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Hon. Teresa Stanek Rea
Acting Under Secretary of Commerce for Intellectual Property
U.S. Patent and Trademark Office
Arlington, Va.
via email: Teresa.Rea@USPTO.GOV

Re: RCE Issues to be discussed at PTO “Roundtables”

Dear Acting Under Secretary Rea:

Thank you for your concerns over the proper way to address the issue of the Request for Continued Examination, the “RCE”, as most recently set forth in *USPTO to Host Public Roundtables on Requests for Continued Examinations*, Press Release 13-09 (February 12, 2013), in amplification of your more formal statement, *Request for Comments on Request for Continued Examination (RCE) Practice*, 77 Federal Register 72830 (December 6, 2012).

This letter addresses three concerns that must be addressed *before* there can be any thought to various solutions to the proliferation of RCE filings:

- (1) Arbitrary, Premature Final Rejections;
- (2) Timed Examination to Fit Applicant Needs; and
- (3) Claiming and Prior Art Disclosure Applicant Issues.

This letter is written *pro bono* and represents my own personal views; it does not necessarily reflect the views of any colleague or client of Foley & Lardner LLP, where I practice law as a partner of that firm.

The RCE problem has been widely and notoriously known since the unfortunate, unilateral rulemaking by the previous Administration to arbitrarily cut off RCE's and continuing applications, largely in conflict with the statutory scheme and case law. Indeed, the signal failure of the previous Administration was its ham-handed efforts to curb RCE's that led to its signal defeat in the notorious *Tafas v. Dudas* litigation that ended up with the sharp rebuke to the Office in *Tafas v. Doll*, 559 F.3d 1345 (Fed. Cir. 2009). An early sign of the positive approach taken by the current Administration was seen through settling this litigation by abandoning the improper attempt to curb RCE's and continuing applications.

The ill will created by the previous Administration made it impossible for the current Administration to effectively curb RCE's. In keeping with a Jeffersonian philosophy of government, the present Administration had to abandon efforts to deal with RCE's, as to do otherwise would have compromised the successful push for the more important and long range goal of macroscopic patent reform. That this approach was correct was underscored by the various achievements of the current Administration capped off by the passage of the *Leahy Smith America Invents Act of 2011*.

The interactive approach you have taken with the Federal Register notice manifests your understanding of the realities of patent practice which are so necessary for any realistic chance of success in dealing with the proliferation of RCE's.

However, before any realistic attempt may be made to curb RCE's, there are three areas that first must be reformed to help the patent applicant community. Only after these concerns are address will it be time to consider potential limitations to RCE filings:

(1) Arbitrary, Premature Final Rejections

Many and probably most of the examining corps take their responsibilities quite seriously and issue a Final Rejection only where warranted under the *Rules of Practice in Patent Cases*. Yet, there is a significant number of examiners who game the system and issue premature Final Rejections that block introduction of amended claims or evidence. There is also a significant number of examiners who arbitrarily refuse to enter amendments or evidence after Final Rejection also in violation of the *Rules of Practice in Patent Cases*.

Up until the present time it has as a practical matter been impossible to deal with this problem *other than* filing an RCE. The practice by the outliers within the Office could be instantly curbed by a three step change in practice as to the system of petitions challenging a premature Final Rejection or an arbitrary denial of entry of amendments or new evidence:

- (a) A petition filed within 30 days of a Final Rejection to challenge premature finality or refusal to admit claim changes or new evidence would toll the period for response until the later of the original deadline for response or 30 days after a decision on petition;
- (b) Grant of the petition would lead to transfer of the application to a *different Technology Center* where a senior examiner would take the case up for action; and
- (c) the petition fee would be refunded in full where the petition is granted at least in part.

The new procedure would create a self-policing effect on the examining corps whereby a premature Final Rejection or arbitrary denial of entry of new evidence would not only deprive an offender of a second count otherwise gained through a refile, but also *deprive that examiner of his disposal count for the original application.*

This new petition procedure is particularly important because the Technology Center leadership would crack down on outliers because the production statistics for that business unit would suffer (whereas under current practice, the acts of the outlier *reward* the Technology Center through inflated production numbers). Part (b) would also remove the *in terrorem* threat of retaliation by an Examiner on remand.

(2) Timed Examination to Fit Applicant Needs

There are many reasons why an applicant wishes to *defer* examination procedures, which are outlined in the paper, *Registered Patent System: A Patent Alternative* (December 20, 2012)(*green attachment*). This is particularly true in the case of some industries where patenting is a largely *defensive* mechanism (as discussed in that paper), while even in pharmaceuticals where patents are absolutely vital deferral of critical decisions are often in the applicant's best interest: The regulatory process for approval may take many years; to gain an early patent provides no benefit to the pharmaceutical company. Smaller budget-conscious enterprises may find it better to spend scarce resources on marketing or development of a product than on patent protection: What good is patent protection if the product cannot be launched in the first place?

Even larger patent departments sometimes find it far more efficient to file RCE's than to press for allowance in a first (or second or even third) filing.

If a patent department in a major company has a current situation of too much work for too few attorneys, it may be more efficient to simply defer prosecution through filing an RCE than to go to the expense of either hiring additional attorneys or sending the procurement work to outside counsel who has no background in the history of the application and must start from a zero knowledge base.

Indeed, companies are able to tightly budget the hiring and retention of patent attorneys through the use of RCE's to defer prosecution costs during periods when the workload is temporarily too great.

(3) Patent Applicant Education for Claiming and Prior Art Disclosures

Patent applicants need to be educated as to the proper presentation of a reasonable number of claims while the Office must provide assurance that if the applicant makes an honest attempt to cite the best four or five references, he need not cite 50 or 100 or more references to make sure that the best prior art has been cited.

Speaking as a former Examiner, I was always impressed by the patent applicant who presented a handful of claims and cited the two or three most relevant pieces of prior art.

Given such a *manageable* amount of information, it was possible to very quickly determine whether there was patentable subject matter and often reach an agreement by telephone for a first action allowance. In any event, the first action would otherwise be simple to prepare to identify what changes, if any, would result in allowance of the application, which would then routinely result in final processing before any Final Rejection would need to be issued.

Conversely, where the applicant presented huge numbers of claims and the state of the art was uncertain, rarely, if ever, did the applicant clean up his case to the point that it was ready for final disposition by the second action. It is the task of the applicant to present clean claims to shepherd his client's invention through the grant process.

In my period of active *ex parte* practice involving the drafting of new applications, I always sought to present no more than about seven to ten claims (not counting a parallel set or sets of claims for purposes of a restriction requirement and a divisional filing). I also submitted the two to three or five references that included the most pertinent reference; I *never* characterized the references in an initial filing but would, if the most relevant passage were otherwise obscure, point to the page which the examiner should consider. By having a simple set of claims and citing the best prior art this facilitated a quick understanding of the case by the Examiner and a prompt resolution of issues.

Today, there are far too many applicants who will submit even *dozens* (or hundreds) of claims. This modus operandi manifests a lack of understanding of patent practice. The goal should not be to fingerprint every conceivable patentable invention within an applicant's disclosure and provide a claim to each and every novel feature which may have no relevance in any event to the applicant's business or which may not provide an enforceable right – or both.

Rather, the goal should be to identify the client's interest and draft a set of claims of decreasing scope. It is hard to imagine where more than ten claims should be necessary.

Another misunderstanding is that some applicants think they need to have claims to *block* third parties from practicing particular embodiments within the scope of the generic claims:

If there is no realistic chance that such embodiments would be practiced then there is no realistic reason for such subgeneric or species claims. The argument that this will block third parties from obtaining a patent is particularly off target, given the first-to-file realities that are the norm for applications filed beginning March 16, 2013: The *disclosure* of a species even without a claim will create a bar against a third party which bar is retroactive to the priority date.

The routine citation of ten, twenty or thirty or more prior art references is also a bad habit that obfuscates the issues in the case and unduly prolongs prosecution. It is *not* necessary that the applicant identify the single most pertinent reference, but generally the applicant will be able to identify the top four or five references which together include the most relevant teaching.

Here, it is only necessary to provide a list of such four or five references, *without* characterizing the prior art. (Obviously, if one reference is, say, 150 pages long and the only pertinent disclosure is, say, at page 111, then the applicant may cite the reference and point to page 111 as reason for the citation.)

* * *

Thank you very much for your positive interaction with the patent community as everyone works together to solve the serious problem of the proliferation of RCE's.

Respectfully submitted,

Hal Wegner

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REGISTERED PATENT SYSTEM: A PATENT ALTERNATIVE^{*}

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I. OVERVIEW

Atlantic patent systems are in the midst of historic change. On the American side, historic, sweeping changes in substantive patent law have taken place through the *Leahy Smith America Invents Act*, Public Law 112-29 (2011). On the European side, the “unified” European patent that may be ratified as early as 2014 creates what have been hoped to be procedural changes that will simplify grant and enforcement procedures.

Neither the American nor European Union changes are without flaws and, indeed, the changes in both systems offer unprecedented challenges and opportunities for taking the patent systems of the Atlantic in new directions for the benefit of both the patent community and consumers alike.

Most of this paper is directed to the *American* changes and the possibilities for reforms, while a brief discussion of the *European* changes are provided at § IX, *The European “Unified” Patent Challenge*, which focuses upon ways for international *national patent offices* cooperation opened up by the “unified” system.

^{*} This paper represents the personal views of the writer and does not necessarily reflect the views of any colleague, organization or client thereof.
This draft: December 20, 2012.

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The new American patent law seeks in part to challenge the need for high quality patents at the Patent Office with a reduction in an immense 1.2 million case backlog of pending applications by providing money for ever greater numbers of Patent Examiners.

The Persistent 1.2 Million Backlog of Pending Applications (FY 2008-2012)*					
Fiscal Year	2008	2009	2010	2011	2012
Examiners*	6000	6200	6200	6800	7900
Backlog (in millions)	1.28	1.28	1.25	1.25	1.25
Backlog per Examiner	213	206	202	184	158
<small>*This chart is taken from Wegner, <i>The 1.2 Million Pending Application Backlog Challenge</i> (November 27, 2012).</small>					

This paper proposes a solution to the need for high quality patents together with a reduction in the backlog without the need for maximum funding in a period of deep economic concerns raised by the mounting federal deficit.

Through the combination of an *immediate* grant of a Registered Patent upon publication 18 months from the effective filing date and incentives to utilize the low hanging fruit of “patent worksharing” and providing better alternatives to continuing and other refiling options, the *effective filings for examination* should be reduced from the current 450,000 filings per year to roughly 250,000 per year. The focal point of the Agency should be on the examination of self-selected important patents; the majority of applications to other inventions should be shunted to the Registered Patent System.

Professor Holbrook points out that “[g]iven that so few patents are actually litigated and that many are valueless, increasing the upfront costs of all patent applications seems rather inefficient.” Timothy R. Holbrook, *Patents*,

Presumptions, and Public Notice , 86 Ind. L.J. 779, 807 (2011) (citing Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 Nw. U. L. Rev. 1495, 1500-08 (2001); Kimberly A. Moore, *Worthless Patents*, 20 Berkeley Tech. L.J. 1521 (2005)).

Lemley makes the point even more forcefully; he points out that “significantly more than half of all issued patents are never used for any purpose whatsoever, except maybe to make their owners or inventors feel good about themselves. Surely it doesn't matter much whether these patents are “really” valid in any objective sense. These patents don't impose any direct cost on anyone, though there might be some indirect “clutter” cost associated with issuing so many patents.” Lemley at 1514 (footnotes omitted).

The starting point for consideration of reform is the integer of patent quality as a patent leaves the Agency: On the one hand, should there be a “hard” examination to eliminate any possibility that patent claims read on the prior art or obvious modifications of the art or should there be a “soft” examination so that patents would be let through the Agency with minimal consideration of patentability issues, leaving the matter to the Courts for those few patents which are examined.

The debate which centers around leading patent academics Mark Lemley and Scott Kieff represents the starting point for discussion. In particular, Professor Kieff suggests a registration system model.

The Registered Patent System should take advantage of the new Post Grant Review that should be open to any third party to challenge a Registered Patent. Indeed, Professor Lemley points to registration system proposals as “an extreme form of [his own proposal]: that not only shouldn't we increase the time spent in

prosecution, but we should also reduce or eliminate examination entirely, and rely on the litigation process to sort the good patents from the bad.” Lemley at 1526. *See* § II, “*Hard*” vs. “*Soft*” *Examination at the Agency*.

Whereas academics have largely debated having either a “soft” registration or registration-like system or a “hard” system with enhanced examination, there is no need to take such polar position. *See* § III, *A Hybrid “Soft”/“Hard” Examination System*. A model system is proposed where an applicant can elect registration of his patent, but also can later *convert* the registered patent, while limited enforcement is possible prior to the conversion. *See* § III-A, *A Model System Combining the Best of Both Worlds*. (A legislative model is found as Appendix.) In addition to providing a long range solution to permit both quality examination without backlog problems, the implementation of this system would have a transition period for several years with lessened new activity; this would provide the needed breather for the Office to get rid of its huge inventory of backlogged applications. *See* § III-B, *A Windfall Period for the Office to End its Backlog*.

By ending the one-size-fits-all prosecution regime of the current law in favor of a Registered Patent System with the right to convert to a regular application several years later, it would be expected that many applicants needing to defer prosecution to downstream events will utilize the Registered Patent system and thus mitigate the need for many of the roughly 200,000 continuing and request for continued examination (RCE) filings of today. *See* § IV, *Unilateral Patent Worksharing*.

To encourage use of the Registered Patent route the right to continuing and RCE filings would be maintained but capped at four years from filing. *See* § V, *Registered Patents vs. Continuing/RCE Filings*.

Traditional policy arguments also need to be considered. *See* § VI, *Further Policy Arguments*. In particular, opponents of registration have pointed to the need for clear boundaries at an early stage. Indeed, this is important, and particularly the need to avoid submarine patents through late stage amendments. *See* § VI-A, *Need for Clear Claim Boundaries*. Yet, a further argument favoring the registration patent is a *Commerce Department White Paper* itself that has stressed the need for prompt patent grants to stimulate innovations and the creation of American jobs: Nothing will provide a more prompt grant than a registration system. *See* § VI-B, *The Commerce Department White Paper*.

As a note of caution, however, the *Commerce Department White Paper* is not taken into consideration in reaching the conclusion that a hybrid registered patent should be implemented due to controversy over statements made in that paper that are seemingly at odds with contemporaneous statements made by its coauthor and the Chief Economist of the Agency in the so-called *Berkeley Study* issued after he joined the Agency but completed just prior thereto. *See* § VII, *The Berkeley Study*.

Implementation of the Registered Patent system will also permit a shift of resources from *ex parte* examination to Post Grant Review, a reform necessary if the promises of prompt post-grant reviews are to be achieved comparable to the enviable record of Japan which concludes its proceedings within about seven (7) months but with more than twenty (20) percent of its professional staff being Appeal Examiners (versus roughly one (1) percent in the United States). *See* § VIII, *Shifting Resources to Post-Grant Review*.

To the extent that the European Union “unified” patent actually comes into force in the time period 2014-2016, it will become immediately apparent to the major users of the patent system that the system is flawed. *See* § IX, *The European “Unified” Patent Challenge*. The *Gebrauchsmuster* of late nineteenth century Germany was the birth of the modern registration system. *See* § IX-A, *European Roots of the Registered Patent System*. One of the odd twists of the European patent system is the evolution of parallel patent routes through the “exclusive” route of the European Patent Convention for “patents” while there is a parallel, national route for registered patents. *See* § IX-B, *A Parallel European Patent System*. Given the balkanization of patents within Europe, the possibility exists for an international “patent” treaty *including European countries* that could permit a global grace period. *See* § IX-C, *A Global Registered Patent System*.

II. “HARD” VS. “SOFT” EXAMINATION AT THE AGENCY

“Hard” examination with the goal of weeding out potentially invalid patents at the Patent Office has been a central goal of all Agency leaders up until the Obama Administration. For more than a generation every leader of the Patent Office has sought to assure the public that “quality” in the sense of granting valid patents is central to the mission of the Agency. Yet, no matter how much true examination quality is improved, accused patent infringers in the midst of patent litigation will want to assure investors as well as potential jurors and the court system that patent quality is low and that somehow the Patent Office made a mistake in granting the litigated patent.

The Registered Patent System is proposed to be integrated into the Leahy Smith America Invents Act scheme by mandating that upon a conversion of a Registered Patent into a regular application, the announcement of this conversion would trigger a six month period for the public to file a Post Grant Review proceeding. This would provide the “hard” examination necessary for patents that are to be litigated.

“Soft” examination at the other end of the spectrum has been the subject of important work by Professors Mark Lemley and Scott Kieff, two of the nation’s leading patent academics. *See e.g., Lemley, supra; F. Scott Kieff, The Case for Registering Patents and the Law and Economics of Present Patent-Obtaining Rules*, 45 B.C. L. Rev. 55 (2003). In essence, the scholars note that very few patents are actually litigated and that it would perhaps be better to let patents through the examination system and then let the courts deal with validity issues for the very few patents that actually are enforced.

Professors Abramowicz and Duffy have noted how the debate is shaping up:

“A significant debate in patent law concerns the relative importance of the PTO and of the courts in deciding questions of patent validity. On one side, Mark Lemley has argued that the PTO should be rationally ignorant. Recognizing that it has a relatively small amount of time in which to decide whether to issue a patent, the office might grant some patents despite some uncertainty about whether invalidating prior art might be found, leaving the courts a role to play in invalidating the patent. F. Scott Kieff has gone still further, arguing that the patent system should be replaced with a registration system. With appropriate fee-shifting rules, Kieff maintains that the courts should be trusted with complete responsibility for validity determinations. On the other side are those who insist that it is critical for investors to know whether a patent is valid before they back either the patent-protected product or one that might be accused of infringement.” Michael Abramowicz & John F. Duffy, *The Inducement Standard Of Patentability*, 120 Yale L.J. 1590, 1659-60 (2011)(footnotes deleted)

Kieff explores what to many is the most radical “soft” procedure of all, a simple *registration* of the patent right: Kieff argues that “[m]any patent critics would begin their reform efforts by ratcheting up the level of scrutiny given to patent applications during Patent Office examination to avoid the social costs due to those patents that ultimately would be adjudicated invalid through federal court litigation.” *Kieff* at 70. Instead, he proposes a “registration model [which] shows that the level of scrutiny the Patent Office gives patent applications should be ratcheted down, because the cost of thorough examination would be higher than the costs of federal court litigation.” *Id.* (citations omitted)

Kieff proposes a simple registration system that would leave effective examination to the litigation system: His “model patent system differs from our present one in that patent applications would be merely registered in the Patent Office rather than examined. Under the present system, patent applications are filed in the Patent Office and examined for compliance with the legal rules for patentability by technically and legally trained staff of that administrative agency. Under the [current] *ex parte* exchange between the applicant and the Patent Office examiner typically lasts about three years before an application that has not been either finally rejected or abandoned issues as a patent. Having been examined, issued patents enjoy a procedural and substantive presumption of validity, and a party challenging a patent must prove invalidity under the heightened standard for civil litigation of ‘clear and convincing evidence.’” *Id.* at 70-71 (footnotes deleted).

Under his “proposed registration model, patent applications would be filed with the Patent Office but not examined. *** [T]he presumption of validity would be eliminated, or at least relaxed, thereby allowing invalidity to be judged under

the standard ordinarily used in civil litigation of ‘a preponderance of the evidence.’” *Id.* at 71 (footnotes deleted).

The registration model or a “soft-look” system is considered by Professor “Lemley [who] shows that ‘[b]ecause so few patents are ever asserted against a competitor, it is much cheaper for society to make detailed validity determinations in those few cases than to invest additional resources examining patents that will never be heard from again.’” *Id.* at 71-72 (footnotes omitted).

Kieff concludes that “[t]he case for [his] registration system helps reveal *** a normative theory of the law and economics of the positive law patent-obtaining rules called the registration theory. The case for an alternative model registration system also is helpful in showing why increased scrutiny of patent applications would worsen, not improve, the present system's performance.” *Id.* at 123.

Professor Lemley points out that “a true registration system would mean more than merely reducing the number of hours devoted to examination – it would mean eliminating examination altogether.” Lemley at 1526-27. This would indeed be bad policy to the extent that this would encourage filing clearly invalid claims and permit like mischief. But, the overall point of this proposal includes the significant shift of Agency resources to post-grant review to make it possible for *prompt* post-grant review, something which is foreign to the operation of the system today. Indeed, Post Grant Review is *encouraged* under section 52(a) of the proposal.

III. A HYBRID “SOFT”/“HARD” EXAMINATION SYSTEM

There is no need for a black and white choice between registration and a full blown examination of patent applications. A hybrid solution is proposed whereby applicants who do not expect to have civil litigation and nevertheless want to retain the right to injunctive relief and the presumption of validity may initially register their patents, while retaining the right to convert their application to a regular patent.

A. A Model System Combining the Best of Both Worlds

A model *Registered Patents Act* is provided as an appendix to this paper:

To encourage use of the registered patent system and thus permit lowering the backlog of cases 35 USC § 51 proposes an initial filing fee that is one-half the regular application filing fee. This fee could be finely tuned upward or downward to increase or decrease the use of this system.

A registered patent would be fully enforceable but without examination would be temporarily defanged with neither a right to injunctive relief nor a presumption of validity. Proposed 35 USC § 52(b) thus provides that “[n]o No presumption of validity under section 282 nor injunctive relief under section 283 shall be available for a registered patent until validity is confirmed ****.”

At any time the owner of a registered patent can convert his patent to a regular patent with all rights under Title 35 including injunctive relief and the presumption of validity. An examination fee thrice that of a regular examination fee would need to be filed which could be adjusted upward or downward depending upon policy considerations.

To avoid mischief that could be created by a very late amendment with “submarine” claims, 35 USC § 53 grants intervening rights to third parties for claims enlarged more than three years after the effective filing date.

Under proposed 35 USC § 52 for registered patents involved in litigation without the conversion process the accused infringer would be permitted to file a Post Grant Review within six months of the filing of the litigation.

B. A Windfall Period for the Office to End its Backlog

Downstream after several years there should be a steady state where there is a reduced number of regular applications filed coupled with a significant number of registered patents, and where there is then a steady state of conversion requests to shift registered patents to regularly enforceable patents.

In the interim for several years there will be the decreased number of regular filings (complemented by the new filings for registered patents) but without significant conversion requests. The Office should be able to take advantage of the decreased number of regular filings to cut down its massive backlog of pending patent applications.

The Office will also need to gauge whether it needs to increase or decrease the flow of applications entering the system through the registered patent route, which it may do in part through ratcheting filing fee differentials up or down.

IV. UNILATERAL “PATENT WORKSHARING”

One of the goals of the *America Invents Act* is the introduction of first-to-file and other measures which are designed to harmonize the patent laws of the world so that the examination results in one country will have greater import for parallel examinations in other offices. While much of the “patent worksharing” benefits will be received as the Patent Office makes bi- and multilateral arrangements with other Offices, applicants can *unilaterally* benefit from the parallel examination results from overseas patent granting authorities by (a) accelerating the examination of a parallel patent application in at least one foreign country or region; (b) electing to gain a Registered Patent in the United States; and (c) if and when favorable results are received from the overseas patent office, then under proposed section 54(b) “[t]he holder of a registered patent may request the conversion [of the Registered Patent to a regular application] upon payment of a single filing fee *** if the conversion is requested within six months from the date of a notice of allowability of [the foreign application] ****.”

V. REGISTERED PATENTS VS. CONTINUING/RCE FILINGS

Current one-size-fits-all prosecution has resulted in an epidemic of refiled cases, on the order of 200,000 such continuing applications or RCE’s, the requests for continued examination. This churning factor results in more filings than the *total* application filings for more than 90 % of the patent offices of the world. It is no wonder there is a 1.2 million application inventory of applications in the examination queue on their way toward final disposition.

The Registered Patent system is designed to offer alternatives to encourage use of the new system while at the same time liberally permitting any continuing or RCE filings for four years.

Many applicants neither need nor want to make important prosecution decisions at a premature period in the life cycle of a patent including final decisions on claim scope or the presentation of evidence, or the applicant may wish to await commercial or regulatory testing of an invention before making such final decisions. As a result of the one-size-fits-all prosecution regime there are on the order of 200,000 filings each year which are either continuing applications or requests for continued examination. The proposed Registered Patent system is designed to give *immediate* patent rights but also to permit the right to a continuing application within four years from first filing, at a time when the late stage decisions can be made. To move the equation more toward the filing of a Registered Patent versus filing a chain of continuing applications, the incentive of a right to file a continuing application is provided for four years *without* the possibility of a double patenting rejection where the new application and the Registered Patent are commonly owned.

The language of proposed section 54(a) provides a full four years for filing the continuing application which “shall be deemed to be a pending application for a period of four years” for purposes of a continuing application under 35 USC § 120. The final second sentence guarantees that “[a] continuing application having common ownership with the Registered Patent shall not be subject to a rejection on the basis of double patenting.”

To provide a balance for Registered Patents and regularly examined applications, all applications would have a four year cap on both continuing application filings (§ 54(b)) and requests for continued examination (§ 54(d)). The combined effect of the several subsections under § 54 is thus designed to both push more cases toward use of the Registered Patent and to encourage *early* use of the continuing and request for continued examination practices, particularly to mitigate the impact of what today is a flood of about 200,000 continuing and request for continued application filings each year.

There is nothing new concerning the proposal to provide intervening rights for post-filing date innovations of third parties. David Westergard, *Remedying the Growing Abuse of the Patent System Through Targeted Legislation*, Thirteenth Annual Conference on International Intellectual Property Law and Policy, Fordham University Law School, New York, March 31-April 1, 2005). Indeed, a proposal has been made for intervening rights to protect a truly independent innovator's post-filing creation from an upstream patentee's claims introduced after such creation. *Id.* at p. 2 (discussed, Harold C. Wegner, *A Comparative View of American Patent Reform*, p. 39 n.68, Fourteenth Annual Conference on International Intellectual Property Law and Policy, Fordham University School of Law, April 20-21, 2006, New York).

While Professors Lemley and Moore oft-cited work on "continuation abuse" portrays them as stark opponents to continuation practice, in fact their signature piece "offer[s] a number of . . . steps that Congress and the courts could take to restrict abuse of continuations. These steps include requiring publication of all applications, placing a time limit on the addition of new claims that broaden the scope of the patent, and creating a defense for infringers who independently

developed the patented invention before it was added to the patent claims.” Mark A. Lemley and Kimberly A. Moore, *Ending Abuse of Patent Continuations*, 84 B.U. L. Rev. 63, 65-66 (2004).

VI. FURTHER POLICY ARGUMENTS

A. Need for Clear Claim Boundaries

It is perfectly understandable that industry wants and needs early determination of claim boundaries so that competitors can either design around a patented invention, stand clear of the boundaries or take into account litigation risk. But, today, the situation is that there is a huge backlog of 1.2 million patent application not yet issued as patents creating *years* of uncertainty for almost all innovations that are within the scope of recent applications.

To be sure, one of the dangers of long pendency is the possibility that the patent applicant may add a broadened claim to capture intervening commercial activity of the industry. This evil is real and is countered by proposed 35 USC § 53(c) that creates statutory intervening rights for the intervening commercial users of an invention protected by expanded claims.

It could also be argued that the industry would be better off with precisely delineated claims at an early date that is best possible through an early examination of the claims. Indeed. Yet, the reality is that with the huge backlog there is *no* examination for many years. Furthermore, it can also be seen that the public is better able to protect itself in a late stage conversion of the registered patent when the knowledge of the state of the art is more fully developed.

B. The Commerce Department White Paper

The system of a Registered Patent would instantly cut the backlog of pending applications and by reducing the number of applications under examination would permit overall pendency reduction for *all* categories of patents: A reduction in patent pendency is identified by the Agency as crucial to the creation of technology-driven American jobs, according to a *Commerce Department White Paper*. Arti K. Rai, Stuart Graham & Mark Doms, *Patent Reform: Unleashing Innovation, Promoting Economic Growth, and Producing High-Paying Jobs (A White Paper from the U.S. Department of Commerce, April 13, 2010)*. The *Commerce Department White Paper* repeatedly focuses upon “timely” patent grants and the problems of “delay”:

“While *timely*, high-quality patents can provide a strong spur to innovation, the current patent system fails to provide consistent timeliness and quality. To the contrary, *the current U.S. system is highly prone to delay* and uncertainty as well as inconsistent quality. *** *Delay, uncertainty, and poor quality at the front end ultimately make private investments in innovation less likely and undermine the potential for economic growth and job creation.*” *Id.* at 4 (emphasis added).

The Commerce Department White Paper cites “quantitative research” that “demonstrates the negative economic effects of a large backlog.” *Id.* at 5. A comparative study of the patent granting authorities of the United States, Europe and Japan is cited as “conclude[ing] that backlogs of the sort that the USPTO is currently facing could lead to ‘foregone innovation,’ costing the economy billions of dollars annually.” *Id.* (footnote omitted).

Citing “an unexamined patent application backlog of over 750,000”

applications having a 34 month average pendency, the authors note that “[i]n certain areas of information and communications technology, pendency is even longer – a particularly acute problem since rapid technological turnover and short product life-cycles may render delayed patents in these areas obsolete and worthless.” *Id.* at 6.

Whereas the solution proposed in this paper is to introduce the Registered Patent, the solution proposed by the Agency is to spend more money principally to upgrade technology and hire many more Examiners:

“With fee-setting authority [under patent reform legislation], the USPTO could deliver on its aggressive goal *** of reducing to 20 months total average pendency. This anticipated 40 % reduction in average pendency would offer greater certainty to innovators of all stripes, allowing for more timely and accurate R&D investments, and thus, substantially improve prospects for improvement in the Nation’s innovative performance and overall economic growth.” *Id.* at 6-7.

To the extent that the Registered Patent proposed under this paper is introduced and to the extent that the *Commerce Department White Paper* is intellectually sound, implementation of the Registered Patent would *enhance* the creation of American jobs, while decreasing the need for an ever bloated examination corps.

VII. THE “BERKELEY STUDY”

It must be recognized, however, that there are critics of the *Commerce Department White Paper* that includes in its authorship the Chief Economist of the Agency which issued the document just the month after he joined the Patent Office and just prior to the final publication of the *Berkeley Study* which he completed as lead author just before joining the Patent Office. Stuart J.H. Graham, Robert P. Merges, Pam Samuelson & Ted Sichelman, *High Technology Entrepreneurs and the Patent System: Results of the 2008 Berkeley Patent Survey*, 24 Berkeley Technology Law Journal 1255 (2010).

While the *Berkeley Study* acknowledges the importance of patents for pharmaceuticals, biotechnology and chemicals, for the new high tech areas that are the focus of the *Commerce Department White Paper* there are some statements that appear inconsistent with what the Agency has said in its paper. To be sure, the authors of the *Berkeley Study* say that the negative conclusions on the correlation between patents and innovation that are found in their study represent reporting of high technology executives as to their opinion of the patent system, while at the same time the authors do not refute the statements.

On the one hand, the authors acknowledge that “startup managers reported that VC investors consider patents important to funding decisions”. *Id.* at 3 n.7. But, insofar as patent granting in the area of new technologies may stimulate innovation, there are negative statements permeating the document:

“[Technology startups] report that patents provide mixed to relatively weak incentives for core innovative activities, such as invention, development, and commercialization.... [A] large share of startups, especially in the software industry, opt out of patenting altogether.” *Id.* at 1325.

“[P]atents provide relatively weak incentives for core activities in the innovation process, such as invention and commercialization.” *Id.* 1261. The patent-based incentive to innovate is seen as no more than “moderate”:

“[D&B company] respondents told us that on average, patents offer just above a ‘slight incentive’ to engage in invention, R&D, and commercialization, and between ‘slight’ and ‘no incentive at all’ to create internal tools and processes. While venture-backed startup executives rate the incentive value more highly than do those at D&B companies, in no category are patents reported to provide even a ‘moderate’ incentive for any of the four entrepreneurial activities about which we queried.” *Id.* at 1285.

While acknowledging the importance of patents for biotechnology and medical devices this “stands in stark contrast to the (un)importance ascribed to patents by software and Internet firms.” *Id.* at 1292. Vis-à-vis biotechnology, “[c]onversely, patents are much less important as a means by which most software firms—the majority of which hold no patents—capture competitive advantage from their innovations.” *Id.* at 1261. Furthermore, “a large share of early-stage companies, especially in the software industry, avoid the patent system altogether.” *Id.* “[S]oftware firms report that [patents] generally provide at best ‘slight’ incentives.” *Id.* at 1286. Some enterprises entirely opt-out of the patent system: “Substantial numbers of early-stage technology companies appear to be opting out of the patent system altogether, and these firms are not merely clustered among the younger companies. In fact, the likelihood of not holding any patents is virtually the same among the youngest and oldest companies....” *Id.* at 1276.

VIII. SHIFTING RESOURCES TO POST-GRANT REVIEW

It is imperative that the Agency sharply reduce its resources allocation from *ex parte* examination to post-grant review. The implicit promises of the *America Invents Act* include dealing with larger numbers of post-grant proceedings that include expanded areas of review, promises that can only be kept if the current roughly one (1) percent of the examination corps (approximately 100 Administrative Patent Judges out of 6900 Examiners) is substantially increased.* While the admired Japanese post-grant review is able to provide a start to finish post-grant review all the way up to a right to appeal to the Intellectual Property High Court in about seven (7) months, it achieves this goal only through simplified procedures and allocation of more than twenty (20) percent of its professional staff to the Appeals Board.

IX. THE EUROPEAN “UNIFIED” PATENT CHALLENGE

The “unified” patent system of the European Union represents an important segment of the world in number of countries, but in terms of the global regime only three of the top ten patent countries are within this system, when measured by the number of patents in force:

* The figures, here, are based upon 2011 data. It is anticipated during the current fiscal year that there may be up to 200 Administrative Patent Judges with an overall corps of over 7000. This will provide roughly 1.5 % APJ’s as part of the overall corps.

Top Ten Patent Countries of the World based on Patents in Force (2011)*

Country	Patents in force	European Union “Unified Patent” Status; Eligibility for Membership
United States	2,100,000	Ineligible (Pacific Rim; outside EU and EPC)
Japan	1,500,000	Ineligible (Pacific Rim; outside EU and EPC)
China	700,000	Ineligible (Pacific Rim; outside EU and EPC)
Korea	680,000	Ineligible (Pacific Rim; outside EU and EPC)
Germany	530,000	Member
United Kingdom	450,000	Member
France	440,000	Member
Russian Fed.	170,000	Ineligible (Outside EU)(also outside EPC)
Switzerland	140,000	Ineligible (Outside EU)(member EPC)
Canada	140,000	Ineligible (Pacific Rim; outside EU and EPC)

* Statistics are taken from the 2012 *World Intellectual Property Indicators* (WIPO 2012), Table P2: *Patents granted by patent office and origin, and patents in force, 2011*, pp. 176-78.

A. European Roots of the Registered Patent System

A registration system is hardly a new idea.

The registration model has historical precedence both from the early United States as well as from even modern systems in Europe and East Asia. Far from being moribund, the registration model is very much alive in Germany which has updated its historic *Gebrauchsmuster* law and, particularly, in China where over 300,000 registered utility models are sought each year.

In the early years of the patent systems of the world, the relatively low numbers of patent applications coupled with the small amount of published prior art made it possible for early patent granting authorities to switch to an examination system that would permit a prompt grant of patents on top of the obvious advantage of patents that had survived examination muster.

The registration system was indeed the global norm of the late eighteenth century including the United States where “[t]he registration system lasted for 43 years, until July 4, 1836, when Congress enacted what is generally acknowledged to be the foundation of the modern patent system in the United States.” John M. Golden, *Innovation Dynamics, Patents, and Dynamic-Elasticity Tests for the Promotion Of Progress*, 24 Harv. J.L. & Tech. 47, 96 n.101 (2010)(quoting F. Scott Kieff *et al.*, *Principles of Patent Law* 20 (4th ed. 2008)).

In fact, the registration model is very well understood from a comparative standpoint as it has been and still is popular in various countries of the world. For most of the twentieth century, both Italy and France registered unexamined applications without claims, leaving patent controversies to the judicial system, whereas Germany and Holland had rigorous examination systems.

Switzerland recognized the importance of patents *in limited areas of technology to native industries* and thus like the German and Dutch systems had a regular examination system for pharmaceuticals, dyestuffs and watchmaking; but, for technologies not practiced by Swiss industry, patents were simply registered. With the advent of European harmonization under the Munich (European) Patent Convention of 1973, the diversity of models was essentially eliminated except for the *Gebrauchsmuster*.

Nineteenth century German patent law admitted the *Gebrauchsmuster* (literally, “utility model” which permitted registration of this form of patent but with a very short patent term and limited subject matter patent-eligibility. As part of the enforcement proceeding, the application would be examined. The *Gebrauchsmuster* system continues to this day, but with an expanded ten year term and broader subject matter patent-eligibility.

Already by the 1970's the explosion of prior art and the increase in high technology patent applications made keeping up with examination under the "hard" German and Dutch systems impossible in terms of prompt examination. The Dutch in 1964 followed by Germany in 1968 and Japan in 1970 made what at the time was considered a radical reform in order to permit both quality examination and a system to deal with the flood of prior art and numbers of applications: Applications were simply *published* at 18 months from their effective filing date and then examination could be requested within seven years from filing date: Since many applications would lose value in this period, such applications would never reach the examination queue. The European patent system adopted in the 1973 convention adopted the 18 month publication, but did not provide for the deferred examination of the original Dutch system.

In the wake of the implementation of the European Patent Convention, the Dutch changed their national law from examination to registration, while the Germans maintained their classic examination system *and* deferred examination.

In Asia, Japan had a strong utility model system which was weakened in the 1990's. In contrast, China saw the value of the utility model system and now has the most popular utility model system in the world with roughly 300,000 utility model applications filed each year. Indeed, an optimum way to seek Chinese patent protection is to file for both utility model and regular patent protection so that there is virtually immediate patent protection gained through the registered and unexamined utility model while the regular application goes through its examination paces in Beijing at the State Intellectual Property Office.

B. A Parallel European Patent System

1. Balkanization of European Patenting

It is very well understood that the members of both the European Patent Convention and the nascent European Union “unified” patent provide an exclusive *patent law* for its members. If all goes well with the “unified” patent, after a transition period, all *patents* within the European Union will be enforced in the winner-take-all single patent of that treaty.

Yet, there is a glaring loophole in the exclusive nature of both European Patent Convention: Whatever exclusivity is dictated for *patent law* within the member states does not apply in the case of the *Gebrauchsmuster* or “utility model”. Thus, Germany at the time of its domestic implementation of the European Patent Convention *maintained* its *Gebrauchsmuster* law. Subsequently, the *Gebrauchsmuster* law was greatly expanded in terms of its overlapping coverage with patent-eligible subject matter and, most importantly, by providing a ten year patent term.

B.. Anti-Patent Control of the European Patent System

The question could be seriously debated from an academic standpoint whether a parallel “utility model” or “registered patent” system is permitted under the European Patent Convention. Yet, whatever the merits of such a debate, there has been no challenge to the German creation of its enhanced *Gebrauchsmuster law* which is in essence a kind of patent law.

Will the European Patent Office *challenge* the enhanced *Gebrauchsmuster* law or any further enhancement in competition with the “unified” patent?

Hardly!

The answer can be found from the one country-one vote Administrative Council that is the governing body of the European Patent Convention and the

European Patent Office. The great bulk of the member states are from countries where patents are either relatively unimportant or where such countries are hostile to strong patent rights.

EPC Patents in Force (2011)*

Patents in Force versus Average Number for Top Three**

6 States > 15 % of Top Three Average

31 < 15 %, including:

22 < 3 % or Unreported

EPC Country	In force	% vs. Top 3***			
			Iceland	1,900	0.4
			Italy	39,000	8.2
Germany	530,000	120	Latvia	6,200	1.3
Great Britain	450,000	95	Liechtenstein	n.r.	-
France	440,000	93	Lithuania	630	0.1
Switzerland	140,000	30	Luxembourg	21,000	4.4
Ireland	88,000	19	Malta	430	< 0.1
Sweden	80,000	17	Macedonia	n.r.	-
Albania	n.r.****	-	Monaco	51,000	11.0
Austria	10,000	2.1	Netherlands	13,000	2.7
Belgium	n.r.	-	Norway	18,000	3.8
Bulgaria	7,400	1.6	Poland	36,000	7.6
Croatia	2,800	0.6	Portugal	1,900	0.4
Cyprus	170	< 0.1	Romania	14,000	3.0
Czech Rep.	9,000	1.9	Slovakia	4,100	0.9
Denmark	1,600	0.3	San Marino	n.r.	-
Estonia	1,300	0.3	Serbia	1,400	0.3
Finland	36,000	7.6	Spain	33,000	7.0
Greece	32,000	6.8	Slovenia	1,500	0.3
Hungary	1,900	0.4	Turkey	7,600	1.6

* Statistics are taken from the 2012 World Intellectual Property Indicators (WIPO 2012), Table P2: Patents granted by patent office and origin, and patents in force, 2011, pp. 176-78.

** The average for Germany, U.K. and France is 473,000.

*** The numerator is the number of patents in force in the country; the denominator is the average for Germany, U.K. and France.

**** n.r. Statistics not included in the cited WIPO document.

The table demonstrates the voting control of the European Patent Office by countries that have patents in force at less than three (3) percent of the patenting average for Germany, the U.K. and France.

B. Balkanization by the Administrative Council

Indeed, the Administrative Council has *already* dealt damaging blows to the European Patent Office by encouraging the balkanization of the responsibilities of the Office. Thus, for example, a tiny country in terms of both total size and numbers of filings is able to *compete* with the European Patent Office for patent business and openly advertise its search functions to American and Asian audiences. Denmark is the prime example: It not only accepts work from overseas but actively encourages such work by having booths, for example, at American Intellectual Property Law Association meetings.

While the President of the European Patent Office has recently been from the major patent countries of first the U.K. and then France, the election of the President in each case was due to the support of the many anti-patent states which favor the balkanization of the system.

Now, given the serious negatives of the “unified patent”, there will be an added impetus to strengthen a parallel system.

C. A Global Registered Patent System

Particularly given the impetus of a weak central European patent system, it should be a welcome addition to German industry to join with America and the major East Asian patent granting authorities to craft a global registered patent system.

1. Simplified Cooperation without WIPO

The current international cooperation model of the Patent Cooperation Treaty is an anachronism that has outlived its usefulness. When the PCT was crafted in the 1960's there was not even a *dream* of the future wireless society of the internet.

It seemed like a good idea at the time to have the World Intellectual Property Organization (WIPO) act as an international office for PCT applications. Today, the WIPO administration of the PCT remains. Instead of delegating the functions to the local offices, WIPO remains in place at its Geneva headquarters, perhaps the single most expensive labor market in the world with a bloated staff. Even worse, PCT fees are far beyond actual PCT costs and instead provide a subsidy for the numerous functions of WIPO having nothing to do with processing of PCT applications.

Today, it is simple matter to delegate the functions now handled by WIPO to the major national offices of the world due to the electronic interconnection of the major offices. Thus, an international PCT-like procedure could be easily created where all processing could be handled by the national offices of Beijing, Seoul, Tokyo, Washington, D.C. and Munich – and other countries to the extent they make significant use of an international registered patent treaty.

2. Opportunity for a Global Grace Period

The demise of an American “first inventor” system with a simple grace period died with the *Leahy Smith America Invents Act* that maintained a problematic grace period that may be considered far worse than any grace period at all. Given that the United States was the single major patent system of the world with a grace period, and given the destruction of a *workable* grace period through domestic legislation, the future of the regular patent system is necessarily first-to-file.

Yet, because of the interpretation of the European Patent Convention as permitting a parallel national patent regime *independent* of the substantive limitations of the EPC, the current German *Gebrauchsmuster* law *does* have a grace period. Thus, a further feature of the Registered Patent System is that it can be considered to fall under the classic German *Gebrauchsmuster* or “utility model” scheme which from the standpoint of the European Patent Convention is considered mutually exclusive from patent law. This means that an international treaty could be worked up with *several* European countries such as Germany, as well as leading Asian countries, to provide for a global grace period for the countries having parallel systems.

X. CONCLUSION

A hybrid registered patent system may not have been ideal in a time when the volume of prior art literature and a reasonable number of patent applications per year were the norm. Today, the explosion of patent literature and the sheer volume of application filings often in complex electronics, biotechnology and software fields has made the examination of all applications in both quality fashion and in a timely manner impossible.

The Dudas and now the Kappos Administrations have shown that even with many *thousands* of examiners – now up to 6900 – it is difficult if not impossible to dent the 1.2 million patent application backlog inventory of cases pending at the Patent Office. With the increased burdens of post-grant review that will require reallocation of resources to back-end examination, the problem is only exacerbated. As pointed out by Professor Kieff as part of his opposition to the *America Invents Act*:

“Many good and hard working people work in the patent offices of the world, including our own. They are public servants doing important work. *** But a celebration of the true wonders of our Patent Office... does not mean it should be beefed up, as the [*America Invents Act*] would allow. Even a patent office brimming with Einsteins... would be no more effective even if it were allowed to deploy ten times the number of hours it presently does to examining patent applications. What is worse, it would do great harm.”

F. Scott Kieff, *Welcome to Patent Purgatory*, Defining Ideas (Hoover Institution June 9, 2011).

The time for the registered patent that can be converted to a regular patent is now. To the extent that a *domestic* regime is created, it should be possible to craft a simplified international treaty for protection in the major countries of the world.

Appendix: *Registered Patents Act*

Proposed Amendment to Title 35, United States Code

Chapter Five. Registered Patents.

35 USC § 51. Registered Patents

35 USC § 52. Procedural Modifications for Registered Patents

35 USC § 53. Conversion to a Regular Patent

35 USC § 54. Continuation Application Priority Right.

35 USC § 51. Registered Patents

An applicant upon filing an application in the regular manner may simultaneously make a request that the application be deemed a registered patent and pay one-half the fee otherwise due under section 41 of this title, whereupon the application upon publication under section 122(b)(1)(A) shall be published as a registered patent without substantive examination.

35 USC § 52. Procedural Modifications for Registered Patents

Unless a registered patent has been converted to a regular application under the procedures of section 53 of this title, and a patent has been granted based thereon, the following modifications of the procedures for enforcement shall apply.

(a) [***Post Grant Review***] Any claim of a registered patent in controversy in a civil action under section 281 may be made the subject of a Post Grant Review if a request is filed within six months from the date of commencement of a civil action involving the registered patent.

(b) [***Enforcement provisions not available for registered patent***] No presumption of validity under section 282 nor injunctive relief under section 283 shall be available for a registered patent until after the expiration of the time for filing a Post Grant Review or until completion of Post Grant Review proceedings.

35 USC § 53. Conversion to a Regular Patent

(a) [***Conversion***] The holder of a registered patent may at any time request conversion to a regular patent application upon payment of a fee three times the filing fee as if for a regular application which shall subject the registered patent to full examination under the regular procedures of the Office. Notwithstanding effective date provisions of the America Invents Act, any patent granted based upon a Registered Patent shall be subject to a nine month period for commencement of a Post Grant Review.

(b) [***Patent Worksharing Conversion***] The holder of a registered patent may request the conversion under the foregoing subsection upon payment of a single filing fee for a regular application if the conversion is requested within six months from the date of a notice of allowability of claims comparable to the Registered Patent by any of the State Intellectual Property Office in China, the Korea Intellectual Property Office, the Japan Patent Office, the European Patent Office or any other foreign office certified under regulations promulgated by the Director which establish such office as having comparable high standards of patentability examination, *provided* the claims of the Registered Patent as filed or concurrently amended substantially correspond to the allowed claims of the notice of Allowability.

(c) [***Intervening rights for late amendment***] Any amendment made more than three years after the effective filing date which presents a claim that enlarges the scope of protection shall be subject to intervening rights under section 252 of this title.

35 USC § 54. Continuing Application Priority Right.

(a) [*Conversion of Registered Patent*] A Registered Patent for purposes of section 120 of this title shall be deemed to be a pending application for a period of four years from the effective filing date of the Registered Patent including any priority under section 119, 120 or 365 of this title. A continuing application having common ownership with the Registered Patent shall not be subject to a rejection on the basis of double patenting.

(b) [*Exclusion of Late Stage Continuing Applications*] Priority based upon a continuing application and any earlier priority under section 119, 120 or 365 of this title shall be capped at four years from the date of actual filing of the continuing application.

(c) [*Divisional Priority Right*] The provisions of the foregoing subsection shall not apply in the case of an application filed within six months from the date of a final requirement for election or restriction under section 121 of this title where the claims of the continuing application are limited to nonelected subject matter.

(d) [*Right to Continued Examination*] Notwithstanding the provisions of section 132(b) of this title, no request for continued examination may be made more than four years after the effective filing date under section 119, 120 or 365 of this title.