

COMMENTS

I have practiced before the Patent and Trademark Office as a registered patent agent and registered patent attorney for about 30 years, both in private practice and in a corporate patent department. I am submitting these comments in response to the Notice of Proposed Rulemaking published on September 12, 2003 regarding **Changes to Support Implementation of the United States Patent and Trademark Office 21st Century Strategic Plan.**

Introduction

I applaud the Office's efforts to transform itself into a quality-focused, highly productive, responsive organization supporting a market-driven intellectual property system. I am, however, concerned that the volume of regulations governing practice in the Office has substantially increased in the last 30 years. Increasing the volume of regulations is not generally associated with productivity and responsiveness.

I think it unfortunate that in such a wide ranging proposal the Office has not taken the opportunity to address more extensively the most frustrating aspect of patent application prosecution practice. I am referring, of course, to the final rejection. After 30 years of practice before the Office I still cannot predict with any degree of certainty whether an amendment touching the merits will be entered after final rejection. In one case, a minor amendment is refused entry, leaving one to suppose that, in fact, no amendment that touches the merits will be entered; in another case a substantial amendment is entered and the application allowed.

Practitioners find final rejection practice frustrating; to inventors and other non-practitioners, it is incomprehensible. "Why," the inventor asks, "does the examiner refuse to enter my amendment when all I am trying to do is narrow the scope of the claims in order to address the obviousness rejection? I could understand the Office wanting me to pay an additional filing fee if I was attempting to broaden the claims, but it makes no sense when I am attempting to overcome the rejection by narrowing my claims," to which the practitioner replies, in essence, "The final rejection practice is based on the fiction that at the time of replying to the first Office Action, the applicant is in a position to present a range of claims extending from the broadest that can be justified based on the disclosure of the invention and the prior art to the narrowest that the applicant would be willing to accept." Many inventors will accept this with stolid resignation but a more persistent inventor might say, "But the examiner relied on a new reference to support the rejection! Surely, under MPEP 706.07, the examiner should have cited this reference in the first Action. I am seeking to define my invention in claims that will give me the

protection to which I am justly entitled and I should receive the cooperation of the examiner and not be prematurely cut off in the prosecution of my application. Surely if I explain that the amendments are necessary in order to distinguish over the prior art and were not earlier presented because the examiner was not relying on the same prior art, the examiner will not refuse to enter the amendment."

All practitioners know that the typical reason for refusing entry of an amendment after final rejection is that new issues are raised requiring further consideration and/or search. It is quite obvious that an applicant who is seeking to overcome a rejection will normally narrow the claims and it is equally obvious that an amendment of this nature may require further consideration and search. Thus, the fact that an amendment requires further consideration and search should be a reason for admitting the amendment and not refusing its admission.

I feel strongly that final rejection practice should be modified. The first step would be to delete Section 1.116(c). Let us call a spade a spade and refuse entry of any amendment offered after final rejection rather than perpetuate the fantasy that there is a rational basis for the decision whether to admit an amendment after final rejection. If such a course of action should be deemed too severe, then the alternative would have to be one that provides users with some degree of predictability so that they will know whether there is any point in presenting an amendment that touches the merits. Possible changes include:

1. Abandon the final rejection altogether and increase the official filing fee to compensate for lost fee income.
2. Charge an official fee for filing any amendment after a reply to the first Office Action.
3. Admit any amendment after final rejection that narrows the scope of an independent claim.

An applicant should not be forced to pay the equivalent of a new application filing fee in order to obtain examination of a claim that has been narrowed for reasons related to patentability. If the current filing fee is set at an appropriate level for a patent application containing up to twenty claims, up to three of which are in independent form, then surely the appropriate fee for further consideration and search of a narrower version of those claims would be substantially less.

Comments on Specific Proposals

§ 1.27

I am pleased to note that the Office has rejected the position taken in the commentary to the rules published on September 8, 2000, that the definition of "business concern" set forth in 13 CFR 121.105 should be read into 13 CFR 121.802 in order to determine what constitutes a small business concern. The statement that

**a business concern which meets the small business requirements set forth in 13 CFR 121.801 through 121.805 ... is and continues to be eligible to pay reduced patent fees under 35 U.S.C 41(h), even if the business concern is located in or operates primarily in a foreign country**

is welcome, but it would also be desirable to receive explicit confirmation that it is not necessary for a business entity that does not operate primarily within the United States to make a significant contribution to the U.S. economy through payment of taxes or use of American products, materials or labor (13 CFR 121.105(a)) in order to be considered a business concern.

The rules that were published on September 8, 2000 state unambiguously that "A small business concern...means any business concern that...meets the standards set forth in 13 CFR 121 to be eligible for reduced patent fees..." The commentary at 65 Fed. Reg. 54604, 54612 makes it clear that the definition of business concern in 13 CFR 121.105 is read into 13 CFR 121.802. At all relevant times, the definition of business concern set forth in 13 CFR 121.105 has included the requirement that the business entity should operate primarily within the United States or make a significant contribution to the U.S. economy through payment of taxes or use of American products, materials or labor. No business concern, U.S. or foreign, whose number of employees did not exceed 500 persons could possibly make a significant contribution to an economy the size of that of the United States. Therefore the effect of the "significant contribution" requirement, which was no doubt intended, was to prevent any foreign business from qualifying as a small entity. For the last three years I have been advising my clients not to assert small entity status in the event that U.S. rights had been transferred, e.g. assigned, to a foreign business concern. Since the Office now indicates, by use of the phrase "is and continues," that whether a foreign business concern made a significant contribution to the U.S. economy never did affect eligibility to pay reduced patent fees, and that size and compliance with Office procedures is and always has been the only test, the Office should waive for a limited time the three month time limit in 37 CFR 1.28(a) for refund requests made by an applicant who had transferred U.S. rights to a foreign business entity that met the size standards in 13 CFR 121.801 through

121.805 but who did not claim small entity status because the foreign business entity was not a business concern as defined in 13 CFR 121.105(a).

The proposal to amend §1.27 to add the wording regarding a currently enforceable obligation appears to have consequences beyond simply removing a security interest from being an obligation to transfer rights in the invention. For example, it appears that an agreement that provided that an employee was obligated to assign the entire right, title and interest in the invention to an employer on or after the date of issue of the patent would not be enforceable before the patent was issued, in which case the inventor would not be disqualified from being a small entity as a person, regardless of whether the employer was a small business concern.

I suggest that in the first sentence of §1.27(a)(1), the comma after "invention)" should be omitted. If one reads the sentence without the parenthetical wording: "A person ... means any inventor or other individual, who has not assigned ...," the comma before "who" appears out of place.

The punctuation of the second sentence of §1.27(a)(1) seems awkward. If the commas around the wording "or is under a currently enforceable obligation to transfer some rights in the invention to one or more parties" are intended to designate a subject that is parallel to "who has transferred some rights," the second comma should appear after the second occurrence of "rights." Alternatively, subject to the comments regarding "currently enforceable obligation," the first part of the sentence could be amended to read:

**An inventor or other individual who has transferred some rights in the invention to one or more parties, or is under a current enforceable obligation to transfer some rights in the invention to one or more parties, can also qualify for small entity status...**

§1.111(a)

The proposed amendment for Section 1.111(a)(1)(2) is designed to prevent filing of supplemental replies under most circumstances and is presented in order to assist the Office in reducing pendency. It is my belief that actions on the part of the applicant are not the major contributor to increased pendency, since the applicant has strong incentives in the form of extension fees and erosion of patent term to act promptly and thereby minimize pendency. On the contrary, delays in the Office are the major cause of increased pendency. As of November 4, 2003, the average filing date of applications receiving the first Office Action in the last three months ranges from September 18, 2000 in Technology Center 2140/2150

(Computer networks) to December 15, 2002 in Technology Center 1660 (Asexually reproduced plants). That is not to say, however, that I consider the Office to be derelict in its duty in allowing such delays to occur. In an organization handling hundreds of thousands of files, delay in processing paperwork is inevitable. Reasonable efforts should be devoted to reducing the delays, but the efforts should not increase unduly the burden on the organization or on the users of the organization's services. In my opinion, the current wording of Section 1.111(a)(2) provides an adequate balance between the interests of the Office in expediting examination and the interests of the applicant in having a reasonably flexible examination. The Office should not impose requirements that further reduce the options available to the applicant until the Office is able to say that delays in the Office are no longer a major contributor to pendency exceeding a reasonable limit.

The Office complains that supplemental replies cause significant delays in examination and processing and place a significant burden on the Office's resources, but acknowledges that only about 5.6% of all applications have one or more supplemental replies. Obviously, if all supplemental replies were eliminated, the burden of handling supplemental replies would be reduced, but the cost in loss of responsiveness to the users of the Office's services would offset the saving.

Further, the burden on Office resources of filing a supplemental reply will be reduced by implementation of the Image File Wrapper system and by use of facsimile transmission to file the supplemental reply. A supplemental reply that is filed by facsimile transmission should be added to the Image File Wrapper virtually instantly, such that it should be entered and considered unless the examiner has already made substantial progress in preparation of the next Office Action.

If the Office nevertheless insists on adopting some form of the proposed '1.111(a)(2), the rule, as adopted, should address the following points:

1. In the proposed rule, the discretionary "may enter" does not provide the applicant with an assurance that a supplemental reply that is filed before the expiration of the statutory period and places the application in condition for allowance or is limited to cancellation of claims will be entered.
2. Paragraph B should be omitted as being based on an unrealistic view of patent application practice: examiners so seldom make suggestions that would not fall in paragraph A or C that no special rule should be provided.

3. The proposed amendment gives no flexibility in the event of an inordinate delay occurring in the Office. I have before me an application in which I filed a reply to the first Office Action at the end of March 2001 and the next action was not mailed until September 2002. Surely there would be no significant additional burden on the Office resources if I had filed a supplemental reply before July 2002.

§1.115

The three month limitation in '1.115(c)(2)(i) and (iii) is too short unless the Office clarifies that it is better to file a preliminary amendment within three months of the filing date of the application than to wait until after receiving the official filing receipt, indicating the art unit. On a related topic, clarification would be welcome on whether it is better to file an information disclosure statement within three months of the filing date or to await the filing receipt.