specification over-written.

An even worse feature of the proposal is that once it is established that having a second patent "too close" to a previous patent is not allowable, it could well make issued patents vulnerable to a new source of challenge - that the new patent is too close to an old patent, and thus was obtained fraudulently. Trying to avoid this will also be expensive for applicants - when possible. Unfortunately, the Office isn't required to consider, even in passing, the costs that may fall on patentees and applicants that are outside of the direct office fees. This is part of the reason why patent prosecution has become so expensive.

There is merit in the objective of requiring prosecution to proceed, and to close in a reasonable time. However, the limit of one RCE and no continuation or CIP is far too severe in its consequences, and is unnecessarily restrictive. The overall objective - of preventing undue delay of prosecution, and wasting Examiner time - could be achieved by allowing RCEs and continuations for several or perhaps even unlimited cycles, but with escalating fees - as with extensions of time. For example, let the second RCE (and/or third continuation or CIP) carry a 50% surcharge on the filing fee, and the next several carry higher and escalating fees - perhaps 100%, 200%, 300%, 400% - essentially as is now done with extensions of time. Perhaps the sixth bite of the apple should be the last, also as with extensions of time, but appealable for reasonable cause. Whether to have a terminal number at all should be determined after experience with the escalation of fees. Such a system would minimize the scope for exploitative stretching of prosecution, while avoiding the sudden death features of the "two strikes and you're out" feature of the present proposal.

Removal of the "two strikes and you're out" feature would also greatly ease the pressure on inventors and assignees to have their initial submissions overwritten, and prevent the appeals process from becoming a complete bottleneck and travesty.

Accordingly, I request that the Commissioner withdraw the proposal as written.

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Also, as one process for reconciling the Office's various managerial goals with its Constitutional responsibility, the Commissioner might convene a panel representing the Office, registered representatives, and most especially inventors and assignees, both large and small, and also persons who will try to look at the situation from the perspective of the general public, to work out ways to meet the needs and desires of all the stakeholders in the patent system in a responsible and reasonable way.

In addition, I personally request sufficient notice of any decision to formally enact any proposal that would authorize the proposed changes regulations substantially as proposed, in order to allow time for an attempt to appeal the proposed changes to a court prior to their coming in to force. I suspect that others may be of the same opinion.

Finally, the inventor-friendly features of the current United States patent system should be noted. The US system has low fees - no higher than what is required to operate the system, and much lower than most foreign jurisdictions. Because of its flexibility with regard to the detail required in initial drafting, especially as embedded in the availability of RCEs, continuations and CIPs, it is possible to adapt the claiming of the invention as its background is better understood - both by inventors and examiners - during prosecution. This is a small but useful advantage to large corporations, and a large and critical advantage to small entities. It is in part due to these advantages that the US has a much higher rate of innovation than its international competitors. We need to continue to have these advantages as we adapt to the more competitive environment of the 21st century.

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