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To: AB93Comments

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

May 3, 2006

By Email to AB93Comments@uspto.gov

The undersigned hereby submits comments on Notice of Proposed Rulemaking (the “Notice”) published at 71 Fed. Reg. 48 (January 3, 2006) (“Changes to Practice for Continuing Applications, Requests for Continued Examination Practice, and Applications Containing Patentably Indistinct Claims.”)

In proposing rules limiting continuation practice, the PTO intends to “make the exchange between examiners and applicants more efficient, get claims to issue faster, and improve the quality of issued patents.” 71 Fed. Reg. at 50. These are laudable goals. Disturbingly, however, the proposed rules will not only have the opposite effect, but they will be disastrous for the patent system in the United States.

1. Requiring All Claims to be Presented Upon Initial Filing is Impractical.

The assumption underlying the proposed rules is that if an applicant is sufficiently focused in drafting claims upon filing a new application, it is feasible to effectively claim, in the initial application, all of the inventions to which the inventor is entitled. This assumption is deeply flawed. It is simply unreasonable and impractical for the PTO to impose such a burden on applicants.

To illustrate why the assumption is flawed, consider even a very simple application that discloses a single basic invention that might be claimed with a single broad independent claim. Assume also that the application discloses just ten refinements of the basic invention, each of which would be appropriate for claiming as a dependent claim limitation, narrowing the single broad independent claim. If every possible combination of these ten dependent claim limitations is claimed as a dependent claim, the applicant would have to draft more than one thousand dependent claims.¹ For a slightly more complicated disclosure, which might disclose twenty refinements on the basic invention, more than one million claims would be required.²

This overwhelming number of potential claims poses a significant problem for the applicant, since it requires, as a practical matter, the applicant to choose to initially prosecute only a fraction of the claims to which he or she is entitled. This problem cannot be solved simply by choosing to prosecute the broadest possible claims, because the applicant will have no way of knowing -- nor should the applicant know -- whether such broad claims will withstand motivated, competitor-inspired attacks on validity

¹ Assume the basic broad claim recites limitation A, and there are ten dependent claim limitations B,C,D,E,F,G,H,I, J, and K, any combination of which might be an appropriate dependent claim. The claim permutations would have the form of (1) A (2) AB, (3) AC, (4) AD, . . . (11) AK, (12) ABC, (13) ABD, (14) ABE, . . . and (1024) ABCDEFGHIJK.

² The scope of what can be claimed is, of course, constrained by 35 U.S.C. §112 ¶1 to the written description contained in the patent disclosure. Yet for twenty independent refinements on the basic invention, that disclosure can easily, and indisputably, enable and provide written description support for more than one million claims, each reciting a different combination of those twenty refinements.

during post-issuance litigation. Similarly, choosing to prosecute the narrowest of the available claims is also not a solution. The applicant will not know upon initial filing -- and again, nor should the applicant know -- whether the narrowest claims will provide sufficient licensing opportunities. Licensing opportunities are entirely dependent upon which particular features of the invention will be exploited by others in the marketplace, and the applicant almost never has any control over the actions of others in the marketplace.

Further, relying on even 100 claims that range from broad to narrow will cover less than 10% of the potentially patentable landscape disclosed by the application disclosing ten refinements of the basic invention, and less than 1% of the landscape disclosed by the application disclosing twenty refinements. And finally, it is also not a solution to choose to prosecute only those claims that represent the inventions that the inventor intends to practice. The inventor's own activities are usually entirely irrelevant to the value of a patent -- the value of the right to exclude depends solely on whether someone else wants to use the patent, not the inventor.³

The reality is that the applicant will simply be unable to tell, at the time of filing the original application, which of the overwhelming number of possible claims should be chosen for prosecution. The applicant will be unable to tell whether the chosen claims will be valid in light of prior art, because some prior art is simply unavailable at the time of filing an application.⁴ The applicant will be unable to tell whether the chosen claims will present licensing opportunities commensurate with the value of the patent disclosure, because only the future will reveal what particular aspects of the disclosure will bring licensing opportunities. So it is simply unfair and inappropriate to require that an applicant "justify" the filing of multiple continuations, since depriving the inventor of the opportunity to do so is tantamount to depriving the inventor of the vast majority of the value that the applicant's disclosure provides.

2. The Prosecution of the Most Important and Valuable Claims is Necessarily Carried Out through Continuation Practice.

The reality of the patent system is, and probably always has been, that the overwhelming majority of patents are never licensed or commercialized, and only a small fraction of patents turn out to have much value.⁵ Although optimism likely accompanies the initial filing of virtually every patent application, experience shows that any given invention is unlikely to have significant value, and this value is usually not confirmed until years later.

Another reality of the patent system is that the filing of continuation applications is not justified unless the subject matter disclosed in the original application is valuable.

³ See Interview with Emmett J. Murtha, Former Director of Licensing at IBM, *Licensing Economics Review* (October 2001) (accessed at http://www.frlicense.com/ARTICLE_10_02.HTML) ("Unless someone else wants to use it, a patent has no real value.").

⁴ One example is prior art under 35 U.S.C. §102(e). Often, §102(e) art represents some of the most relevant art for a given set of claims, but, for the most part, the closest of such art is not available to the applicant at the time an initial application is filed. For this reason, it is simply impossible to conduct an exhaustive prior art search prior to filing the initial application, even for applicants willing to devote the time and resources to doing so.

⁵ See, e.g., Murtha, *supra* note 2 ("[M]y best information indicates that only about 3 percent of existing U.S. patents are ever licensed, [and] [o]nly about 5 percent of a large portfolio has real value.").

Under current practice, when it does eventually become apparent that both prior art considerations and marketplace acceptance of an invention are favorable, continuation applications are typically filed to ensure that effective and more comprehensive patent protection is secured. Only then does the added expense and effort of filing continuation applications containing comprehensive, well-researched, and carefully considered claims become justified by the value of the subject matter disclosed by the application. For the overwhelming majority of inventions that have little or no value, however, the cost of filing continuation applications is usually not justifiable, so none are filed. This is probably the most likely explanation for why a higher number of continuation applications are filed in particular cases.

But this also suggests that some of the most important and valuable patent claims are necessarily prosecuted through continuation practice. In fact, it turns out that empirical evidence does support the notion that valuable inventions are often protected by patents based on continuation applications. One accepted measure of whether a patent is valuable is whether it is subjected to litigation – litigated patents are thought to be much more valuable than other patents.⁶ And litigated patents have been shown to be much more likely to be based on continuation applications.⁷

It follows, therefore, that continuation applications are used for the prosecution of some of the most valuable and commercially successful inventions. This is not a result of any “abuse” by responsible practitioners, but rather, it is a result of a careful approach taken by practitioners that ensures that the prosecution costs associated with a patent application are commensurate with the value of the inventions disclosed in that application.

3. The Proposed Rules have the Most Harmful Effect on Some of the Most Important and Indisputably Valid Patents Issued by the PTO.

Incredibly, the most important and valuable inventions are those most affected by the PTO’s proposal, because, as demonstrated above, those inventions are often claimed in the continuation applications that the PTO seeks to eliminate. The PTO’s concern that “these continued examination filings . . . too often . . . divert patent examining resources from the examination of new applications”⁸ is entirely misguided. In a perfect world, the PTO would focus its resources on the most important and valuable inventions. Attempting to rid the system of continuation applications so that it can focus solely on “new” applications is precisely the wrong approach.

Patents resulting from multiple continuations are subjected to numerous PTO prior art searches, often by multiple PTO examiners, and are typically prepared through particularly careful and considered claim drafting efforts in light of the very best prior art available. As a result, they are often among the very strongest and indisputably valid patents issued by the PTO, capable of successfully withstanding the rigors of patent litigation with even a well-financed and determined infringer.

⁶ Allison et al., *Valuable Patents*, 92 Geo. L.J. 435, 439 (2004) (“We believe the relationship between litigation and value is quite strong and bidirectional – that litigated patents tend to be much more valuable than others on average, and that valuable patents are much more likely than others to be litigated.”).

⁷ Allison, at 456-57 (“Patent applicants whose patents were ultimately litigated filed many more continuation applications than ordinary applicants . . . each litigated patent resulted from an average of 2.57 different applications, compared with 1.54 applications per [typical] issued patent.”).

⁸ 71 Fed. Reg. at 49.

Undoubtedly there are some parties, perhaps those unable to nullify or design around such patents, that might contend that patents resulting from multiple continuations are somehow “unjust” and that their “adverse effects” should be eliminated. To do so, however, is to undermine the very reason the patent system exists. Strong, indisputably valid patents have no adverse effects, except for infringers.

4. *The PTO is Stretching the Public Notice Function of Patent Claims Too Far.*

The PTO contends that current practice “undermin[es] the function of claims to notify the public as to what technology is or is not available for use.” 71 Fed. Reg. at 49. Patent claims do perform a notice function, of course, allowing liability for infringement to be avoided by respecting the scope of any given set of published or issued claims. But that notice function is limited to those claims, and does not extend to any future claims that might issue. The notice function for any future claims commences upon issuance of those future claims, and not before. In a parallel manner, and not coincidentally, liability for infringement of those same future claims commences upon issuance of those future claims, and not before.

Members of the public seeking to undertake activity that could not infringe any future claims that might issue from a given patent disclosure can in fact achieve certainty. Any member of the public having an understanding of the current state of the art can identify the novel inventions disclosed for the first time in that disclosure. By simply not practicing those novel inventions, it is possible to reliably avoid liability for infringement of even any future claims that may issue from that patent disclosure. For a member of the public seeking absolute noninfringement certainty, it is hardly asking too much to deny free and unlicensed access to novel inventions conceived and disclosed by someone else.

The public deserves certainty, but too often those advocating changes to the patent system in the name of “certainty” are really seeking (either intentionally or unintentionally) free and unlicensed exploitation of someone else’s invention. Recognizing that the current system of peripheral claiming makes comprehensively claiming inventions virtually impossible, many of those seeking to abolish continuation applications are really just trying to achieve “certainty” in their quest to steal someone else’s inventions -- the inventions of our country’s rightful and deserving innovators.

5. *The Proposed Rules will be Particularly Disastrous for Small Businesses.*

To the extent the proposed rules eliminate some of the more important and indisputably valid patents issued by the PTO, the result will be a significant weakening of the patent system. And a weakening of the patent system will disproportionately impact small businesses and individual inventors, much more so than it will large businesses. The proposed rules will, of course, apply to both small businesses and large businesses equally, so inventions sought to be protected by both small and large businesses will be affected. But small and large businesses use the patent system differently,⁹ thereby creating a significant difference in the actual effect of the rules.

Large businesses do not need to rely on the patent system, and in fact can thrive under a weak or nonexistent patent system. They have many other advantages to rely

⁹ Mann, *Do Patents Facilitate Financing in the Software Industry?*, 83 Tex. L.Rev. 961, 987 n.133 (2005) (“[P]atents play completely different roles in small venture-backed firms than they do in larger established firms like IBM or Microsoft.”).

upon, such as marketing prowess, established distribution channels, and partner relationships.¹⁰

Small businesses and independent inventors, on the other hand, need high quality patents that can be reliably enforced, particularly when a larger, better financed competitor seeks to take advantage of innovations created by small businesses.¹¹ Having none of the advantages of a larger enterprise, small inventors often must rely on patents, and if necessary, enforce them in infringement litigation. So it is not surprising that small inventors are dramatically more likely to enforce their patents than larger businesses,¹² because patent rights are often the only way they can possibly compete with a much larger and well-financed competitor.¹³ For small businesses that rely on innovation, a weak patent system would be disastrous.¹⁴

6. *The Proposed Rules will Dramatically Increase the PTO's Backlog.*

Under current practice, the examiner's rejection of claims is often simply part of a cooperative effort between the examiner and the applicant to adjust the scope of the claims in an application to an appropriate level agreed upon by both the examiner and the applicant. In many cases, before this effort can be fully explored, however, the principles of "compact prosecution" normally result in the termination of prosecution on the merits by the Office's second action. Current continuation practice is an important part of the system of compact prosecution, and is essential to making such a system work. Continuation applications provide applicants with the freedom to compromise with the examiner in reaching agreement on a manageable set of claims of relatively narrow scope in each application filed.

Under the proposed rules, the applicant no longer has any ability to compromise with the examiner. Without the availability of a continuation application, applicants will be motivated to prosecute a large number of the broadest claims possible from the first filed application, thereby demanding the PTO devote much more time to a given application than under current practice. Even worse, the applicant will often have no choice but to aggressively resist rejection of any claims, and exhaust every avenue of

¹⁰ Mann, at 987 n.133 (Without a patent system, "IBM's legendary marketing prowess will allow it to win most contests between reasonably equivalent products.") Large businesses use patents mainly in cross-licensing arrangements with other large, established businesses where patent quantity is more important than patent quality.

¹¹ See Mann, at 987 ("As one [small business] executive put it: 'What's protected me from other people ripping [off our product] has been the specter of patent infringement.'")

¹² Allison, *Valuable Patents*, at 465 ("One of the most striking findings of our study is the prevalence of litigated patents issued to individual inventors and small businesses. Patents originally issued to individuals and small businesses were far more likely to be litigated than patents originally issued to large corporations.")

¹³ Mann, at 987 n.133 ("The startup, however, can win [product competitions with IBM] only by depriving IBM of the freedom to market a reasonably equivalent product. Thus, the patent's ability to exclude is considerably more valuable to the startup than it is to IBM and similar firms.")

¹⁴ Mann, at 1028 (Concluding that the effects of patents are "much more likely [to] operate to the benefit of small firms than to the benefit of large firms."), Mann at 988 n.141 (Noting the perspective of a biotech executive: "Intellectual property in our industry is the number one reason people fund you or don't fund you."), and Myhrvold, *Inventors Have Rights, Too!*, Wall Street Journal, p. A14, March 30, 2006 (Former Microsoft Chief Technical Officer exposing large computer technology companies that are knowingly engaging in "lots of infringement," and are therefore currently "fighting a campaign to weaken the patent laws for the little guy.")

appeal to obtain allowance of all disputed claims, particularly the broadest claims. The significance of each Office action will increase, and predictably, responses to Office actions will become more voluminous and detailed, and consequently more time-consuming and burdensome for the examiner to consider. The proposed rules will dramatically alter the nature of prosecution of applications before the Office, and will require many more resources to examine a given application, thereby leading to a dramatic drop in the examining corps' productivity

The effect of the proposed rules will undoubtedly be to exacerbate the PTO's backlog, not alleviate it. Current pendency times in many important technology areas, if exacerbated by the proposed rules, could put industries critical to the U.S. economy out of the patent business for the better part of a decade. It is difficult to imagine a more disastrous proposal for the patent system in the United States.

The comments in this letter are presented pro bono and in my personal capacity and not on behalf of Dorsey & Whitney, the law firm where I am a partner, and the views expressed in this letter do not necessarily represent the views of any colleague or client of that organization.

Respectfully submitted,

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