



**INTELLECTUAL PROPERTY LAW
ASSOCIATION OF CHICAGO**

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May 3, 2006

The Honorable Jon Dudas
Under Secretary of Commerce for Intellectual Property
and Director of the United States Patent and Trademark Office
Mail Stop Comments
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ATT: Robert W. Bahr
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for Patent Examination Policy

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

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Dear Under Secretary Dudas:

I. INTRODUCTION

The following comments are presented on behalf of the Intellectual Property Law Association of Chicago (IPLAC) regarding the United States Patent & Trademark Office's Notice of proposed rule making entitled "Changes to Practice for Continuing Applications . . ." published on January 3, 2006 at 71 Fed. Reg. 48.

IPLAC is the oldest intellectual property law association in the United States with over 1000 members in the Chicago area. IPLAC's members include attorneys and patent agents in private and corporate practice, in government service and in the academic field, and a large number of IPLAC's members are patent practitioners who are registered to practice before the Patent Office.

IPLAC strongly believes that the proposed rule changes regarding continuation practice, if enacted, would have a negative impact on applicants, would fail to resolve the Patent Office's problems and would have a negative impact on the public at large. In addition to providing comments regarding the anticipated impact of the proposed rules, IPLAC submits several alternative suggestions that may be of assistance as the Patent Office evaluates options for solving the problems identified at its recent Town Hall meetings.

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IPLAC thanks the Patent Office for providing this opportunity to submit comments regarding the proposed rule changes.

Initial Comments

Over the past ten years, the number of patent applications being filed has increased while until recently the funding of the Patent Office has not kept pace. There have been a number of reasons for the increase in the number of individual patent applications filed including, *inter alia*, a new fee structure and decisions by the courts narrowing the scope of patents and/or creating more uncertainty over the interpretation of claims. However, doubtless the overwhelming factor contributing to the increase in the number of patent applications being filed is the increased perceived value of U.S. patents.

Such a trend dovetails with the perceived path by which the United States will maintain itself as a leading economy in the world, as the U.S. migrates from a manufacturing age to that of an intellectual age in which intangible assets such as patents will play a major role. The capital markets have embraced such intangible assets, often valuing companies well above what their tangible assets would dictate.

Despite this change in the U.S. economy, the proposed new rules appear to be designed to stem the increase in patent application filings by making patents less valuable assets and increasing the costs of obtaining them. While increasing costs and decreasing value might reduce the backlog of applications which the Patent Office will need to examine, such an approach seems ill-advised and counterproductive to the overall needs of this country. Moreover, the approaches reflected in the current proposed rule changes will likely have little to no impact on the current backlog of patent applications but will severely increase costs and reduce the value patents. In summary, the proposed solution is far from the win-win solution that the Patent Office should be seeking and may actually be a lose-lose proposition.

II. THE PROPOSED RULES WILL NEGATIVELY IMPACT APPLICANTS

By severely restricting continuing application practice, the proposed rules will drive up the expense borne by applicants in obtaining patents, delay patent issuance by forcing more appeals, deny applicants full protection of their inventions, and effectively limit access to the Patent Office by those applicants who cannot afford either the increased expense or the prosecution delay that the proposed rules would bring.

Quick Issuance will become rarer. One current practice of practitioners is to wait for the first office action and see which claims the examiner has allowed or has indicated would be allowable if rewritten to include limitations of rejected base claims. According to this practice, practitioners often cancel all rejected claims in the parent application upon which such an office

action has issued, amend the claims for which allowability has been indicated to place them in allowable condition, and thus allow the parent application as amended to issue. As practitioners and applicants may have good faith reasons to believe that the examiner is mistaken in at least some of his rejections, a continuation application will be filed to narrow the issues and further prosecute the initially rejected claims. The placement of the contested claims in a continuation application permits the early issuance of a narrow patent, providing at least some patent protection to the applicant in the marketplace and permitting a start-up applicant to attract seed capital and form business relationships. The proposed rule changes significantly hinder this practice if not eliminate it. (“The revised rules would require that second or subsequent continuation or continuation-in-part applications . . . include a showing”); 71 Fed. Reg. 48 (January 3, 2006). (“Thus, the Office’s proposed requirements for seeking second and subsequent continuations will not have an effect on the vast majority of patent applications.”); *Id.* (“ . . . they require that applicants who file multiple continuing applications from the same initial application show that the third and following applications in the chain are necessary to advance prosecution.”). While the comments imply that these continuation restrictions apply only to “second and subsequent” continuing applications, the proposed rules themselves apply to all such continuing applications, including the first one.

The proposed rules effectively abolish the above practice by disallowing the later-filed continuation application to the extent that it contains claims “patentably indistinct” from the allowed claims in the parent. Proposed Rule 1.78(f)(3). Instead the proposed rules will force applicants to take an appeal of the entire parent patent application to the Board of Patent Appeals and Interferences, a process far more expensive and time-consuming than simply filing a continuation application. The proposed rules, in the alternative, will cause applicants to simply drop any further attempt to obtain the scope of patent protection to which they are legally entitled. Particularly for small businesses and a start-up companies, the effect is to make the U.S. patent system a less useful instrument for protecting inventions.

Self-declared divisionals disappear; omnibus applications will be filed instead. The proposed rules restrict the definition of a “divisional” application to one which contains only those claims which had been the subject of a restriction/election requirement in a parent national application or a unity of invention objection at the International Stage of a PCT application. Proposed Rule 1.78(a)(3). It will no longer be possible for practitioners to make a good faith assessment of which “inventions” are patentably distinct from which others and file separate applications on them in the first instance. If practitioners do this, the Office will presume that such applications contain “patentably indistinct” claims (Proposed Rule 1.78(f)(2)), and, if the applicant does not demonstrate the contrary “to the satisfaction of the Examiner” (Proposed Rule 1.78(f)(2)(i)) the Office will eliminate all such indistinct claims from all but one of the applications, presumably from all but the patented or allowed application. Proposed Rule 1.78(f)(3). The parallel filing of two or more patent applications on related subject matter will require 20/20 foresight on behalf of practitioners, and the practitioners’ opinions must match the opinion of the Office on which claimed “inventions” are “patentably distinct” from which others. The opinion of the Office will not be easy to predict as such determinations are highly subjective and different Examiners will group claims in different ways.

Under the proposed rules, the Office can expect the filing of more “omnibus” or “kitchen sink” applications having voluminous descriptions and large numbers of claims (but having ten or fewer independent claims in order to avoid the necessity of an Examination Support Document under the Patent Office’s other set of proposed rule changes entitled “Changes to Practice for Examination of Claims. . .” published on January 3, 2006 at 71 Fed. Reg. 48). This will, in turn, provoke the examiner to issue restriction/election requirements and/or issue “kitchen sink” rejections which will do little to provide applicants with a timely examination of their applications.

Moreover, any restriction on filing an RCE which is necessitated to bring newly discovered prior art before the Office would be simply unfair. The rules of conduct do not give applicants leeway in deciding whether to file an RCE to submit newly discovered art. However, if this is done after the close of prosecution of the first application (even after the application has been fully allowed), then the applicant would have to forego pursuing a second application altogether. There is no justification for this type of restriction. Additionally, if the newly discovered art does not surface until the close of prosecution of the second application, an applicant would have no means by which to comply with its duty of disclosure under the proposed rules.

III. THE PROPOSED RULES WILL FAIL TO SOLVE THE PATENT OFFICE’S PROBLEMS

The rule changes proposed by the Patent Office will not solve the backlog problem facing the Office. The proposed rule changes affect a relatively minor portion of total applications filed and may actually increase the Patent Office workload in those applications. Moreover, the applications that will be negatively impacted are precisely those that traditionally have yielded the most significant economic value. IPLAC agrees with the AIPLA comments submitted on this point on April 24, 2006 (page 4) regarding proposed rules involving “Changes to Practice for the Examination of Claims in Patent Applications.”

The proposed rule changes eliminate second and subsequent continuing applications and second and subsequent requests for continued examination (RCEs). The Supplementary Information portion of the Proposed Rules includes a summary of the number and types of nonprovisional patent applications filed in fiscal year 2005. A total of 317,000 nonprovisional applications were filed in 2005.¹ Of those, 62,870 applications were continuing applications, and about 52,750 were RCEs.² Of the 62,870 continuing applications, only about 11,800 were second or subsequent applications while only about 10,000 of the RCEs were the second or subsequent requests.³ Thus, of the 317,000 nonprovisional applications filed in 2005, the proposed rules would in theory only eliminate about 11,800 + 10,000 -- or about 21,800.

¹ 71 Fed. Reg. 50 (January 3, 2006).

² *Id.*

³ *Id.*

The Patent Office issued over 289,000 first Office actions on the merits during fiscal year 2005.⁴ Thus, according to this data, the backlog in 2005 grew by about 317,000 – 289,000 applications, or about 28,000 cases. Since the proposed rules would eliminate only about 21,800 applications per year, based on fiscal year 2005 data, the proposed elimination of applications will not solve the backlog problem.

The data provided by the Supplementary Information portion of the Proposed Rules does not make any distinction between continuation and continuation-in-part (CIP) applications. CIP applications by definition contain new subject matter. It is considered that in the vast majority of cases, CIP applications are filed with new subject matter which is claimed and considered separately patentable. Furthermore, it is considered that in the vast majority of cases applicants do not withhold this new subject matter for filing in a later CIP application for fear that intervening prior art may arise, nor do they refile the claims of the parent application in an attempt to delay the prosecution of those claims. Thus, the vast majority of CIP applications are bona fide attempts to advance the prosecution of an application and should not be affected by the proposed limits on continuation application filings and RCE filings.

In addition, the proposed rule changes are expected to lead to a large increase in appeals, necessitated by the proposed limitations on continuing practice. The formal briefing process required for appeals will not only increase the workload of the examiner who must respond to the appeal brief but will also increase the workload of the multiple Office personnel who need to familiarize themselves anew with each case (compared to an examiner reviewing a case for the third or fourth time). Additionally, the need for more formally written opinions will not aid the backlog problem and will instead only further exacerbate backlog problems within the Office.

The proposed rules, therefore, while eliminating only a small percentage of an examiner's applications, would actually increase the Patent Office's overall workload due to the greater time and effort that will need to be devoted to applications, each of which will be prosecuted more contentiously than before.

Moreover, of the relatively small number of continuations filed, at best only a handful are filed without applicants making a bona fide effort to advance prosecution. Additionally, the Office is already empowered to address situations in which an applicant repeatedly refiles an application without making a bona fide effort to advance prosecution. A few aberrational cases involving such behavior cannot justify rules that would impact so seriously on the rights of all patent filers.

The proposed rules would also negatively affect revenue for the Office. Because examiners are already familiar with an application, the time spent reviewing, searching prior art, and considering continuations is much less for a continuation application than for a newly filed application, while revenue generated by a continuation is the same as, or comparable to, the filing of a new application.

The proposed rules also would require that claims which are considered patentably indistinct in two or more applications be cancelled or an explanation provided as to why the multiple applications contain these claims. Again, this will negatively impact the Office. As shown in the Supplemental Information portion of the Proposed Rules, double-patenting rejections are rare. These rejections require little work to be done by the examiner. The proposed rules will in some instances decrease the filing of some applications/claims, which will decrease revenue. In other instances, because applicants would no longer be able to simply file a terminal disclaimer, applicants will more aggressively argue the distinct patentability of the claims, which will increase the examiner's workload in responding to what one can expect to be more complex and complete arguments.

IV. THE PROPOSED RULES WILL NEGATIVELY IMPACT INNOVATION

Many companies rely on continuing applications to build their patent portfolios and to refine the patent protection for their key inventions. In this regard, many patent applications are filed before a product is finalized or before the true commercial embodiment of the invention is determined. In many of these cases, companies utilize continuing applications to ensure that the claims in their patent applications cover the eventual commercial embodiments of the invention. Limiting the number of continuing applications, and even requiring that patent owners submit reasons as to why a continuing application is necessary, will raise the costs for filing such applications and unduly restrict patent owners who are merely trying to adequately protect the inventions they developed and have a right to protect.

Companies that are unable to adequately protect their inventions through continuing applications will be more careful and cautious as to which inventions to devote time and money. This will limit the inventions that are actually pursued by companies and, therefore, negatively impact the public because such inventions will not be made available to the public. Companies will also be forced to protect key inventions in other ways such as under trade secret laws. This will further limit the inventions which are actually disclosed to the public.

Also, patents are one of the key ways for a company to build its assets. Many investments, mergers, sales, and the like are based on the strength and volume of these assets. Limiting continuing applications and, thereby, the number of patents a company has limits the company's assets, making the company less appealing to investors or for mergers. Such companies may not survive financially. This not only hurts the economy and the public, it also stifles innovation. Companies as well as independent inventors develop inventions based on the premise that they will be able to patent their inventions. If adequate patent protection is less likely or remote, fewer inventions will actually be pursued which hinders innovation.

Moreover, independent inventors may only have the funds to pursue a single invention or concept. Continuing applications enable independent inventors to adequately protect their invention by placing them in a position to promote their invention to companies with the resources to make and market a product or service based on the invention. Limiting continuing applications will limit the ability of independent inventors to adequately protect their inventions as their business models evolve. Currently, potential investors can review the scope of the disclosure of a pending patent application of an independent inventor. If the disclosure is good, the inventor may be able to secure funding for continued development of the product because potential investors know they will be able to seek additional patent coverage through one or more continuing applications. However, if continuing applications are no longer available, the independent inventor may be unable to secure funding and will likely face the increased chance that third parties will be able to work around a patent containing poorly drafted or ill-advised claim limitations. As a result, it is likely that fewer independent inventors will go through the trouble and expense of pursuing their inventions if the proposed rules are enacted given the reduced chances of obtaining an adequate return on their investment. This will hurt the public.

V. CONSTRUCTIVE ALTERNATIVE PROPOSALS

Possible alternative options which the Patent Office may consider as part of its effort to improve quality, efficiency and timeliness of the examination process include:

- Revamping the manner in which job performance of examiners is evaluated (for example, the current system rewards examiners for rejecting applications which extends the pendency of applications and adds to the backlog);
- Securing increased pay for examiners to improve retention;
- Establishing regional affiliate patent offices in other parts of the country where the cost of living is less expensive and to increase the pool of potential examiner candidates;
- Permitting the recent increases in fees for application filings and searching to work their course and reevaluating whether this has led to a reduction in the backload the Office is experiencing;
- Increasing fees for third and subsequent continuations/RCEs except those filed to submit newly discovered prior art;
- Addressing weak rejections under Section 103 which do not point to specific teachings of motivation to combine and often lead to the need for RCEs and continuation applications;
- Having examiners take periodic tests to improve patent quality;
- Giving examiners more time to prepare complete office actions; and

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- Separating search and examination functions.

VI. CONCLUSION

The proposed new rules are at odds with each other. The proposed rules regarding continuing applications prohibit the presentation of multiple claims that may be needed to adequately protect an invention in different applications. These rules prohibit or at least inhibit one's ability to voluntarily pursue patentably distinct inventions in separate applications. The safest course under the proposed rule changes is to file all claims including those believed to be patentably distinct in a single application and wait for the Office to issue the restriction requirements it decides are appropriate. The proposed new claim examination rules, however, effectively prohibit full claiming of inventions within a single application. Thus, the most valuable inventions and, hence, those most deserving of extensive patent coverage will instead be less protected and more vulnerable to misappropriation.

IPLAC appreciates the opportunity to offer comments on the proposed rule changes and some constructive alternative proposals for the Office's consideration.

Respectfully submitted,

THE INTELLECTUAL PROPERTY ASSOCIATION OF CHICAGO



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