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Subject: RIN 0651-AB93 - Comments

Importance: High

Please note our comments attached.

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PATENTS, TRADEMARKS, COPYRIGHTS & UNFAIR COMPETITION

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May 2, 2006

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Re: Comments Concerning Notice Of Proposed Rule Making
Docket No.: 2005-P-066
RIN 0651-AB93
Changes To Practice for Continuing Applications, Requests For
Continued Examination Practice, and Applications Containing
Patentably Indistinct Claims

Lerner, David, Littenberg, Krumholz & Mentlik, LLP ("LDLKM") respectfully submits the comments below with respect to the above-referenced Notice of Proposed Rule Making (hereinafter the "Continuation Notice"). The Continuation Notice is accompanied by a separate Notice of Proposed Rule Making, Docket No.: 2005-P-067, RIN 0651-AB94 Changes to Practice for the Examination of Claims in Patent Applications (hereinafter the "Examination Notice"). As addressed below, certain aspects of these two notices interact with one another, and should be considered together.

LDLKM is the largest intellectual property law firm in New Jersey. LDLKM includes over sixty lawyers, the vast majority of whom are registered to practice before the United States Patent and Trademark Office (the "Office"). LDLKM represents diverse clients ranging from individual inventors to some of the largest corporations in the world, both before the Office and in the courts, and represents both patentees and parties accused of infringement. LDLKM, therefore, is cognizant of the interests of parties with diverse interests in the patent system. However, the present comments are offered solely on behalf of LDLKM and are should not be construed as reflecting the views of any client of LDLKM.

LDLKM shares the concerns raised by the comments submitted by the American Intellectual Property Law Association (AIPLA) and offers the following additional comments.

Proposed 37 C.F.R. § 1.78(d) as set forth in the Continuation Notice would bar an applicant from filing more than one continuing application or request for continued examination unless the applicant can show "to the satisfaction of the Director" that the new filing is necessary to present an "amendment, argument or evidence" which "could not have been submitted" during prosecution of the prior application.

That standard is extraordinarily strict. It ignores the substantial and legitimate reasons why an applicant might want to file more than one continuing application. For example, an

applicant faced with a rejection of a given claim as unpatentable over the prior art may have a choice of numerous possible and perfectly legitimate amendments, arguments, or evidence which he or she could present. Normally, the applicant will start with the approach which will result in the least effect on the ultimate scope of the claim. For example, the applicant might choose to argue that the rejection is improper rather than amending the claim, and then, if that approach is unsuccessful, submit an expert declaration. If that fails, the applicant might try a minor amendment, and if that is unsuccessful, a more limiting amendment, and so on. Proposed 37 C.F.R. § 78(d)(i) and (iv) would effectively limit applicants to two or three attempts to secure allowance: a first argument in response to an initial rejection, followed by a final rejection in the first filed case; and then a second argument or submission of evidence upon filing a continuing application, followed by a non-final rejection; and possibly a third submission, which, if unsuccessful, results in a final rejection in the continuing application. Under the proposed rules, the applicant must then appeal. If the applicant loses the appeal, he or she would irrevocably lose the right to obtain a patent if his or her remaining arguments or narrowing amendment "could have" been presented earlier. Under the proposed rules, applicants would be forced to retreat to the narrowest possible claims at the earliest time, effectively depriving applicants of substantive rights, and resulting in narrower patent coverage.

Additionally, the proposed rules would effectively prohibit an applicant from accepting the allowed claims in an application and arguing the rejected claims in a continuation. By doing so, the applicant would give up his or her right to any further continuation. The proposed rules thus deprive applicants of a useful tool for obtaining rapid allowance of a patent, as needed for a fast-moving marketplace, where both the applicant and the Office are in agreement that at least some claims are patentable.

Moreover, during pendency of the application, or during pendency of a chain of continuing applications, developments in the marketplace may cause the applicant to change the claims. For example, the application may fully and completely disclose several improvements A, B, C, and D as aspects of the invention. At the time the application is initially filed, everyone involved thinks that the combination of A and B is worthwhile, and that C and D are of only marginal commercial value. The applicant presents independent claims to A and B and either omits C and D from the claims entirely, or else claims them only in dependent claims, as, for example, "the combination of A, B, and C." While the initial application or a continuation is pending, the applicant realizes that C by itself is commercially valuable — either because his own company tells him, or because a competitor starts to sell it. As acknowledged in the Continuation Notice itself, both the statute and the case law permit the applicant to present new claims directed to C alone. 71 *Fed. Reg.* at 49, *citing PIN/NIP, Inc. v. Platt Chem. Co.*, 304 F.3d 1235, 1247, 64 U.S.P.Q.2d 1344, 1352 (Fed. Cir. 2002). This is most typically done by filing a new continuation application with independent claims directed to C by itself.

The proposed rules would bar a second continuation in circumstances where applicants had acted in perfectly good faith to prosecute claims to allowance through an original application and a first continuation, and then during prosecution of the first continuation, realized that other claims would be valuable — the independent claims to C, in the example above. The applicant "could" have presented those claims earlier, and therefore, the continuation would be barred by proposed 37 C.F.R. § 1.78(d)(1)(i) and (iv). In effect, the rules proposed in the

Continuation Notice would compel applicants to incur the additional cost of preparing and filing numerous alternative sets of claims and including those in the application as initially filed, in an attempt to cover every possibly patentable feature disclosed in the application. Even under current practice, this would be too expensive for any startup business. Moreover, the rules proposed in the Examination Notice impose draconian burdens in the form of a requirement for an "examination support document" on an applicant who attempts to present a wide range of claims either in a single application or in a set of related applications.

The problem addressed above with respect to unclaimed inventions ("C" and "D" in the example above) typically arises in a broad, foundational application filed by a startup company or by a company entering an area of technology for the first time. The proposed limits on continuation applications will substantially impair the value of patent applications filed by these new entrants. This, in turn, will markedly reduce the willingness of investors to back new entrants. This change in patent rules will cripple a main source of American competitiveness and new job creation. The Continuation Notice blames applicants for presenting applications with "deficiencies in the claims and disclosure." *71 Fed. Reg.* at 49. But no applicant or attorney can possibly know which aspects of the invention will be commercially most valuable when an application is filed early in the commercial development cycle.

Proposed 37 C.F.R. § 1.78(d)(1)(ii) with respect to divisional applications is believed to be counterproductive. A patent application for a complex invention may contain claims directed to several distinct and independent inventions as, for example, a product, a method useful in manufacture of the product but having other uses as well, or a method of using the product which can be practiced with other products as well. When the application is initially examined, the examiner will issue a requirement for "restriction" under 35 U.S.C. § 121. The initial application is restricted only to one of the independent and distinct inventions. Under current practice, the applicant may file a first divisional application containing the claims to the remaining inventions while the initial application is pending. The first divisional application is restricted to a second invention, and the applicant may file a third divisional application before issuance of the patent on the second divisional application. This process may continue until all of the originally presented claims have been examined. This process does not prolong the term of the patent; all of the divisional applications expire 20 years from the filing date of the original patent application. Nor does it involve any form of abuse or bad faith by the applicant.

Under proposed 37 C.F.R. § 1.78(d)(1)(ii), the applicant would have to file all of the divisional applications simultaneously, prior to issuance of a patent on the original application. This would require applicants to bear very substantial additional costs early in the prosecution cycle, while the commercial potential of the inventions may still be in doubt. It would also impose a huge burden on the Office, by requiring that the Office examine all of these divisional applications simultaneously. By forcing applicants to file every possible divisional application immediately, the change would vastly increase the total number of divisional filings for less-important inventions. Under current practice, the applicant can refrain from filing a second, third or fourth divisional application to an aspect of the invention which is not currently of commercial interest and re-evaluate the situation near the end of prosecution in a first divisional. In many cases, the applicant finds, after further commercial development, that the second, third or fourth divisional is not worth filing.

The proposed rule with respect to divisional applications would also reduce the quality of examination in divisional applications. Quite often, the various inventions are closely related, so that the searches in the original application and in the first divisional application provide significant information and guidance for the examiner taking up the second and later divisional applications. This progressive accumulation of knowledge would be lost by forcing examination of all divisionals simultaneously.

The purported authority for the Continuation Notice is the "general requirement of good faith in prosecution," which the Office finds in *In re Bogese*, 303 F.2d.1362, 64 U.S.P.Q.2d 1448 (Fed. Cir. 2002). But *Bogese* is clearly inapposite to the situations discussed above. It is thus respectfully submitted that the changes proposed by the Continuation Notice are *ultra vires*. The Office expressly acknowledges that it has no authority to impose "an absolute limit on the number of copending continuing applications" and states that "the Office does not attempt that here." 71 Fed. Reg. 50. The denial is expressly contradicted by the proposed rule; there is an "absolute limit" of one continuation or one request for continued examination, subject only to a narrow exception for matters which "could not have been" presented earlier." 35 U.S.C. § 120 contains no such limitation to only those matters which could not have been presented earlier, and it is respectfully submitted that the Office has no authority to impose one.

It is respectfully submitted that the administrative considerations cited as justifying the Continuation Notice are not well founded. At 71 Fed. Reg. 50, the Continuation Notice states that continuing applications and requests for continued examination amount to approximately 30% of the total applications, and therefore "about thirty percent . . . of the Office's patent examination resources must be applied to examining continued examination filings that require reworking earlier applications instead of examining new applications." The unstated premise is that it requires the same amount of time, on average, to examine a continuing application or request for continued examination as a new application. No evidence is given in support of this unstated premise. The unstated premise is surprising and contrary to common experience. Many continuing applications and requests for continued examination present only a new argument or evidence on an issue developed in the parent application, or an amendment to the claims pertinent to such an issue. In many instances, a continuing application or request for continued examination presents only an additional information disclosure statement relating to claims the examiner has already allowed. In each instance, the examiner is already familiar with the issues, and can dispose of a continuing application or request for continued examination in a small fraction of the time required for initial examination of a new case.

The proposed rules are counterproductive in that applicants will be far more likely to file an appeal immediately after receiving a first final rejection rather than waste the single opportunity to file a continuation. In the past, when an examiner took a position that was difficult to support under the law, an applicant would refrain from taking an appeal, and would hope to find some sort of compromise in a continuation. That will no longer be the case. The resulting tide of appeals will inundate the Board of Patent Appeals and Interferences.

To the extent that the rules set forth in the Continuation Notice are intended to solve a perceived problem of "abusive" use of continuing applications, they attack a problem which has

largely been cured. The most significant abuse of continuations was to extend the effective term of a patent. Under the law as it stood prior to 1996, patents expired 17 years from the date the patent was issued, and hence it was possible for an applicant to extend the rights afforded by a single patent application by strategically filing continuations or divisionals. In some well-publicized cases, applicants sought patents which would have expired 50 or 60 years after the first application was filed.¹ Under the American Inventors' Protection Act of 1996, however, patents expire 20 years from the filing date of the first non-provisional patent application. 35 U.S.C. § 154(a)(2). Thus, all of the continuing applications in a chain of such applications will expire on the same date. The applicant cannot extend the effective term of his or her patent by filing continuations. Congress already adopted a cure for the problem of improper term extension.

Again, crafting claims in a continuing application or in an amendment to cover a competitor's product is not abusive if the claimed invention was fully disclosed in the originally-filed application. However, the continuation practice (or the amendment practice) can be abused by an applicant who presents claims in a continuation application which are crafted to cover a competitor's product and which are directed to an invention which is not fully disclosed in the originally-filed application. That form of abuse is already prohibited by 35 U.S.C. §§ 112 and 120. If the invention claimed in a continuing application is not fully disclosed in an earlier application, the Office can and should deny benefit of the earlier filing date claimed.

The Office can take reasonable procedural measures to improve examination for compliance with these elements of the statute. For example, the Office may require that where an applicant adds or amends claims, or presents new claims in a continuing application different from those of the parent application, the applicant must file a statement showing where each new or amended claim is supported in the specification of the application where the claim is presented; and, as to each new or amended claim in a continuation application, (i) whether the applicant contends that the claim is entitled to benefit of any earlier-filed application under § 120; and (ii) if so, where the claim is supported in such earlier filed application. Such a rule should not attempt to set forth some formula for the way in which the applicant must phrase the statement. *See* current 37 C.F.R. § 1.111, which requires applicant to point out how the claims distinguish over the prior art. Such a rule could provide that if the examiner finds the statement inadequate, and if the applicant does not correct it after notice to that effect, lack of support will be deemed established and the claim in question will be either rejected under § 112 or denied benefit of the earlier application as appropriate. The Office might also provide that if a new claim was drafted in view of a competitive product, the applicant must so state and must identify the competitive product.

Proposed 37 C.F.R. § 1.78(f)(2) sets up a "rebuttable presumption" that any two applications with overlapping disclosure, common inventor, common assignee and common first claimed filing date contain at least one claim which is not patentably distinct from at least one of the claims in the other application. In such a case, the applicant must either convince the examiner that all claims in the various applications are patentably distinct from one another (subsection (i)) or else both file terminal disclaimers *and* "explain to the satisfaction of the Director why" there are two or

¹ *See Symbol Techs., Inc. v. Lemelson Med., Educ. & Research Found.*, 277 F.3d 1361, 61 U.S.P.Q.2d 1515 (Fed. Cir. 2002).



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more applications with patentably indistinct claims (subsection (ii)). But the filing of a terminal disclaimer would obviate any issue of double patenting as between the two applications with supposedly indistinct claims. Beyond that issue, it is not at all clear why the Director needs or wants to know "why" the applicant has presented the claims in two applications rather than in one application. Most commonly, the reason will be simply that there is no clear-cut, bright line test by which an attorney can split up related inventions during the drafting process. There is no good reason for applicants, attorneys and the Office to waste time wrangling over such a meaningless issue. The accompanying comments refer to the "burden" on the Office of examining multiple applications with claims which are not patentably distinct from one another, but does not identify what additional burden is imposed on the Office by claims in two applications rather than one, particularly where the applicant has filed a terminal disclaimer so that the Office need not consider issues of obviousness-type double patenting. This entire procedure could be streamlined by simply allowing applicants to designate two or more commonly owned applications as "voluntary divisions" or some other appropriate term, as by so stating in an application data sheet. Such designation would amount to an automatic terminal disclaimer. All of the "voluntary divisions" applications would expire on the same day as the earliest-expiring one of the related applications, and would remain enforceable only as long as they are all commonly owned. There would be no need for the Office to consider whether or not the claims are or are not "patentably distinct," or even to ask for a terminal disclaimer. Moreover, the examiner in each voluntary division application would be alerted to check the other voluntary division applications.

For all of the above reasons, the proposed rules set forth in the Continuation Notice should not be adopted.

Respectfully submitted,

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