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Subject: Comments of San Diego Intellectual Property Law Association

Please consider the attached comments of the San Diego Intellectual Property Law Association on the Notice of Proposed Rule Making, 71 Fed. Reg. 48 (January 3, 2006).

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COMMENTS OF THE SAN DIEGO INTELLECTUAL PROPERTY LAW ASSOCIATION ON NOTICE OF PROPOSED RULEMAKING BY UNITED STATES PATENT AND TRADEMARK OFFICE, ENTITLED:

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

OPENING REMARKS:

The San Diego Intellectual Property Law Association (“SDIPLA”), serving the San Diego, California area, has over 475 members, making it one of the largest regional intellectual property bar associations in the United States.

These comments are primarily in response to the USPTO’s Notice of Proposed Rule Making, 71 *Fed. Reg.* 48 (January 3, 2006). The SDIPLA believes that the underlying premises of the new rules packages that purport to deal with the USPTO backlog are seriously flawed. For this reason, it is appropriate first to discuss certain fundamental principles of the patent examination system and certain truisms of innovation, and then to test the rules against those principles. The SDIPLA believes those principles include the following:

1. The fundamental purpose of the Patent Office is to assist inventors in obtaining protection for the full lawful scope of their inventions.
2. Considerations such as the convenience of the Office, or of the Examiners, or improvement of examination statistics, are all secondary to that fundamental purpose.
3. Not all inventions are created equal. Some inventions are still being made by a sole inventor tinkering in the basement, but more and more inventions are made by teams of inventors in the course of major research or development projects.
4. Some patent application disclosures are appropriately 5 pages; others are appropriately hundreds of pages. Simple inventions might be adequately protected by a few claims. Complex inventions might require a large number of claims.
5. Solutions to the enunciated problems that artificially constrain the ability of innovators to adequately protect their inventions are unacceptable. These include any solution that penalizes major innovations that require more claims, more continuing applications, or more examiner time.

6. The SDIPLA agrees that the USPTO may appropriately implement programs under which inventions that require the most examination resources incur *proportionally* larger fees than those that require a lower amount of resources.

7. However, the SDIPLA believes that it is fundamentally wrong for the Office to implement policies that penalize or stigmatize major innovations. It is not the role of the Office to change the behavior of patent applicants in a manner that compromises their ability to protect their innovations to the fullest extent that they, in good faith, believe is appropriate.

8. It is also inappropriate for the Office to adopt any policy restricting the ability to obtain patents in response to lobbying efforts of companies or individuals against whom those patents may be enforced.

GENERAL COMMENTS ON CURRENT RULES PACKAGE

The SDIPLA opposes the entire rules package proposed by the USPTO, and strongly recommends against the adoption of this package or any of its provisions.

From the perspective of the SDIPLA, patent examination practice has evolved over the years in a manner that continues to accommodate the major differences between little inventions and big inventions. Historically, with the advent of compact prosecution, more and more second office actions were final actions. Examiners were allocated a fixed amount of time to examine each application. At the same time, the USPTO became a user-funded agency, and patent fees were increased to cover the operating expenses of the office.

In applications covering extensive, complex or pioneer inventions, compact prosecution has not allowed applicants to adequately protect the full scope of their inventions in the initial round of examination. Many aspects of such inventions are divided out through restriction practice. In addition, the claims Examiners have been willing to allow after a first round of examination (and even in a first continuation application or RCE examination) are often inappropriately narrow, due to the inability to present, discuss, and resolve all issues and concerns and introduce all necessary supporting evidence within the constraints of compact prosecution. There is also an understandable level of discomfort on the part of Examiners when applicants seek broad claims for pioneer inventions. Under current practice, continuing applications provide a relief mechanism that allows applicants to come back to the office to obtain the remainder of the appropriate, lawful claim protection to which their inventions are entitled.

By way of analogy, one could say that compact prosecution attempts to fit all inventions into the same sized box. Perhaps half of all inventions fit nicely. Complex inventions, on the other hand, are often like an octopus: when you force the lid on the box, there are pieces left sticking out. Under the current system, the rules allow an

unlimited number of boxes, so eventually even the biggest, most complex inventions can be boxed up.

The current system also appropriately allocates the cost of the process to those inventors who use the most resources. The USPTO receives a set fee for each and every application that is filed. That fee has been calculated to cover the Office's fixed and overhead costs for examining an application. The same is true of claims. The Office receives set fees for all independent, dependent, and multiply dependent claims that exceed certain limits covered by the basic filing and examination fee. If the Office has more applications or claims to examine, whether due to increased innovation or to filing of continuation applications, those fees have presumably been set by the Office to cover the cost of hiring the appropriate number of examiners.

The proposed scheme would increase Examiner backlog

Under an even more draconian, hypothetical implementation of a limited-continuation-application scheme, if all continuing applications were eliminated, the Office could reduce the number of applications by almost one third. However, this would also reduce revenues by one third. If this required the Office to cut staff by one third, the examination resource problem would not be improved whatsoever. Indeed, as most Examiners will confirm, original applications require a disproportionate amount of examination time. Examiners make up for this through the continuing applications on their docket, which can be examined much more efficiently. The Examiner is already familiar with the specification; has already become familiar with the prior art; is aware of the distinctions that have been argued over the prior art; and can thus handle the case on a much more educated and sophisticated level in a much shorter time. Eliminating this "gravy" from the Examiners' docket would increase, not reduce, the average time required for examining each case. This somewhat extreme example points out that fees will be reduced proportionally more than examination time under the PTO's proposed rules.

In reality, the PTO indicates that the second continuations that would be eliminated under the proposed rules occur only about 7% of the time. Examiners should be much more efficient when reviewing the same specification for the third time, while receiving full filing and examination fees and time allocations. Eliminating the applications that cost the least to examine will not solve the PTO's examination problems.

In addition, by restricting continuing application practice, the Office will force applicants to appeal after every final action that does not result in allowance of all claims to which the applicant is objectively entitled; or, alternatively, applicants must go away from the process without ever obtaining the claims to which they are entitled. In many cases involving complex or multi-faceted inventions, the issues have not been sufficiently developed nor has an adequate record for appeal been created after just two office (or sometimes four) actions – particularly if the Examiner has done an inadequate job, as is more and more commonly seen by members of the SDIPLA.

The Office needs to hire and train more Examiners

It is difficult for members of the SDIPLA to understand either the problem or the solution posed by the USPTO. If the Office is truly a user-funded agency, then it should charge enough for each application to cover the cost of examination. If it is falling behind in examination, it should hire more Examiners. If it is having trouble recruiting, training, and/or retaining Examiners, those processes should be fixed. The public (and our association) sees these as the logical responses to the backlog. A solution that instead proposes to reduce the number of patent applications that can be filed seems illogical and misplaced, penalizing innovators to pay for bureaucratic or administrative insufficiencies. It has never been the intent of Congress to allow the PTO to limit its size by limiting the number of patent applications that can be filed.

It should be noted that not all of the present problems with examination practice result from new Examiners who are not fully trained. Our organization perceives significant problems arising from the gamesmanship of the entrenched, experienced examination corps and the “fad” rejections and theories of unpatentability that seem to spread through the office. Commissioner for Patents John Doll indicated years ago that the role of the Examiner is to “help applicants obtain patents,” not to strain to find bases on which to refuse them.

Don't blame the messenger

It was not long ago that the USPTO expressed concern at decreased levels of patent filings in certain art units. Our association believes that hiring was scaled down at that time in response to a perceived trend, and now the Office has a lack of trained Examiners in certain technology areas. This is not the fault of applicants. They should not be penalized for the PTO's inability to hire, train, and retain.

The USPTO has not adequately sought to explain why there are more continuing applications being filed today than in the past. No studies have been offered to identify the reasons for this apparent trend. However, the Office has at least inferentially made three unwarranted assumptions: (1) the increases in continuing applications are not the PTO's fault; (2) these increased filings themselves are the problem, rather than a reflection of a different problem, and are thus improper; and (3) an appropriate response is to punish the most innovative members of our society by curtailing their ability to file continuing applications.

With respect to the increased filing of continuing applications, one should assume that applicants are rational individuals operating under the same economic constraints that govern most business behavior. The continuing applications are filed, therefore, because applicants believe there is an economic benefit. That benefit logically has to be that there is value remaining in the application that has not been captured in the prior rounds of examination. The increase in filings strongly suggests that less of that total value is being captured now than in the past. What remains unclear is the cause, i.e., whether this is because the Office is trying to fit inventions into even smaller boxes than before, through inappropriately stringent or limited examination, or whether it is because

inventions are becoming increasingly more complex and less able to fit into the existing boxes. In either event, innovators want to and need to protect the full lawful scope of their inventions. Often, that is not happening in the initial one or two rounds of examination. It is highly inappropriate to deal with the problem by penalizing or constraining the inventors' ability to obtain that protection.

Nothing in the current rules package deals with the problem of Examiners' refusal to enter amendments after final. It could well be that this policy results in the filing of more continuations than any other single factor. The scenario goes like this: The first action is a rejection. The Applicant amends the claims in response. The Examiner cites new art, but makes the rejection final, because "the amendment necessitated the citation of the new art." Now, the Applicant is stuck. Amendments or declarations to overcome the new art are routinely refused entry after final, based on established PTO policy and/or gamesmanship by Examiners to get more "counters." The issues are not ripe for appeal without entry of such amendment or evidence. Thus, the only solution is to request continued examination or file a continuation. Now the PTO proposes to eliminate that safety valve. If the Office genuinely wants to reduce unnecessary continuations, it should allow Applicants to enter amendments and evidence after final as a matter of right. Perhaps a modest fee could be assessed to compensate for any added examination burden.

Perceived abuses are largely illusory and are otherwise dealt with by the law

The PTO raises, once again, the specter of submarine patents, pending almost forever, and endless continuations that do nothing to advance prosecution. This appears to the SDIPLA to be a red herring, perhaps thrown in to garner emotional support for the initiative, without solving any significant need not otherwise dealt with by existing law.

Endless strings of continuing applications have been relatively rare, and most notoriously have involved the Lemelson patents. Lemelson's patents represent 334 of the approximately 3.1 million patents issued since 1976, or about one thousandth of one percent of all the issued patents in that timeframe. Lemelson is now dead. Practices that many have perceived as abuses are no longer practical or effective. The twenty year patent term progressively diminishes the value of later-issuing patents. Moreover, abusively-prosecuted patents are not currently enforceable under Federal Circuit precedent, due to prosecution latches. See, e.g., *Symbol Technologies v. Lemelson Foundation*, 422 F.3d 1378 (Fed. Cir. 2005).

In addition, some PTO officials have been heard to comment that the real impetus for this rules package is to address the problem of "patent trolls." This pejorative term has been coined by large companies that have been sued by individuals or organizations that do not commercialize their inventions. By definition, this includes the National Institutes of Health, all universities, nonprofit research institutes, and numerous individual inventors and innovative companies that may not be able to commercialize all that they invent. Whether these groups should be restricted, penalized, or punished is an issue for Congress to legislate, and the PTO should not take sides or respond to lobbying pressure on this important issue.

To the extent that inadequately translated specifications based on foreign-language priority documents cause examination burdens, the PTO could easily address such situations in much the same manner as it does missing parts: simply provide a notice to the Applicant, with a deadline in which the specification (including claims) must be brought up to U.S. standards.

SPECIFIC COMMENTS ON PARTICULAR PROVISIONS

37 CFR §§ 1.78(d)(1)(iv) - Guilty until proven innocent:

A particularly offensive provision of the rules package is the requirement to file an explanation, on the record, of why additional continuing applications or RCEs are needed. See, e.g., 37 CFR §§ 1.78(d)(iv) and 1.114(f). The apparent assumptions underlying this requirement are that (1) claims of appropriate scope are routinely available after one continuation or RCE; (2) broad claims to all aspects of the invention can be achieved within the same period; (3) inventors and their attorneys can recognize all of the patentable aspects of their invention at the time of filing; (4) filing a continuing application is somehow wrong or culpable, in the absence of extenuating circumstances; (5) the same government agency that wants to dramatically curtail continuing applications can objectively rule on petitions to accept additional continuing applications; (6) it is appropriate to publicly air otherwise confidential business, competitive, and litigation objectives in petitions to the PTO; and the PTO can appropriately weigh the merits of those considerations.

It is the position of the SDIPLA that none of these assumptions are correct. We address them in turn. (1) Claims of appropriate scope are rarely obtained after one round of examination, or even one continuing application, particularly when the invention is complicated or when it represents a major advance. (2) Many aspects of complicated or revolutionary technologies are not adequately protected by the claim set that can be negotiated in two or often in four office actions. Indeed, adequate protection for the most important innovations is rarely achieved in the first round of examination. (3) The commercial importance of certain inventions is often apparent only in light of the market reaction to those innovations. (4) It is inappropriate to artificially cut off the ability to adequately protect an invention, and those who seek to round out the full lawful scope of available claims are acting appropriately. (5) It is not reasonable that the PTO will be able to objectively rule on petitions to accept additional continuing applications, because the PTO has a conflict of interest. (6) It is inappropriate for applicants to be required to explain why additional filings are necessary, because this often involves confidential business, strategic, competitive, or litigation considerations. Because the PTO personnel lack the business perspective, or lack an understanding of products likely to be launched by competitors, they may fail to appreciate the significance of issues that have major consequences to business.

In addition, the PTO creates a litigation minefield by requiring applicants to make an affirmative factual representation on the record that certain amendments, arguments,

or evidence “could not have been submitted” previously. It is inevitable that any such petition will be scrutinized in litigation, creating at the least a substantial increase in the time and resources devoted to the litigation (and in the cost of enforcing valid patent rights), and at most, gratuitously creating a basis on which to invalidate or render unenforceable patents that would otherwise have been upheld.

To add insult to injury, applicants caught in the trap of needing an additional RCE or continuation application would have to pay \$400 or more for filing the petition. This is true regardless of the reason for the continuing application, which in our experience is often due to the unreasonable recalcitrance, inexperience, or incompetence of the examiner, or complexity of the invention. Thus, this can be looked at as a penalty on the applicant for the PTO’s shortcomings, or a tax on important innovation and an incentive for inventive mediocrity.

The “could not have been submitted” standard of 37 CFR §§1.78(d)(1)(iv) and 1.114 for amendments, arguments, and evidence justifying a continuing application renders the provision illusory. The standard is clearly a hindsight standard. Except for those rare instances when evidence was simply not in existence prior to filing the continuation, the PTO could almost always say, in hindsight, that one could have previously made any conceivable argument or amendment, or introduced any existing evidence.

These concerns are especially acute in the life sciences area. Because of the virtual impossibility of obtaining claims to the full lawful scope of complex or life-sciences inventions during a single round of examination, and the likelihood that many patentable cases will remain rejected or insufficiently protected after one RCE or continuation, large numbers of petitions are inevitable. Appeals from Examiner rejections will also increase dramatically. (The currently favorable appeal pendency times would doubtless increase substantially, resulting in substantial patent term extensions for appeal delays.) We believe it likely that substantial PTO resources will be devoted to such petitions and appeals, diverting those resources away from the PTO’s real mission: the examination and issuance of valid patents that protect the full lawful scope of the invention.

If the PTO adopts these rules, at a minimum the PTO should include entry of amendments and declarations after final as a matter of right. Otherwise, when the Examiner cites new art or makes new arguments in the final rejection, or refuses to drop what appeared to be an easily-overcome position (thereby necessitating introduction of factual evidence to the contrary, for example), Applicants who cannot file continuing applications will be forced to appeal without the ability to appropriately complete the record or get reasoned consideration of their amendments, arguments or evidence.

37 CFR §1.78(d)(1)(ii) – Divisional Issues

The proposed rules dealing with divisional applications are incomplete and ambiguous. Subsection (ii) says that divisional applications can claim priority to only a single prior application. Thus, in the scenario where a parent application is followed by a

CIP, and the CIP is subject to restriction, *no divisionals can be filed*. In other words, the restriction requirement works a forfeiture of all non-elected inventions, arguably an unconstitutional “taking” under the Fifth Amendment to the Constitution and a violation of Article 1, Section 8. However, regardless of constitutionality, such a forfeiture serves no public purpose and is abhorrent to the principles underlying the patent system.

A similar forfeiture occurs when entering U.S. national stage as a continuation or CIP of the PCT application. The new rules would allow no divisional applications in response to a restriction requirement in the U.S. application. While this may be an unintended consequence of the new rules, it has the potential to become a major problem.

In addition, the proposed rules fail to accommodate a relatively common problem that is relevant to all technology areas, but is particularly acute in the biological sciences: the massive restriction requirement. The Office, on many occasions, issues restriction requirements that find hundreds or thousands of patentably distinct inventions in a single application. Often each sequence, protein, epitope, organism species, and the like is considered a separate invention for restriction purposes. Under the proposed rule, all of these divisional applications must be filed in parallel, claiming priority directly to the restricted parent application, with no intervening continuing applications.

If there are, indeed, hundreds or thousands of patentable inventions in such applications, it is highly improper for the PTO to change the rules to make it a practical impossibility for an individual or institution to meaningfully select from and protect those inventions. Under current law, divisional applications are often filed serially, as finances and resources permit. In the end, as the relative value of the various embodiments becomes apparent, only a handful of divisionals are actually prosecuted. In contrast, under the proposed scheme, all divisionals would have to be filed during the pendency of the original parent application, saddling the small biotech applicant or nonprofit research institution with impossible fee burdens and/or inundating the Office with divisional applications filed simultaneously, out of an abundance of caution, because it takes years to establish which species of a broad biological or pharmaceutical invention are commercially viable. In this way, the PTO will increase, not decrease, the backlog of divisional applications.

37 CFR 7 CFR §1.78(d)(1)(i) – No more invention allowed

The proposed rule would not permit the filing of a CIP of a CIP, or would at least lead to removal of the priority claim to the ultimate parent. The unstated premise is that inventions are only improved upon once – because only one CIP is allowed. All those involved in the invention process can appreciate that the premise is false. There is no legal or logical reason for the Office to welcome the first improvement with open arms, but to then slam the door shut on all further improvements that are not stand-alone inventions.

37 CFR §1.78(d)(3) – Claim-by-claim priority designation

The proposed rules require that the Applicant designate, on a claim-by-claim bases, which claims in a CIP are entitled to which priority date. Such designations are presumably subject to the entire body of inequitable conduct law, generating yet another pitfall for patent prosecutors and another tool with which litigators can nullify what would have otherwise been a valid patent. There are subjective judgments involved in ascertaining support in a parent application; thus, the new rule places prosecutors and their patents at risk if the designation involves any degree of advocacy.

In addition, the priority date accorded to a claim only becomes an issue during prosecution if the Examiner comes up with intervening prior art that is more relevant than prior art predating the parent application. The Office is therefore burdening applicants in every instance to address an eventuality that, more often than not, does not materialize. Even with a designation in hand, the Examiner will need to review the parent specification to verify that it does, indeed, support the claim. Thus, it is only in those instances where priority is not claimed that this burdensome procedure will save the Office time.

Moreover, every time a claim is amended, this potentially affects the priority date. This, in turn, will logically necessitate a new amendment to the specification to alter the designation of claim priority. (Whether such an amendment can be made is unclear, as discussed below.)

It is believed that the current system does not impose an undue burden on the Examiner, and the aforementioned negatives far outweigh any minor time savings that would be realized by the Office by implementing this rule. Our association would much prefer that (to the extent not already included) patent fees be increased by the tiny amount allocable to researching priority of a claim in relevant instances, rather than have the Office impose on all applicants and patent owners the substantial burden and patent enforceability risk that is associated with this proposed rule.

To the extent that the PTO adopts a rule in this area, we suggest that Applicants be required to indicate support in a parent application for particular claims only in response to a rejection based on intervening prior art. This would eliminate the burden and risk on the Applicant in the majority of situations where no such intervening art exists.

37 CFR §1.78(d)(4) – No provision for amended claims

The designation of which claims are entitled to which priority date must be done within 4 months of filing a regular application. This time is “not extendable.” However, preliminary amendments or amendments in response to an Office Action will often alter the priority date of the claim. Thus, if a limitation based on newly-added matter (i.e., not in the parent application) is removed from a claim by amendment, the rule has no provision for correcting the priority designation of that claim, except by petition and

payment of a substantial fee under 37 CFR § 1.78(e). Such a result is contrary to common sense.

37 CFR §1.78(f) – Presumed guilty again

Proposed Rule 78(f) requires that the office be notified of all applications that name a common inventor and are filed within a two month period. This imposes a new record-keeping and reporting burden on applicants, again raising the specter of a new basis for allegations of inequitable conduct. The risks and burdens of this rule far outweigh any apparent benefit.

In addition, the Office, without legal authority, establishes a presumption that certain applications filed on the same date with overlapping subject matter contain claims that are not patentably distinct. This presumption attaches in every case, without regard to objective truth. This appears to our association to be a totally unwarranted shifting of the statutorily burden of patent examination, and a violation of 35 USC §102, which unequivocally states: “A person shall be entitled to a patent *unless* . . .” (emphasis supplied). Section 102 then lists a number of conditions of patentability. Proximity of filing date and common inventorship and ownership are not among those listed. Thus, any rule that would deny a patent based on a new category of prior art established by PTO rule is a direct violation of the statute. We believe the legal prior art presumption set forth in this rule is such a violation.

Regardless of 35 USC §102, it is improper for the PTO to shift to the Applicant the burden of proving patentability, in the absence of a *prima facie* case of statutory unpatentability. Requiring an Applicant to argue patentable distinctness, in the absence of a *prima facie* showing of unpatentability by the Office, is in direct violation of Federal Circuit precedent, and sidesteps dozens of years of legal development on this issue. *See, e.g., In re Epstein*, 32 F3d 1559, 1570, 31 USPQ 1817, 1825 (Fed. Cir. 1994) (Judge Plager concurring: “in patent law[,] the rule is that the burden of persuasion is on the PTO to show why the applicant is not entitled to a patent.”) *See also, In re Oetiker*, 977 F2d 1443, 1449, 24 USPQ2d 1443, 1447 (Fed. Cir. 1992) (“The burden is on the Commissioner to establish that the applicant is not entitled under the law to a patent ... [W]hen obviousness is at issue, the examiner has the burden of persuasion and therefore the initial burden of production.”)

The PTO may point to the purported ease with which the presumption can be overcome to justify the rule. However, this requires the Applicant to make affirmative argument and representations on the record, all of which unnecessarily build a file history that can provide litigation fodder later on, potentially invalidating or otherwise limiting patents that would otherwise have protected the Applicant’s invention.

CONCLUSION:

The SDIPLA opposes each and every one of the amendments proposed in this rules package, whether or not they are individually addressed above. Moreover, we believe it is likely that at least some of the provisions are contrary to the Constitution, to the Patent Statute, and to established case law. The restrictions on the ability to obtain patents proposed therein exceed the powers delegated to the Office by Congress. The overall impact of these provisions will be to impede the progress of the useful arts and impair the competitiveness of U.S. industry.

Perceived abuses of the past are dealt with effectively today by the twenty-year patent term and the evolving jurisprudence of prosecution latches. Implementation of these rules would lead to greatly increased appeals, concomitant increases in pendency, and resulting patent term extensions, all of which increase, rather than reduce, uncertainty for both Applicants and third parties. We urge the PTO to drop these proposed rules and find a solution to patent pendency issues that does not restrict the ability of inventors to obtain claims to the full lawful scope of their inventions.

Submitted for San Diego Intellectual Property Law Association

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