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Subject: COMMENTS OF STEVEN M. HOFFBERG Changes to Practice for the Examination of Claims in Patent Applications

COMMENTS OF STEVEN M. HOFFBERG

DEPARTMENT OF COMMERCE

Patent and Trademark Office

37 CFR Part 1

[Docket No.: 2005-P-067]

RIN 0651-AB94

Changes to Practice for the Examination of Claims in Patent Applications

OVERVIEW

The U.S. Patent and Trademark Office has made a series of proposals which it claims are to make Office more efficient, to ensure that the patent application process promotes innovation, and to improve the quality of issued patents. However, in its analysis, it provides no definition of efficiency, nor does it provide sufficient discussion of value by which one could compare the benefits of implementation of the proposed rules and their respective costs on applicants and society as a whole. The patent office serves the role of protecting the public interest in blocking issuance of patents which do not comply with statute. 35 USC § 102 states that “A person shall be entitled to a patent unless...”, and thus the patent office’s role is principally to implement statutory limitations on patent issuance, and should not impose burdens on applicants principally for administrative convenience.

The USPTO takes the position that its obligation to examine all claims in an application makes it inefficient. That is equivalent to an attorney claiming that having to show up in court makes him inefficient, and therefore seeking to abolish rules which compel attendance.

The proposed rule changes are allegedly intended to make the patent examination process more effective and efficient “by reducing the amount of rework by the USPTO and reducing the time it takes for the patent review process.” However, it is not clear how reducing the workload of the USPTO to thereby reduce its output increases efficiency. The USPTO seeks more money for less work, the opposite of efficiency.

The Patent Office states that the proposed changes will improve the quality of issued patents and ensure that the USPTO continues to promote innovation. While it is the purpose of the patent office to issue patents, and the purpose of patents to promote progress of the useful arts, it does not necessarily stand to reason that the agenda of the patent office is to directly promote “innovation”, and certainly not in a manner which distinguishes this term from “invention”. Apparently, the USPTO considers its role not

to necessarily promote the inventive process, as measured by patentable inventions, but also to promote the conflicting goal of promoting manufacturing, regardless of whether the manufacturer infringes patents the USPTO has issued. It should be clear that it is not the role of the USPTO to protect infringers, except through its oversight of the patents it issues, to ensure their validity.

The patent office states: “The recognized value of patents to innovation has led to enormous increases in the number of patent applications filed each year.” By this very definition, the number of patent applications correlates with “innovation”, and therefore efforts to quell the number of patent applications will quell “innovation.”

Thus, it is respectfully submitted that reducing the number and extent of patents which strategically target infringers through elaboration of both broad and focused claims designed to survive litigation and appeal does not promote innovation, but rather defeats the predicates of the patent system which originally ensured exclusive rights for a limited period to the inventor for his disclosed invention. The patent system has apparently evolved to focus on the “claimed invention”, and now, the “initially claimed invention”, and soon to be, “the invention as set forth in the ten designated claims”.

The USPTO states that its “resources have not increased at the same rate as filings,” however, recent changes have budgeted to the USPTO funds equivalent to the filing fees paid, and thus the USPTO should have monetary resources to cover its operations. This statement therefore makes no sense. Even if there is a mismatch between resources growth and filings, at a minimum, an 18 month pendency prior to examination means that resource expenditures lag filings, and thus this assertion is misleading at best. By its own analysis, the arbitrary limits imposed on USPTO resource growth will stifle innovation, and the appropriate action is not to take steps to reduce patent application filings.

The patent office further alleges that “it has become much more difficult to provide reliable, consistent and prompt patentability decisions.” Except perhaps for the tense, this statement is true. It is quite difficult to make correct, reliable, consistent and prompt patentability decisions. There are no credible proposals, including those now presented by the USPTO, which solve this problem. The USPTO’s solution is apparently to simply discriminate against a group of patent applications, perhaps those which are most valuable, and thus worthy of a greater number of claims and continuation chains. However, with a reduced volume of applications, filing fees, and ultimately resources, will decrease, thus exacerbating the problem the USPTO seeks to remedy.

The targets of the USPTO disincentives are, perhaps, the highest “profit” items; i.e., alternate claim forms focusing on common issues, applications subject to double-patenting rejections, and the like. Thus, while the USPTO claims these changes will make it more “efficient” it is perhaps more true that the opposite is true, since the average time per examination will increase due to the greater proportion of new issues, and thus, de novo searches.

The USPTO alleges that the “delay in granting a patent can slow new products coming to market,” but, in fact, most patent applicants do not wait for patent issuance before marketing new inventions. It is, perhaps, competitors and would-be infringers who anxiously wait to see if a hurried, narrow patent is the best that an applicant could muster, and thus come to market with a copy-cat product. Issuing patents for inventions that are not novel and non-obvious can impede competition and economic growth, and it is thus laudable that the USPTO seeks to address this problem. However, the rule changes by the USPTO are not rationally related to achieving these goals, and may ultimately move in the other direction. For example, except to the extent that the “examination support document” is a purely punitive measure to impose the harshest burdens on applicant available to the USPTO, to discourage perceived abuses, the USPTO seeks to abdicate its search responsibility to applicant—clearly, this proposal will not improve, but will impair patent quality. Further, the USPTO has not in any way considered its increased internal costs as a result of the proposed rules, nor the ordinary patent attorney’s anticipated response to these proposed rules. In the present legal system, a patent attorney is obliged to zealously represent clients within the bounds of law, 37 C.F.R. § 10.83 (Canon 7). This obligation will no doubt cause practitioners to undertake Petitions, Appeals, and other burdensome steps in order to secure and preserve the full scope of applicants’ rights.

For example, an Examination Support Document (hereinafter, “ESD”) may be a complex document, tens or hundreds of pages long. If patent examiners now consider reading the specification optional, and indeed the USPTO presently allocates insufficient time for permitting the examiners to review many applications fully, how are they to obtain sufficient time to review this new complex document? How are they to treat the search reported in the ESD? If the Examiner’s interpretation of the scope of the claims differs from applicant’s, does the Examiner need to perform a new search?

Under the new rule limiting continuations, petitions of every adverse administrative determination, and appeals of every adverse examining decision are almost assured. The proposed rules leave simply no room for conciliation, compromise, or deferred focus on certain issues. Instead of streamlining examination, and permitting applicants and examiners to work cordially and efficiently toward a common goal, the new proposals will create a rigid environment with multiple exceptions to normal workflow.

It is the undersigned’s experience that there are sufficient irregularities in the USPTO system, including lost documents and files, unexplained delays, and non-compliance with its own procedures, rules, laws, and treaties, than forcing applicants to strict compliance with the proposed rule changes would be unfair, burdensome, and antithetical to both the theory and practice of patent law as a means to secure to inventors their constitutional rights. Until the USPTO demonstrates competence in managing its own resources to assure that its process (if not its product) is predicatable and in accordance with all applicable laws, it will have little credibility in convincing its customers that they should further trust USPTO management to further restrict the process.

The USPTO alleges that, “simply hiring more patent examiners will not slow the growth in the time it takes to get a patent or improve the quality of examination.” Has this assertion ever been supported by any study? On what basis is this straightforward and sustainable solution rejected? The USPTO had clear knowledge of patent filing trends before it moved to a new facility, and committed to its current staffing level and staffing capacity. The USPTO was well forewarned, by PEPA and others, that its move to new Alexandria facilities was fraught with peril, but it proceeded, and now, instead of apologizing to its failure to heed its critics for their foresight and intuition, it instead now alleges that hiring new examiners is not an available solution. There is simply no support in administrative law and practice to impose substantive limitations on the legal rights of the public simply because the administration has misjudged its workload and resources.

The USPTO states that it is seeking the “participation” of applicants in facilitating more effective and efficient patent examination. However, it is clear that the USPTO management does not seek cooperation of applicants, and rather seeks to instill an air of antagonism, by imposing a punishment in the form of an ESD and limitations on continuation applications. It compares the proposed ESD to a Appeal Brief. A particular difference between the ESD and Appeal Brief is that in the proposed ESD, applicant must provide a search, claim interpretation, and detailed analysis of search results with respect to each element of each claim, whereas in an appeal brief, the focus is on the rejection formulated by the Examiner and his or her interpretation of the references.

Director Dudas is quoted as saying: “Better quality applications mean better examination. We need more focus throughout and closure to the examination process.” In fact, it is not at all clear that the quality of patent applications is at all an issue in the essential problems faced by the USPTO; it is the quality of issued patents which has raised concerns. Again, it would be useful to publish any study which purports to implicate patent application quality as a particular and limiting factor in examination.

The USPTO reports that, in FY 2004, almost one-third of the 355,000 new patent applications had already been reviewed and rejected by the USPTO, but applicants resubmitted them mostly with only minor changes. How many of these resubmitted applications “with minor changes” were then deemed allowable? It is the experience of the undersigned that a very large proportion of such “resubmitted” applications are allowed. Why does the USPTO not simply change its policies to allow these “minor changes” to be made efficiently in the original application, and therefore potentially reduce 30% of its workload with no prejudice to applicants? It is the experience of the undersigned that USPTO policies have, to date, encouraged refiling as a means to generate more fees, and disposal credits to examiners. Existing policies, not addressed in the proposed rules, permits examiners to prematurely or unreasonably foreclose consideration of claims without redress by applicants, knowing that applicants will almost always pay the filing fees to commence a new application or continue the existing application, rather than confront the Examiner and the system which supports these actions.

The USPTO should, instead of directing its wrath at applicants who seek to exercise their legal and constitutional rights, focus its inquiry internally to determine what aspects of its own operations lead to applicant strategies which are now seen as undesirable.

It is the undersigned's prediction, that, if the present rules come into effect, in 2-5 years, the USPTO management will complain that applicants' submission of Examination Support Documents (ESDs) and failure of applicants to file continuation applications when this would otherwise be an efficient way to conclude prosecution, are forms of "abuse" of the patent system that require remediation, through imposition of punitive and prejudicial sanctions. This is because, as applicants come to understand how to craft the ESDs, and avoid filing continuations, this will not solve the critical problem, that examiners must be given enough time and resources to do their job, and applicants and examiners given sufficient flexibility to efficiently negotiate allowable and valuable claim scope. ESDs and prosecution inflexibility will not solve the inherent problems, and will only compound them.

SUMMARY

USPTO statistics apparently reveal that over 40% of new applications in FY 2004 had more than 20 claims. In fact, for domestically drafted utility patent applications, this is probably an underestimate. There are a number of reasons why domestically drafted applications typically have 20-30 claims. First, multiple dependent claims are discouraged, even though they impose various examination efficiencies. Examiner's refuse to permit amendment of claims after final rejection which are not literally present in the application, under the argument that these present "new issues", even if the proposed amendment is clearly within the presumed scope of the prior search, arguments, and claim scope. The undersigned has, on various occasions, been forced to file a continuation application to correct a simple grammatical error, the correction of which was actually suggested by the Examiner. In the face of such inefficiencies and inflexibility, will the proposed rule changes really lead to improved patent quality and efficiency in examination? Or will they simply result in new inefficiencies and opportunity for mistake, misapprehension, and contention?

In its preface, the patent office admits that "the number of office actions complying with applicable laws and rules during examination improved to 86.2% [2005] from 82% the previous year [2004]." That is, by the USPTO's admission, almost 15% of office actions do not comply with applicable laws and rules. The present proposed rules compound those errors by making correction an inflexible and prejudicial process. The USPTO seeks to foreclose opportunities for continuation applications, without correcting its internal error rate, thus inevitable leading to substantial prejudice to applicants. This clearly does not promote innovation, efficiency, nor any other ideal of the patent system.

BACKGROUND

The USPTO alleges that "the compliance rate for final allowances improved from 94.8% to 96% from FY 2004 to FY 2005." However, the report did not state the compliance rate for final rejections, which the undersigned believes is much higher, due to the relative inability of applicants in general to contest the action(s) of the examiner, and the current availability of a continuation option.

It is against this backdrop of incredulity and distrust of the proposals on the table that the undersigned provides detailed comments on the rationale, justification, and rules.

It is clear that no rulemaking can contradict the underlying statutes, and indeed there is significant judicial interpretation of these statutes which is due deference.

35 USC §§ 101, 102 establish that it is the burden of the USPTO to show unpatentability, not vice versa. These sections do not permit the Director to arbitrarily impose restrictions to prevent issuance of a patent, even to promote "efficiency" within the PTO.

35 USC § 112 provides no basis for limiting or penalizing (other than by way of cost recovery) filing of claims.

35 USC § 131 does not permit the Director to examine a portion of the application and ignore the rest. There is also no statutory basis for withholding examination of duly filed claims. The forced designation of a limited part of the application for examination, while imposing expensive, prejudicial, and burdensome requirements on applicant in the form of an ESD is an arbitrary and capricious interpretation of the underlying statute.

35 USC 132(a) requires that a specific rejection be made of a claim before it is deemed unpatentable. US patent law does not allow a presumption of unpatentability (or of double patenting), and in the absence of an examination, a claim is presumed patentable. On the other hand, on appeal, the claims are presently already rejected, and if any “representative” claim in a group is deemed allowable, the rejection is reversed. Through slight of hand and illegitimate comparisons, the PTO seeks to shift the initial burden of proving patentability onto any applicant who is required to file an ESD. Likewise, the requirement for an ESD seeks to shift the burden for search and reference interpretation onto applicant. The Office states that it “is proposing to focus its initial examination on the claims designated by the applicant as representative claims.” In fact, the office is not focusing its initial examination, it is forcibly limiting it.

It is further noted that the proposed changes to continuation practice (the subject of a different set of proposed rule changes) seek to restrict applicant’s right to pursue patents including claims not deemed representative during an initial examination.

The Office's current practice for examination of claims in patent applications provides for an initial examination of each and every claim, independent and dependent, in every Office action on the merits of the application. This comports with 35 USC §§ 131, 132(a), 134, which provides that applications are subject to an examination and a reexamination, and if twice rejected, are appealable.

Since the non-designated claims at issue are filed, and paid for, even if the Director imposes rules which restrict examination thereof, this would not extinguish applicant’s statutory right to lodge an appeal of all claims, and thus the burden of initial examination of non-representative claims would fall to the Board of Patent Appeals. That is, the Board will be forced to formulate rejections, if any, on first presentation, and without benefit of the examiner’s opinion with respect to the non-“representative” claims.

The Office apparently has not considered the actual office actions generated by its examiners, which often discount dependent claims with almost no consideration, and typically with only a few sentences of discussion. In contrast, the Office’s proposed changes seek to not only charge applicant for the claim examination, but also to impose a burden which would potentially amount to hours per claim. This burden is simply punitive, since the Office would still retain its own examination burden. The PTO is not authorized to levy a tax or civil obligation on applicants, and the ESD falls principally in this class. The PTO’s own analysis fails to indicate any savings or benefit to the Office

by imposing this requirement. Tellingly, the Office has made no proposal to reduce its filing fees as a result of the predicted “efficiencies” it will gain, nor has it predicted any surpluses.

The Office, indeed, does not even promise that it will review or consider the ESD if required. Examiners hardly have time to read patent applications. Does the Office intend to give the Examiners more time for reviewing these documents? All evidence is to the contrary, and it is likely that the USPTO will argue for reduced examiner time allocation per application.

The Office states it “is proposing to delay the patentability examination of most dependent claims until the application is otherwise in condition for allowance. The Office, however, will examine every claim in an application before issuing a patent on the application. . . . [E]xamination of the dependent claims that are not designated for initial examination will be deferred until the application is otherwise in condition for allowance.” In fact, in combination with the rules relating to limitations on continuations, these rules do not defer examination of “non-representative claims”, they most likely will preclude a substantive examination at any time, permitting only an examination as to form, if at all. Non-representative claims are denied examination with respect to 35 USC §§ 102, 103. This change in procedure is non-statutory, and denies applicants a substantive right, that is the presumption that the burden of examination is on the PTO, and that inventors are presumed entitled to a patent for an invention, unless not in compliance with statute.

The PTO states that “both the Board of Patent Appeals and Interferences (BPAI) and the courts commonly employ some form of using representative claims to focus and manage issues in a case. The BPAI's representative claim practice provides that if the applicant desires the BPAI to consider the patentability of a claim separately from the other claims also subject to the same ground of rejection, the applicant must include a subheading in the arguments section of the appeal brief setting out an argument for the separate patentability of the claim. See 37 CFR 41.37(c)(1)(vii). If there are multiple claims subject to the same ground of rejection and the applicant argues the patentability of the claims as a group, the BPAI will select a claim from the group of claims and decide the appeal with respect to that group of claims on the basis of the selected claim alone. See *id.*” While the Board will normally select an independent claim for consideration, this is not mandatory, and consideration of a dependent claim instead of a broader claim may better permit consideration. Thus, the initial examination and grouping of claims by an examiner is prejudicial to the examiner/Office, since the Board can easily consider a narrower claim with respect to the issue raised by the Examiner.

The Office apparently fails to consider that the BPAI applies this rule only AFTER claims are twice rejected. Logically, this makes some sense, since AFTER initial examination, the issues of the application are framed, and applicant may be willing to forego a request for consideration of patentability of certain claims in order to avoid the prejudice incurred resulting from compliance with BPAI rules. However, the BPAI appeal is a statutorily created body, 35 USC § 145, to redress perceived unfavorable

outcomes of the USPTO regular examination, and thus should be subject to a somewhat different set of procedures than initial examination, 35 USC §§ 132, 133.

The Office claims that it “plans to apply a similar practice to the BPAI’s representative claim practice to the examination of patent applications.” In fact, the Office misrepresents its plans. Before the BPAI, the representative claim procedure is two-way: if a representative claim is allowable, the entire claim group is deemed allowable, and thus the rejection reversed for all claims within the group. The representative claim may be a dependent claim in a group having a corresponding independent claim. According to the proposed rules, the representative claim practice will merely move the case forward toward a separate examination of the remaining claims.

The Office seeks to require “applicants ... to assist the Office in eliminating unnecessary effort by permitting the Office to provide an initial examination to a more focused set of claims; that is, only to the independent and designated dependent claims.” The Office therefore presumes, prior to examination, that applicant knows which claims are useful for distinguishing the references yet to be identified by the Examiner. According to present practice, the method the Office uses for focusing examination is the use of independent claims directed to a single invention. No further limitation is necessary nor sanctioned by statute.

The Office alleges that cases with a large number of claims consume an inordinate amount of resources of the Office. While it may be true that applications with a larger claim set are more time-consuming to examine than a claim set with a smaller set of claims, the present system requires that applicants pay additional fees for a large claim set. This statutory scheme provides both a monetary disincentive to large claim sets, and increases the resources available to the PTO to handle these cases. In fact, the regulatory, statutory and legal scheme makes a large number of claims necessary in some cases.

On a per claim basis, there is no basis to believe that it is more difficult to examine claims in a single application rather than in separate applications, and indeed, it is respectfully submitted that it is more efficient to examine multiple claims (directed to a single invention) within a single application than multiple applications. Why are these applications “extremely difficult to properly process and examine”, any more so than other applications, especially when the Office receives higher compensation for examining these applications?

The office seeks, in what is now the general case of patent applications, to require the applicant to “share the burden of examining the application” by submitting an ESD covering all of the representative claims. How can the USPTO distribute its inherent burden? While there may be reasonable requirements which may be imposed on patent applicants, a grossly over-inclusive document submission requirement imposed punitively on applicants who merely seek an examination of their entire patent application is not reasonable. How do we know that the purpose of the “examination support document” is intended to be punitive, rather than supportive to the process? First, the USPTO seeks applicants to mandatorily provide information which is rarely if

ever required during the application, such as a detail of literal support in the specification for claim elements. Second, the USPTO has not indicated that it will provide any additional time for the Examiners to review this document. Third, especially with respect to the required search, it has not indicated that it will rely on any externally provided search. That is, while the applicant will be significantly burdened by the requirement to provide the ESD, it is not clear that the Examiners will be benefited. It is further not clear that the USPTO has fully investigated how such a document could reasonably be created, and how it is to be applied during examination.

In fact, it may be argued that the ESD will result in greater uncertainty in the quality of issued patents, because, if the examiner does rely on these documents instead of performing his or her own evaluation, this will undermine the presumption of administrative regularity, and then the presumption of validity. Likewise, it is unclear what the prosecution history estoppel effect of an ESD is, leading to possible litigation uncertainty.

If there is particular problem facing the patent examination process, it is the disconnect in the USPTO between the filing fees charged for examination of an application, and the treatment of that application after it is filed. Apparently, the USPTO believes patent applications are fungible, and therefore awards “points” to examiners on a “per application” basis. Thus, examiners are given no additional time or credit for complex applications, leading to a perception that these complex applications are unduly burdensome. The fault, however, lies with the USPTO management for creating a simplified and inaccurate scheme which fails to correlate filing fees with resources made available for examining the application. The USPTO now seeks to perpetuate its simplistic scheme by seeking to ban these complex applications altogether, through such disincentives to applicant that will no doubt ripple back through the chain of innovation, ultimately leading to a loss of the patent incentive.

One solution to the problem raised by the USPTO is to permit applicants, after allowance of a claim, to then freely open prosecution to add new claims at that point which conform to the rationale of allowability, which would then alleviate the need to present all such claims at commencement of the application process. That is, *ex Parte Quayle* and 37 CFR 1.312 should be reversed and withdrawn, respectively, and applicants encouraged to voluntarily defer consideration of claims intended for examination only to meet formal requirements until after allowable subject matter is identified. Examiners must be given suitable “compensation” for this process, but it is believed that the time lost by permitting after-final prosecution would be more than compensated by the likely voluntary focus of initial claim sets and potential elimination of unnecessary continuation applications.

The Office proposed rules are quite unfair and unreasonable, when the proposed revisions to both claims and continuation practices are read together. First, an applicant with a complex invention will be forced to file together a large number of independent claims in order to seek a restriction requirement, which will not necessarily be granted. If greater than 10 independent claims remain, this impose a requirement for a prejudicial and expensive ESD. The office, in the absence of imposition of a restriction requirement,

which is itself an arbitrary and unreliable process, will presume that the claims are subject to at least an obviousness-type double patenting rejection, if present in different applications. There is simply no basis in fact or law for the USPTO to impose such a presumption of unpatentability, and indeed, such a rejection is typically “provisional”, since the claims may both be prosecuted simultaneously, and subject to different amendments through the process. The policies behind obviousness-type double patenting rejections are judicially created, and the PTO is not free to mold this doctrine for its own ends.

Indeed, MPEP § 804.02 provides statement of societal benefit from patents subject to double patenting rejections, not addressed by the USPTO in its notice of proposed rulemaking:

A rejection based on a nonstatutory type of double patenting can be avoided by filing a terminal disclaimer in the application or proceeding in which the rejection is made. In re Vogel, 422 F.2d 438, 164 USPQ 619 (CCPA 1970); In re Knohl, 386 F.2d 476, 155 USPQ 586 (CCPA 1967); and In re Griswold, 365 F.2d 834, 150 USPQ 804 (CCPA 1966). The use of a terminal disclaimer in overcoming a nonstatutory double patenting rejection **is in the public interest** because it encourages the disclosure of additional developments, the earlier filing of applications, and the earlier expiration of patents whereby the inventions covered become freely available to the public. In re Jentoft, 392 F.2d 633, 157 USPQ 363 (CCPA 1968); In re Eckel, 393 F.2d 848, 157 USPQ 415 (CCPA 1968); and In re Braithwaite, 379 F.2d 594, 154 USPQ 29 (CCPA 1967).

Since the USPTO has previously declared that the patent applications which give rise to nonstatutory double patenting rejections are in the public interest, it stands to reason that the proposed rules which seek to preclude such patent applications are against the public interest, because they discourage the disclosure of additional developments, delay filing of patent applications, and potentially delay expiration of patents whereby the inventions covered become freely available to the public.

Complex inventions require complex patent protection. The Office, however, seeks to restrict innovators to its own vision of the ideal patent application which can profitably be examined in less than 5 hours. Is this really the mission of the USPTO, or the strategic vision for the country?

It is noted that, while the Office performs selective statistical analyses using its own PAIR system, it does not permit outsiders to review the same database for possible contrary conclusions, nor does it justify its claims of burden by publishing statistics regarding the relation between fees earned and costs incurred. Without this data, it is only possible to posit questions to the Office and to infer that the Office has selectively reported its data to justify the strategic position it has already adopted.

The Office reports that PALM records show that the Office has received 216,327 nonprovisional applications between January 1, 2005 and October 13, 2005, of which

only 2,522 (866small entity), or about 1.2 percent of all nonprovisional applications, included more than ten independent claims. Given the small percentage of these applications, why does the Office feel the need to burden all patent applicants with the proposed rules, which are anticipated to consume 2,732,441 HOURS per year, that is, 1083 HOURS per patent application which supposedly offends to system. How can this be justified as being reasonable and required?

On an overall per-application basis, this amounts to 12.6 hours, which is near equivalent to the amount of time an examiner is allocated to perform a complete examination. The PTO, in seeking to improve its own “efficiency”, seeks to impose on the public a burden amounting to \$1,366,220,500 dollars (at \$500 per hour, an estimate of the attorney’s fees for preparing an ESD, and complying with the rules). Thus, in an effort to reduce pendency, the patent office seeks to double the cost of an equivalent examination to that now afforded applicants. The burden admitted by the Office that it seeks to impose is so far out of proportion to the benefit as to qualify as a tax, and a regulatory taking, requiring compensation under the 5th amendment.

The office’s focus on applications with more than ten independent claims in its analysis quite misses the point of having dependent claims, to the point that it undermines public confidence that the management of the USPTO understands the U.S. patent system. Dependent claims serve a valid and important purpose, and seeking to restrict these claims without at least an acknowledgement of the countervailing considerations is disingenuous, at best. A dependent claim, during examination, provides a “fallback” position to applicant, providing for the Examiner a framework under which to assess possible elements of an allowable claim, as to whether they, in combination with independent claim limitations, present novel and non-obvious subject matter. Applicants do not necessarily know at the time of examination what claim formulation is both allowable and valuable, especially since most patent applications are filed at a time when the invention has not yet been commercialized. The Office, however, seeks only to reduce its own burden, without balancing that reduction in burden to the immediate and long term costs to applicants. That is, dependent claims also serve a purpose if when and a patent enters litigation, preserving validity in the event that an independent claim is deemed invalid. Since the USPTO has a less-than-perfect record with respect to validity of patents is issues, it owes its clients, the applicant pool, the right to request and receive examination of dependent claims, and not simply to foreclose examination simply because the examination of these claims imposes a burden on it. Congress has authorized dependent claims, and specified charges for examination of these claims, and required the USPTO to examine applications, not certain portions thereof. The USPTO simply cannot change the “rules” to abrogate its responsibilities, in contravention to the statutory scheme under which it operates.

The USPTO’s supposed random survey of five hundred applications in which an appeal brief was filed in fiscal year 2004, in which only nine applications out of these five-hundred applications (1.8 percent) had more than ten representative claims omits the critical information about appeal outcome. If applicant prevailed with only a single representative claim, no more were required. On the other hand, we can draw no

conclusions from those in which the rejection of the examiner was affirmed. The use of appeal statistics as a basis to change initial application procedures is an unwarranted and unsupported scheme, especially without full transparency.

The USPTO procedure for requesting accelerated examination under which an application will be taken out of turn (Petition to Make Special), induces few applicants (1225 in FY 2005) take advantage of this procedure, due to its potential prejudice. In fact, the requirements for this Petition are less harsh than those to be imposed in an ESD. The Petition to Make Special merely requires a pre-examination search, providing:

“a listing the field of search by class and subclass, publication, Chemical Abstracts, foreign patents, etc. The pre-examination search must be directed to the invention as claimed in the application for which special status is requested. A search made by a foreign patent office satisfies this requirement if the claims in the corresponding foreign application are of the same or similar scope to the claims in the U.S. application for which special status is requested; Submits one copy each of the references deemed most closely related to the subject matter encompassed by the claims if said references are not already of record; and Submits a detailed discussion of the references, which discussion points out, with the particularity required by 37 CFR 1.111(b) and (c), how the claimed subject matter is patentable over the references.”

The proposed ESD, in contrast, requires:

“(1) A statement that a preexamination search was conducted, including an identification (in the manner set forth in MPEP Sec. 719) of the field of search by class and subclass and the date of the search, where applicable, and, for database searches, the search logic or chemical structure or sequence used as a query, the name of the file or files searched and the database service, and the date of the search; (2) an information disclosure statement in compliance with Sec. 1.98 citing the reference or references deemed most closely related to the subject matter of each of the independent claims and designated dependent claims; (3) an identification of all the limitations of the independent claims and designated dependent claims that are disclosed by the references cited; (4) a detailed explanation of how each of the independent claims and designated dependent claims are patentable over the references cited with the particularity required by Sec. 1.111(b) and (c); (5) a concise statement of the utility of the invention as defined in each of the independent claims; and (6) a showing of where each limitation of the independent claims and the designated dependent claims finds support under 35 U.S.C. 112, para. 1, in the written description of the specification (and if the application claims the benefit of one or more applications under title 35, United States Code, the showing must also include where each limitation of the independent claims and the designated dependent claims finds support under 35 U.S.C. 112, para. 1, in each such application in which such support exists).”

There is no discussion by the Office as to why it believes a substantially more comprehensive submission is required in an ESD, and why it believes that the

requirements between these two are sufficiently similar. Further, it would appear that since the Petition to Make Special is an available procedure, those applicants who believe that reduced pendency would be beneficial already have this option available, and few take advantage of it. Thus, the Office's own evidence is that long pendency is either not the problem alleged by the Office, or that its proposed solution is so unpalatable that applicants generally avoid it. In any case, this available procedure in no way supports the Office's position that the ESD is merely a logical extension of an existing requirement which is field tested and acceptable to a substantial number of applicants.

The Office states, "these changes will mean faster more effective examination for the typical applicant without any additional work on the applicant's part, but a small minority of applicants who place an extensive burden on the Office's ability to effectively examine applications will be required to assist the Office in handling the burden they place on the Office." This is simply false. The typical applicant files more than 10 claims, and expects examination of the entire application.

DISCUSSION OF SPECIFIC RULES

37 CFR Section 1.75 is proposed to be amended to deny applicants an initial examination of non-representative claims, unless an ESD is submitted. A particular problem with this scheme is that these claims are not withdrawn, and in event that the representative claims are not allowed, the application maintains these claims, which have never been rejected. Thus, according to present practice, no final rejection may be asserted against these claims. On the other hand, an appeal may be filed with respect to the rejection, leading to a failure of the examination regime as it presently exists.

The requirement of proposed Sec. 1.75(b)(1) which provides that a dependent claim (including a multiple dependent claim) designated for examination must depend only from a claim or claims that are also designated for examination, is also problematic. Presumably, a narrow claim is easier to examine, and election of such a claim as a “representative claim” will result in a more focused analysis. Yet, the USPTO, without analysis, precludes this possibility. Instead, it prefers to examine broader claims. According to 35 USC §112, ¶4, a dependent claim is treated as a claim which incorporates all of the limitations of preceding claims, and thus there is no rational basis for limiting consideration of dependent claims to those higher within a dependency chain than those lower.

It is not clear why the USPTO seeks to establish a one-month, non-generally extendable deadline for responding to Office requirements relating to ESD's. Given the pendency statistics, there is clearly no urgency for moving applications forward on a fast-track, and it is not clear that the Examiner will look at the response any sooner if submitted in one month than if submitted in three. The proposed non-extendable deadline is simply further evidence of USPTO hostility to applicants who present with complex inventions. The USPTO acknowledges that the required search is anticipated to cost \$2,500 (and likely more), yet may provide insufficient time for this to be accomplished. Likewise, even after the search is completed, a substantial effort will thereafter be required. Indeed, if an application is amended to include more than 10 representative claims, the USPTO apparently makes no exception for providing ESD information for claims already examined, or even claims already allowed. Further evidence that the USPTO has no intention of using the ESD as a tool to cooperatively assist it in expediting examination, and every intention of using this as a punitive measure to effectively abridge applicants' rights to a full, fair and unbiased examination of patent applications in accordance with the Patent Act, Administrative Procedure Act, and other applicable law and regulation.

The proposed amendment to 37 CFR Section 1.75(b)(4) to preclude patentably “indistinct” claims, seeks to abridge applicant's rights to obtain coverage for claims which have literally different scope, even if they might be deemed obvious in view of one another. It is well known that when an applicant is estopped from invoking the doctrine of equivalents, or indeed in various circumstances where a full doctrine of equivalents is available, infringement may be found for some claim formulations but not for others,

even if these are “patentably indistinct”. The USPTO seeks to preclude applicant from seeking a full scope of protection to guard against such infringement, without a full explanation or justification as to why this is necessary. Further, the USPTO seeks to remove from Congress and the Courts the ability to control such conduct, which is currently neither illegal nor discouraged.

The PTO sees as its problem that applicants file applications to obtain a full scope of protection. There is simply no statutory or administrative reason why this should be discouraged or regulated out of existence.

An example of the inequity of treating independent applications together is if two applicants (for example taking advantage of the CREATE Act) independently file applications which are alleged to be patentably indistinct. It is possible that neither applicant has control over the other, yet the act of one could prejudice the other. Another example is where, in one application, a set of dependent claims are deemed allowable, and are then rewritten in independent form with associated dependent claims. This may well result in a claim set with greater than 10 representative claims, especially when viewed in conjunction with another application.

It is well known, and acknowledged universally by patent practitioners outside of the USPTO, that the easiest and most efficient patent prosecutions result from continuation applications which have “minor changes” to the claims with respect to a parent application. Once the Examiner realizes the relation of a child-continuation application to an issued patent, the examiner need only update the search to account for the “minor changes”. The Office has failed to admit that, even though its plans may eliminate ~20% of the patent application workload, this may account for ~25% of its revenues and ~10% of its examination time burden. The Office has not addressed this issue in its rulemaking, and thus has not publicly addressed how it will deal with the budget shortfall and inherent increased examiner burden for examining only “new” applications.

The PTO admits that the claims not considered representative claims are not withdrawn from consideration: these claims may still be subject to restriction requirement. However, a new limitation on adding dependent claims to the application is apparently imposed: the designation of the additional dependent claims must only be made in the reply to the restriction requirement or as permitted by the examiner.

The Office has also expressed hostility to Markush claims, seeking comments as to how these also can be penalized within its new ESD framework. A Markush claim is a sanctioned form of “artificial genus”, and therefore requires a search of each element of the genus. However, from a search standpoint, the task is no greater than if the claim had required the elements in the conjunctive instead of the disjunctive, which clearly would be permissible (unless the elements are inconsistent). In any case, there appears to be no study or anecdotal reports presented by the Office which point to abuses of this practice resulting in inordinate burdens on the Office, or particular validity or enforceability issues in the Courts. The Office should not alter longstanding practices without careful analysis, supported by a scientific method to prove that its proposed changes will achieve

an intended beneficial effect, without creating collateral damage which substantially undermines the process.

However, to the extent that the claim practices are altered, so long as a justifiable election requirement is not imposed, the claim should be treated as unitary. In accordance with the theory of *In re Markush*, and resulting practices which evolved since, the artificial genus is treated as just that, and not simply an aggregate set. A contrary result would provide logic for examiners to divide genuine generic elements. Thus, if an applicant claims a fastener, according to USPTO logic, the applicant could be forced to elect between screws, nails, adhesives, latches, magnets, Velcro, etc., even if this distinction is irrelevant.

It would appear that, while statute does not require immediate examination of all claims within an application, it is, however, outside of the statutory scheme to preclude applicants from receiving examination of non-designated claims. Applicants retain their right of appeal under 35 USC § 145, which is neither abrogated nor abridged by the USPTO rulemaking process. Thus, while the USPTO may unilaterally avoid examination, it has no authority to block allowance of such claims by withholding examination. Thus, the proposed amendment of 37 CFR Section 1.104(b) to add that "[t]he examination of a dependent claim that has not been designated for initial examination may be held in abeyance until the application is otherwise in condition for allowance," is an incomplete solution which will lead to confusion, inefficiency, and backlog.

37 CFR Section 1.105(a)(1) currently provides: “**§ 1.105 Requirements for information.** (a)(1) In the course of examining or treating a matter in a pending or abandoned application ... the examiner ... may require the submission ...of such information as may be reasonably necessary to properly examine or treat the matter....” The PTO now seeks to eliminate the reasonableness requirement for asserting a requirement for information, and instead using its power in an abusive and punitive manner, seeking difficult-to-present information for no apparent reason. There are, indeed, cases where the information to be requested is both reasonable and necessary for examination. The PTO seeks to bypass any such determination of necessity and impose a blanket requirement for all applicants that seek a real examination of more than 10 claims.

The ESD has been discussed above, but in reference to its particulars, it is particularly important to note that, for the first time, in order to obtain a complete examination of a “normal” application, an applicant will be required to perform a search, and further that this search must encompass “U.S. patents and patent application publications, foreign patent documents, and non-patent literature, unless the applicant can justify with reasonable certainty that no references more pertinent than those already identified are likely to be found in the eliminated source.” A search report from a foreign patent office (or even the USPTO) will not generally satisfy the requirement for a preexamination search. It would appear from the experience of the undersigned that the required search is beyond that performed by US examiners, and may require expensive translations. The USPTO anticipates a burden of \$2,500 per search, which may have to be repeated in the

event of a claim amendment, i.e., the claims have been amended such that the ESD no longer covers each independent claim. The time for providing an updated ESD will be one-month period, not extendable.

Another substantial change in practice is to propose the use of Interviews as an offensive weapon, at the request of the Examiner to sandbag an applicants' attorney before a first action. That is, an Examiner may call, out of the blue, and demand information about a long-dormant application. The purpose of this interview is apparently, in the absence of a concrete rejection by the Examiner, to allow the Examiner to inquire how the claims define over the prior art or are patentable. If the applicant declines such a request for an interview or if the interview does not result in the examiner obtaining the necessary information, the examiner may issue a requirement for information under 37 CFR § 1.105 to obtain such information. It is curious that the Examiner is not invited to simply reject the claims in accordance with 37 CFR § 1.104. The net result of this process, however, would be to undermine the two-office action per application regime which now exists. Perhaps, the initial interview will result in allowance of the application, and therefore result in a savings; this is unlikely, however, given examiner's current propensity to indicate that they cannot allow an application without "search" and "consideration".

The scheme proposed by the USPTO turns the examination burden on its head—applicants are apparently being requested to perform their own self-examination, proctored by the Examiner. This does not seem a wise policy move for the USPTO or the US patent system, and is one step closer to a patent registration system. Thus, what was once the "best" patent examination system in the world, will perhaps become a non-contender.

The Office seeks to impose a retroactive effect to the proposed rules, applying them to existing applications. This is unfair, prejudicial, and unnecessary. The USPTO is embarking on a major change intending to change the behavior of applicants. Applying new rules prospectively will have the affect of incentivizing applicants to designate ten or fewer claims for examination. On the other hand, applying the new rules retroactively will not result in a change in applicant behavior, and based on the potential prejudice involved in a claim amendment, may result in an adversarial process which consumes more USPTO resources than it frees.

The PTO Deputy General Counsel for General Law has certified to the Chief Counsel for Advocacy of the Small Business Administration that changes proposed in this notice of proposed rulemaking will not have a significant economic impact on a substantial number of small entities. See 5 U.S.C. 605(b). However, this certification should be withdrawn for at least two reasons.

First, the PTO, in its analysis, equates "small entities for payment of reduced filing fees" with small businesses as encompassed by the Small Business Act. These are not the same, and in particular, small entities which qualify for reduced fees expressly exclude entities which would otherwise qualify as small entities that have licensed to large entities. Therefore, small entities which see success in patents will often lose their

USPTO small entity status, and since the USPTO does not survey applicants, there is simply no basis for the USPTO to know how many small business applicants its rules affect, as compared to small entities for the purpose of paying reduced filing fees.

Second, the USPTO has completely discounted the enormous costs to be imposed on all applicants, small and large, who have sufficiently complex patent applications to require designation of more than ten claims. These costs include at least the costs of the search, analysis of the search results and application, and preparation of the required document. These are all new requirements, and thus it is disingenuous at best, and a complete fabrication at worst, that there will not be a significant economic impact on a substantial number of small entities. Informal estimates by my colleagues estimate between \$10,000-\$35,000 in legal costs alone for the preparation of an ESD for a single application. This burden, on top of existing patent preparation costs and filing fees will indeed impose a substantial and disproportionate burden on small businesses.

The USPTO particularly alleges that the proposed changes will not affect a substantial number of small entities. The USPTO's PALM records show that the USPTO has received 216,327 nonprovisional applications (65,785 small entity) between January 1, 2005, and October 16, 2005. It is respectfully submitted that the proposed rule changes will affect the vast majority of applicants. The rules themselves are not limited to applications with greater than ten independent claims, and neither is the impact of the rules limited to such applications. The impact must be assessed on the full scope of the proposed rules, and no less. The vast majority of applications do, in fact, have greater than ten claims, and the current expectation is that each will receive a full examination. The mere fact that an applicant may avoid certain costs by incurring a legal prejudice does not mean that there were no costs.

The Office states that the proposed rule change would not disproportionately impact small entity applicants. While the evidence to support this position is lacking, it is the undersigned's experience that small entities tend to have a more aggressive patent prosecution strategy than large entities, leading to more "important" claims per application, and more related pending applications. Thus, the anecdotal evidence does not support the USPTO's assertions.

The PTO cites The American Intellectual Property Law Association (AIPLA) 2003 Report of the Economic Survey, which indicates that the seventy-fifth percentile charge (for those reporting) for a patent novelty search, analysis, and opinion was \$2,500.00. This search, however, likely does not fully meet the requirements for an ESD. Further, the average search has less than ten independent claims for examination, and thus this average search cost, presumably for an application with three independent claims, vastly underestimates the search cost for a more complex application. It is disingenuous to assert "that the pre-filing preparation of an application containing more than ten independent claims should involve obtaining such a patent novelty search, analysis, and opinion" There is no such requirement in law or practice, and for the USPTO to imply that this is a preexisting obligation or expense, is incorrect.

It is respectfully submitted that the proposed rules do not comply with the letter or spirit of Executive Order 12866. The economic analysis required by Executive Order 12866 requires a determination that:

There is adequate information indicating the need for and consequences of the proposed action;

The potential benefits to society justify the potential costs, recognizing that not all benefits and costs can be described in monetary or even in quantitative terms, unless a statute requires another regulatory approach;

The proposed action will maximize net benefits to society (including potential economic, environmental, public health and safety, and other advantages; distributional impacts; and equity), unless a statute requires another regulatory approach;

Where a statute requires a specific regulatory approach, the proposed action will be the most cost-effective, including reliance on performance objectives to the extent feasible;

Agency decisions are based on the best reasonably obtainable scientific, technical, economic, and other information.

The undersigned has reviewed the proposed rulemaking, and determined that none of these criteria are met.

It is respectfully submitted that the proposed rules are arbitrary and capricious, and should be withdrawn.

Respectfully submitted,

Steven M. Hoffberg

The foregoing does not represent the opinions of Milde & Hoffberg, LLP, or its clients.