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**Sent:** Tuesday, May 02, 2006 4:51 PM

**To:** AB93Comments

**Subject:** Comments on the NPRM: Changes To Practice for Continuing Applications

Sirs:

Attached please find comments from the Patent Practice Committee at Sterne, Kessler, Goldstein & Fox P.L.L.C. for the NPRM entitled, "**Notice of Proposed Rulemaking: Changes To Practice for Continuing Applications, Requests for Continued Examination Practice, and Applications Containing Patentably Indistinct Claims.**"

Respectfully submitted,

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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re:

RIN 0651-AB93  
[Docket No.: 2005-P-066]

For: **Notice of Proposed Rulemaking:  
Changes To Practice for  
Continuing Applications, Requests  
for Continued Examination  
Practice, and Applications  
Containing Patentably Indistinct  
Claims**

**71 Fed. Reg. 48  
(January 3, 2006)**

***Comments In Reply To the Notice of Proposed Rulemaking Entitled  
"Changes To Practice for Continuing Applications, Requests for Continued  
Examination Practice, and Applications Containing Patentably  
Indistinct Claims "***

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Sir:

In reply to the Notice of Proposed Rulemaking ("Notice") published January 3, 2006, at 71 Fed. Reg. 48, the PTO Practice Committee at Sterne, Kessler, Goldstein & Fox P.L.L.C. submits the following comments.

***Proposed 37 C.F.R. §§ 1.78 and 1.114***

The proposed rules seek to require that (1) any second or subsequent continuation or continuation-in-part application and any second or subsequent request for continued examination include a showing to the satisfaction of the Director as to why the amendment, argument, or evidence could not have been submitted prior to the close of

prosecution after a single continuation or continuation-in-part application or request for continued examination; and (2) multiple applications that have the same effective filing date, overlapping disclosure, a common inventor, and a common assignee include either an explanation to the satisfaction of the Director of how the claims are patentably distinct, or a terminal disclaimer and explanation to the satisfaction of the Director of why patentably indistinct claims have been filed in multiple applications. *See* Notice at page 56.

***I. The Office lacks the authority to implement proposed Rule 78 under 35 U.S.C. § 120***

Congress gave applicants a statutory right to claim the benefit of an earlier filed application under 35 U.S.C. § 120. As long as the requirements of Section 120 are met, the Office has no authority to deny applicants this right. The Office now proposes reserving the right to deny applicants this statutory right by requiring applicants to petition for benefit in subsequent continuing applications. When the Office rejects a petition for benefit, it will effectively deny applicants their statutory right under Section 120. Outside the specific and extraordinary circumstances of prosecution laches, the Office lacks authority to deny these benefit claims.

Section 120 clearly states that an application for patent "*shall* have the same effect" as to the date of a prior application if four requirements are met. 35 U.S.C. § 120 (2005) (emphasis added). The applications must have a common inventor, there must be co-pendency between the applications, the later filed application must contain a reference to the earlier application, and the invention must be disclosed in the earlier application in a manner that satisfies the requirements of 35 U.S.C. § 112, first paragraph. Nothing in Section 120 gives authority to the Office to add a fifth requirement that for a second or subsequent continuing application there be proof of new evidence, argument, or amendment that could not have been presented earlier. The statute gives the Director no discretion in deciding whether to allow a benefit claim as long as the four current requirements stated above are satisfied.

Court interpretations of section 120 demonstrate that the Office lacks authority to limit continuing applications as proposed, absent the extraordinary circumstances of prosecution laches. In *In re Henricksen*, the C.C.P.A. reversed the Board's rejection of Henricksen's claim to priority, holding "there is no statutory basis for fixing an arbitrary limit to the *number* of prior applications through which a chain of co-pendency may be traced to obtain the benefit of the filing date of the earliest of a chain of co-pending applications . . ." *In re Henricksen*, 399 F.2d 253, 254 (C.C.P.A. 1968) (emphasis in original). The court went on to state "it is for the Congress to decide, with the usual opportunity for public hearing and debate, whether such a restriction . . . is to be imposed." *Henricksen* at 262. Nine years later, the C.C.P.A. reversed the Board again for denying an applicant's statutory rights under section 120. *In re Hogan*, 559 F.2d 595, 603 (C.C.P.A. 1977). Citing *Henricksen*, the Court stated "a limit upon continuing applications is a matter of policy for the Congress, not for us." *Hogan* at 604. The C.C.P.A.'s repeated reference to Congress implies that the Office cannot deny an applicant's benefit claims under Section 120, even by following notice and comment Rule making.

Furthermore, the doctrine of prosecution laches set out recently by the Federal Circuit does not extend the Office's authority to deny benefit claims to legitimate continuing applications. In *Bogese*, the applicant repeatedly re-filed claims in several continuing applications that were held to be obvious and unpatentable by the Federal Circuit. *In re Bogese*, 303 F.3d 1362, 1364 (Fed. Cir. 2002). No substantive amendments were made and no application in the long series of benefit claims issued as a patent. *Id.* The court affirmed the Office's use of prosecution laches, but held only that "the PTO has authority to order forfeiture of rights for *unreasonable* delay." *Bogese* at 1369 (emphasis added).

In *Symbol*, the Federal Circuit upheld a district court finding of unenforceability due to prosecution laches. *Symbol Technologies, et. al. v. Lemelson Med., Educ. & Research Found.*, 422 F.3d 1378 (Fed. Cir. 2005). The district court found that 18- to 39-year periods elapsed from filing to issuance of the patents in suit. *Symbol* at 1386. However, the Court stated "[t]here are legitimate grounds for refiling a patent application which should not normally be grounds for a holding of laches" and that "[t]he doctrine should be applied only in *egregious* cases of misuse of the statutory patent system." *Symbol* at 1385 (emphasis added). The Court went on to list a variety of circumstances that would justify filing legitimate continuing applications, and that an applicant "may also refile an application even in the absence of any of these reasons, provided that such refiling is not unduly successive or repetitive." *Id.*

Under current practice, there are many circumstances when the filing of a continuing application is not *unreasonable delay* or *egregious* like that in *Bogese* and *Symbol*. For example, applicants often refile broader claims in a continuation application, in an effort to expedite issuance of the allowed narrow claims, and continue fighting for the broad claims. Such prosecution is consistent with accelerated examination. However, if an RCE had been utilized to obtain the narrow claims, the Office's proposed rules might deny a benefit claim for the filing of the continuation to pursue the broader claims. The holdings in *Bogese* and *Symbol* do not authorize the Office to deny such legitimate benefit claims. In fact, the Office has no authority to deny a legitimate claim to benefit under section 120.

In addition, the cases decided on prosecution laches involved patents that issued pre-GATT. It is no longer possible for applicants to delay prosecution as in *Bogese* and *Symbol*. The most egregious cases of delay can be dealt with under prosecution laches, and post-GATT, there is little incentive for applicants to delay prosecution when it is applicants' own patent term that suffers. The proposed rule changes not only lack authority, they are unnecessary as well.

***II. The Office exaggerates the effect continuing applications have on backlog and the proposed rules will have a negative impact on the Office's relationship with applicants***

The Office claims that about 30% of all Office resources in 2005 were spent on continuing applications. See Notice, page 50, 1<sup>st</sup> col., lns. 39-45. This estimate is

misleading, because using the Office's numbers, only 5.9% of Office resources were used on *second or subsequent applications*. And this 5.9% is probably an over-estimate because less time is often spent by examiners in reviewing continuing applications, due to the knowledge and familiarity with the invention that is gained in examining the parent.

The Office additionally states that in 2005 only 12,800 continuing applications were second or subsequent continuing applications. *See* Notice, page 50, 2<sup>nd</sup> col., lns. 20-27. This represents only 4.0% of all non-provisional applications filed in 2005. It's very difficult to imagine how the removal of 4% of all applications will remove the huge backlog in the Office.

However, it is clear that restricting the rights of good-faith applicants to continue prosecuting claims that they feel entitled to will have a dramatic and negative effect on the relationship between applicants and the Office. Interviews of examiners will become routine in all applications (preferably before a first action); this would take away from examiner time to pick up new cases. Use of PCT Chapter II for applicants using the US IPEA would increase; this would allow applicants to obtain an interview with the examiner and work out issues such as novelty and inventive-step that might also impact related U.S. prosecution. However, active prosecution at the PCT stage would also take away from the time the examiner could have spent examining a new case. In other words, limiting RCE and continuing application practice would not reach the desired goal of freeing up examiner time to work on new cases. Instead, prosecution of each invention would utilize more examiner time and be more interview-driven.

Further, many more applications will be appealed than are currently appealed, if only because there will be no other option. The backlog at the BPAI, while perhaps not large now, can be expected to greatly increase. Current RCE practice is more cost effective than appeal and allows the applicant to work out issues faster than appeal so that a patent issues faster in the long run. This is consistent with the public notice function of patents.

Thus, if the proposed rules are implemented, the Office will be forced to spend additional time on *all* applications, because of a rule change affecting 4% of the current applications. The proposed rules will not have the desired effect.

### ***III. The proposed rules will have unintended consequences and will likely exacerbate the Office's backlog***

If the Office adopts the proposed rules in their current form, the Office will likely see a flood of continuation applications before the effective date of the new rules. Also, once the rules become effective, Applicants will be forced to file all divisional applications arising from a single parent before the issuance of the parent application. These mass filings will create a bubble of applications that will only exacerbate the Office's problem of backlogged applications.

Practitioners are currently reviewing their portfolios in the expectation that the Office will no longer allow subsequent continuing applications after the proposed rules

become effective. Practitioners will certainly recommend their clients file multiple continuing applications in their important portfolios. Like the situation the Office experienced just before patent term was changed to 20 years on June 8, 1995, thousands of applications will flood the Office. This will further the backlog, and will take years to clear.

Even worse are the proposed changes to divisional filing practice under rule 78. In the chemical and biotech tech centers, examiners *routinely* issue many-way restriction requirements forcing applicants to file as many divisional applications. Currently, applicants can file divisional applications, one-at-a-time, in a family chain. This effectively keeps down the number of applications pending before the Office, and works to reduce backlog. However, the proposed rule 78 would force applicants to file all divisional applications at once. This means for a 10-way restriction requirement (which is not extreme in TC 1600), 9 additional applications must be filed before the issuance of the parent. This practice will flood the Office in less than a couple years. The backlog in TC 1600 and 1700 will certainly skyrocket. The Office's backlog could begin to grow unmanageable, and the proposed rule changes to divisional practice would be to blame.

Additionally, the proposed changes to divisional filing practice would adversely affect small entities - and even be an economical drain on large entities. By forcing applicants to file multiple divisional applications in parallel, applicants must pay the filing fees for all the divisional applications at once. Even with reduced fees for small entities, the current restriction practice at the Office will force small entities to forfeit rights because they cannot afford to pay the fees for all the applications to cover each of the restricted groups. This will have a negative impact on the value of a small entity's patent holdings, and in turn will negatively impact their competitiveness.

Moreover, a rule that requires all divisional applications be filed off the parent application would force many more applicants to petition what is perceived as abuse of restriction practice, in order to limit the number of divisionals that the examiner is requiring. Such administrative petitions would only add to pendency and uncertainty, and delay prosecution, further adding to the backlog.

***IV. The Office should establish clearer guidelines for petitioning the Director under proposed Rule 78(d)(1)(iv) and for the status of an application under petition***

The proposed rule changes do not give clear guidance on how practitioners can meet the required showing as to why the amendment, argument, or evidence could not have been submitted prior to the close of prosecution. What standards will the Office apply in making its decision whether to grant the petition? If the proposed rules are adopted, we suggest that the Office create a non-exclusive list of items that would satisfy the petition requirement. Anything less would add uncertainty in the system because applicants would not know whether a petition would be granted and whether the continuation application should be filed at all.

Additionally, it is not clear whether a denial of the petition under proposed Rule 78(d)(1)(iv) can be appealed to the Board or petitioned to the Director under Rule 181. The distinction is important seeing as petitions to the Director must be filed within 2 months or the right is lost, and appeals occur after claims have been twice rejected. The issue may be ripe for appeal if an examiner twice rejected a claim based on art that arose due to a denied benefit claim. But the issue may be petitionable if the Office includes it with the other petitionable issues listed in M.P.E.P. § 1002. Should an applicant continue prosecution and raise the issue of a denied benefit claim on appeal, or should an immediate appeal be taken to the Director and possibly the courts? Clarification is requested.

Clarification is also requested regarding the status of an application during consideration of a petition for filing a continuation application under proposed Rule 78(d)(1)(iv) or an RCE under proposed Rule 114(f). Once an RCE has been filed, an applicant cannot file a Notice of Appeal until prosecution is again closed in a subsequent final office action under Rule 114(c). Thus, will an applicant who has filed a petition under either proposed Rule 78(d)(1)(iv) or proposed Rule 114(f) be allowed to also file a Notice of Appeal under § 41.31(a) within the time frame allowed to do so under Rule 134 to avoid abandonment of the application in the event that the petition is denied? If the petition is granted, will the Notice of Appeal fee be refunded?

Further, the proposed rules state an RCE filed after a Notice of Appeal will be treated as a request to withdraw the appeal under Rule 114(d). This raises an important issue, for which clarification is also requested. After filing a Notice of Appeal under § 41.31(a), and after the time period for responding to a final office action under Rule 134 has passed, if an applicant files a petition under proposed Rule 114(f), along with an RCE, will the application automatically be abandoned if the petition is denied, since the filing of an RCE will be treated as a request to withdrawal the appeal?

***V. If proposed Rule 114 is adopted in its current form, the Office should amend the rules to permit art cited by the U.S. International Searching Authority be made of record on the same footing as art cited by a "foreign office" under Rule 97***

International Search Reports and other reports regarding the patentability of applications filed under the PCT and prepared by International Searching Authorities often reach applicants late in the prosecution of a related U.S. application. In fact, by the time the reports are received by the applicants, prosecution is sometimes closed in the corresponding U.S. application. Because the U.S. Searching Authority is not a "foreign office" under Rule 97, a statement under Rule 97(e)(1) does not apply. Applicants can be forced to file a RCE to have the Office consider the such art.

The proposed changes to Rule 114 would penalize applicants because, having filed an RCE to make such art of record, applicants have now lost their right to file a subsequent RCE or continuing application. It is unfair to penalize applicants due to PCT administrative backlogs. It is requested that, if the proposed changes to Rule 114 are implemented, the Office amend the rules to permit art cited by the U.S. International

Searching Authority be made of record on the same footing as art cited by a "foreign office" under Rule 97.

Also, currently an application can be withdrawn from issue with an RCE in order to cite new art. However, by that time, a continuation application has often already been filed. It is unclear whether applicants would need to retroactively request permission to retain the benefit claim in the continuation application. Clarification is requested. The rules as implemented should not create a conflict with applicant's duty of disclosure. Applicants should retain the right to use RCEs to submit art without adversely affecting cases already filed. The proposed rules could potentially create disincentives for bringing art to the examiner's attention by penalizing applicants who must use an RCE to enter the art. This would work against the Office's goal of improving patent quality and should be avoided.

**VI. *Proposed Rule 78(f) is unnecessary in light of applicant's duty of disclosure***

Additionally, the proposed rules seek to require that multiple applications that have the same effective filing date, overlapping disclosure, a common inventor, and a common assignee include either an explanation to the satisfaction of the Director of how the claims are patentably distinct, or a terminal disclaimer and explanation to the satisfaction of the Director of why patentably indistinct claims have been filed in multiple applications. *See* Notice at page 56. However, the proposed rules are unnecessarily complex and create increased and unnecessary administrative burden.

First, applicants should not be required to state why they are filing patent applications. The patent statutes allow applicants to claim their invention however they see fit, justification as to why the applicants filed their case is unnecessarily burdensome. Second, the intent of these rules is already covered by the duty of disclosure in Rules 56, 97 and 98. The Federal Circuit has already stated that related co-pending applications are material and must be brought to the attention of the examiner. *See Dayco Prod., Inc. v. Total Containment, Inc.*, 329 F.3d 1358 (Fed. Cir. 2003); *see also Armour & Co. v. Swift & Co.*, 466 F.2d 767 (7<sup>th</sup> Cir. 1972). Third, the proposed rule will not have the effect desired. The Office hopes to shift the burden to applicants in double-patenting determinations. However, the proposed rules will only require applicants to make the first argument in prosecution. Examiners will still be required to make their own separate determination in order to judge the validity of applicant's arguments.

**VII. *There are better alternatives that the Office should employ to further its goal of reducing the number of continuing applications and backlog***

**A. *The Office should allow for deferred examination, which is especially needed if Oppositions become a reality***



The Office can reduce the backlog of applications waiting for examination by allowing applicants to defer prosecution in non-provisional applications. Preferably such deferral would be for an unlimited time. However, at least a deferral of up to three years should be allowed.

Deferring examination would remove applications from the examination queue and permit other applications to advance faster. This is consistent with the Office's goals. Also, some applicants would abandon their cases before examination simply because the investment is no longer justified as a business matter or from new found data. This would further remove applications from the examination queue.

Similar deferral procedures are used in foreign patent offices. For example, Japan allows three years before a request for examination must be filed before abandonment of the application.

Additionally, it seems more likely that post-grant oppositions will become a reality. If the proposed changes to Rules 78 and 114 are implemented in their current form, applications that utilized an RCE during prosecution or that issued from the last continuation in a series would be compromised. In such cases, patentees most likely would not have a continuing application on file, thus maximally exposing the claimed invention to a strong attack in opposition.

The opposition system will become a shooting gallery for third-parties and competitors seeking to invalidate such patents. Patentees will have no recourse but to appeal, thus increasing and lengthening uncertainty.

To prevent this potential nightmare situation for patentees, the proposed rule changes to Rules 78 and 114 should not be implemented. However, the Office can mitigate this effect and further the goal of reducing the backlog of applications awaiting examination, if the Office allows applicants to file a continuation as of right, but defer examination up to 3 years. The 3-year timeline is believed to cover the post-grant opposition timeline and likely make oppositions less of an opportunity for competitors to unfairly game the system. After the opposition period, patentees could safely abandon their continuation application, and the Office would have spent no time examining the case.

Optionally, the Office could allow applicants to always file a continuing application as of right that claims benefit to an allowed application *for which the issue fee has been paid*. Since the issue fee has already been paid, the allowed claims are likely to issue. The goal of preventing unreasonable delay of the allowed claims is prevented. Applicants have the opportunity to argue for the broadest claims to which they feel entitled in the continuation application, and also have a "safety net" continuation to protect them during an opposition process.

***B. The Office could deter the filing of continuing applications by charging an extra fee, such as benefit fee, proportional to the years of benefit requested***

In European practice, applicants wishing to file divisional (continuation) applications from a granted patent must pay annuities for every year back to the benefit date requested. The Office could similarly charge a fee, for example, a "benefit fee," that increases proportionally to the length of the benefit claim. The effect of the fee structure would be to limit the filing of subsequent continuing applications to those considered to be worth the higher cost of filing. Only the most important patent applications would have continuing applications filed late in the 20 year term.

## Summary

In summary, it is requested that the proposed changes to rules 78 and 114 not be implemented, but instead, less draconian and more effective alternatives be employed.

Consideration of the above comments is respectfully requested.

Respectfully submitted,

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