-----Original Message-----
From: Patent Practice
Sent: Wednesday, May 03, 2006 11:00 AM
To: AB93Comments; AB94Comments
Subject: FW: NYIPLA Comments re proposed rule changes relating to examination of claims and continuation practice

FYI

-----Original Message-----
From: Peter G Thurlow [mailto:pgthurlow@JonesDay.com]
Sent: Wednesday, May 03, 2006 10:56 AM
To: Clarke, Robert
Cc: Patent Practice
Subject: NYIPLA Comments re proposed rule changes relating to examination of claims and continuation practice

Good morning Mr. Clarke.

On behalf of Ed Vassallo, President of the New York Intellectual Property Law Association (NYIPLA) and the Board of Directors of the NYIPLA, we respectfully submit the attached comments in response to the Office's proposed rule changes relating to "Changes to Practice for Continuing Applications, Requests for Continued Examination Practice, and Applications Containing Patentably Indistinct Claims" (71 Fed Reg 48), and "Changes to Practice of the Examination of Claims in Patent Applications" (71 Fed Reg 61).

Please call me on (212) 326-3694 if you have any questions.

Kind regards,

Peter G. Thurlow, Esq.
Member, NYIPLA

May 3, 2006

TO: U.S. Patent and Trademark Office

FROM: New York Intellectual Property Law Association,
President Edward E. Vassallo and The Board of Directors

Re: USPTO's Proposed Rules Changes re Continuations, Examination of Claims and Applications Containing Patentably Indistinct Claims

The U.S. Patent and Trademark Office ("Office") published two proposed rules packages[1] on January 3, 2006 that, if adopted, will dramatically affect how patent applications are prosecuted in the United States. This memo briefly describes the substance of these proposed rules changes, proposes comments for the Office to consider in evaluating whether these proposed rules should be adopted and recommends alternatives for the Office to consider to improve the patent examination process.

Introduction:

The New York Intellectual Property Law Association (the "NYIPLA") is a professional association of more than 1,300 attorneys whose interests and practices lie in the area of patent, copyright, trademark, trade secret and other intellectual property law. The Association's members include in-house attorneys working for businesses owning patents or having to deal with the patents of third-parties, as well as attorneys in private practice who represent both patent owners and accused infringers. NYIPLA members represent both plaintiffs and defendants and also regularly participate in proceedings before the Office.

The Board appreciates that the Office is trying to manage the record number of patent applications being filed each year in the Office[2] and the reported backlog, and

[1] See 71 Fed Reg 48, Changes to Practice for Continuing Applications, Requests for Continued Examination Practice, and Applications Containing Patentably Indistinct Claims, and 71 Fed Reg 61, Changes to Practice of the Examination of Claims in Patent Applications.

[2] In FY 2005, the Office received 384,228 Utility, Plant, and Reissue (UPR) patent applications, 25,304 Design applications, as well as 46,926 PCT applications. (Source: PTO's Performance and Accountability Report for Fiscal Year 2005).

supports the Office's review of its current practices and procedures to determine ways that the Office can continue to make the patent examination process more effective and efficient. The Board notes, however, that the challenges faced by the Office relate to *procedural* issues that should be addressed by administrative remedies. However, the Office's proposed rule changes have drastic consequences that will adversely affect an Applicant's *substantive* patent rights as described below. The continuation practice, for example, is embedded in the U.S. patent system and *procedural* steps to limit the number of continuations that an Applicant is permitted to file without sufficient explanation would have a dramatic negative effect on an Applicant's *substantive* patent rights.

A. Changes to Continuation Practice:

The proposed rule would require that second or subsequent continued examination filings, whether a continuation application, a continuation-in-part application, or a request for continued examination, be supported by a "showing" as to why the amendment, argument, or evidence presented could not have been previously submitted.

If the "showing" requirement is not satisfied when a continuation application is filed under 37 C.F.R. § 1.53(b), the Office will refuse to enter, or will delete if present, any specific reference to a prior-filed application.

Comment A1: **The Office lacks the statutory authority under 35 U.S.C. § 120 to limit the number of copending continuation applications originating from an original application.**

Section 120 provides, in part, that:

> "[a]n application for patent for an invention disclosed in the manner provided by the first paragraph of section 112 of this title in an application previously filed in the United States, or as provided by section 363 of this title, which is filed by an inventor … named in the previously filed application shall have the same effect, as to such invention, as though filed on the date of the prior application, if filed before the patenting or abandonment of or termination of proceedings on the first application …."

There are no provisions in Section 120 as shown above that grant the Office the statutory authority to limit the number of continuations that can be filed. The comments provided by the Office in the notice of proposed rule making state that the Office is not setting a *per se* limit on the number of continuing applications. Rather, the

notice goes on to state that the Office just wants the Applicant to show that the third and following applications in the chain of applications are necessary to advance prosecution.[3] However, contrary to the Office's assertions in the notice of proposed rule making, the effect of this proposed rule is to impermissibly limit the number of copending continuation applications originating from an original application. The Office's ability to refuse to enter, or to delete if present, a priority claim to an earlier-filed application that an Applicant previously filed a correct claim to priority to means that an earlier-filed application in a chain of continuations can be used against a later-filed application as a 35 U.S.C. § 102(b)[4] absolute bar.

For example, assume that an Applicant files his first application on November 10, 2000, and the application issues as the '123 patent on December 12, 2003. Before the '123 patent issues, the Applicant files a continuation application on December 11, 2003, and continues to file copending continuation applications thereafter until a third continuation application is filed on September 15, 2006. Assuming the proposed rule has been adopted, and the third continuation application has been denied due to Applicant's failure to satisfy the "showing" requirement, the Office could deny the Applicant's claim to priority in the third continuation application to the '123 patent, and the '123 patent could be used by the Office as a Section 102(b) bar to the third continuation application.[5]

Comment A2: **The proposed rule runs afoul of the court's holding in *In re Henriksen*[6]**

The court held in *In re Henriksen* that under 35 U.S.C. § 120 there is *no* statutory basis for fixing an arbitrary limit to the number of prior applications through which a chain of copendency may be traced to obtain the benefit of the filing date of the earliest of a chain of copending applications, provided Applicant meets all the other conditions of Section 120. The Office stated in the notice of proposed rule making that "[t]he Office is aware of case law (e.g., *In re Henriksen*) which suggests that the Office has no

[3] See 71 Fed Reg 50, right-hand column, second full paragraph.

[4] 35 U.S.C. 102 **Conditions for patentability; novelty,** provides that "[a] person shall be entitled to a patent unless … (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States."

[5] The printed publication of the first application could also be used under Section 102(b) as an absolute bar to the third continuation application.

[6] See *In re Henriksen*, 399 F.2d 253, 158 USPQ 224 (CCPA) 1968.

authority to place an absolute limit on the number of copending continuing applications originating from an original application."[7] Again, the Office asserts that it is not limiting the number of continuation applications that can be filed, i.e., it is just requesting that an adequate "showing" be made. However, as described above, if an adequate "showing" is not made then the effect will be to limit an Applicant's right to have a copending continuation application.

Comment A3: **The Office should obtain authority from Congress under 35 U.S.C. § 120 to limit the number of copending continuation applications originating from an original application.**

The Patent Reform Act of 2005 (H.R. 2795[8], "the Proposed Act") sought to dramatically amend the patent laws in the United States. The Proposed Act was introduced June 8, 2005 in the House of Representatives by Congressman Smith and included a provision[9] to amend 35 U.S.C. § 120 to give the Office the authority to limit the number of continuation applications that an Applicant could file.

An Amendment in the Nature of a Substitute to H.R. 2795 was offered by Representative Smith on July 26, 2005 ("Amendment"). Unlike the Proposed Act, the Amendment did not include a provision to give the Office the authority to limit the number of continuation applications that an Applicant could file.

Moreover, recently, on April 5, 2006, Representatives Berman and Boucher introduced a bill "the Patents Depend on Quality Act of 2006," ("the Proposed PDQ Act") that sought to amend 35 United States Code. The Proposed PDQ Act, like the Amendment discussed above, did not include a provision to limit the number of continuation applications that an Applicant could file.

Congress' decision to include a continuation-limiting provision in the Proposed Act, but not in the subsequent Amendment or the Proposed PDQ Act is an indication

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[7] See 71 Fed Reg 50, right hand column, third full paragraph.

[8] The Patent Reform Act of 2005 (H.R. 2795) was introduced June 8, 2005 in the House of Representatives by Congressman Lamar Smith (R-TX). H.R. 2795 is a bill to amend title 35, United States Code.

[9] SEC 8, CONTINUATION APPLICATIONS, subsection 123, Limitations on continuation applications, provides that "[t]he Director may by regulation limit the circumstances under which an application for patent, …, may be entitled to the benefit under section 120 of the filing date of a prior-filed application…."

that Congress is still trying to determine whether such a law would be beneficial to our patent system. If the Office believes that such a law would be beneficial, then the Office should ask Congress to pass a law that gives the Office the clear statutory mandate to limit the number of continuations that an Applicant could file.

Comment A4: **The Office's decision to adopt this rule without a clear mandate from Congress could wreak havoc on the patent system if the courts subsequently hold that the Office did not have statutory authority under 35 U.S.C. § 120 to limit the number of continuation applications that an Applicant could file.**

What happens one or two years after the adoption of this rule if the Court of Appeals for the Federal Circuit or the U.S. Supreme Court holds that the Office did not have the statutory authority under Section 120 to limit the number of continuations that an Applicant could file? Is the Office going to implement procedures to allow Applicants that were previously denied a continuation based on their inability to satisfy the "showing" requirement to revive their patent applications? Is the Office prepared to deal with this and other related situations?

Comment A5: **If the Office adopts this proposed rule, the Office should change the standard to satisfy the "showing" requirement from "why the amendment, argument, or evidence presented could not have been previously submitted" to --reasonable under the circumstances--.**

As mentioned above, the Board does not believe the Office has the statutory authority under 35 U.S.C. § 120 to impermissibly limit the number of continuation applications that an Applicant could file. In addition, the *In re Henriksen* decision supports the Board's position that there is *no* statutory basis for fixing an arbitrary limit on the number of continuations that an Applicant could file.

However, to the extent the Office decides to adopt this rule, the Board notes that in its present form, the standard of "why the amendment, argument, or evidence presented could not have been previously submitted" to satisfy the "showing" requirement is too stringent. An Examiner could always make the argument that the evidence *could have* been submitted earlier. The "reasonable under the circumstances" standard would give an Examiner more flexibility in determining whether the "showing" standard has been satisfied.

For example, the BioTech/Pharmaceutical group has been one of the biggest critics of the proposed changes to continuation practice because they argue that it takes 6-8 years, if not longer, to commercialize a product as compared to 2-3 years to commercialize a mechanical or electrical product. Thus, continuation applications

allow a biotech/pharmaceutical application to stay copending while commercial embodiments of their products are being developed. If an Examiner uses the proposed strict standard, an Examiner could simply assert that the amendment, argument, or evidence *could have* been previously submitted. If, however, the Examiner used a "reasonable under the circumstances" standard then the Examiner would be able to take into consideration the unpredictability of chemical/pharmaceutical arts as compared to the predictability of the mechanical and electrical arts[10], take all the related factors into consideration and be given more discretion in making his or her determination regarding whether the "showing" requirement has been satisfied.

Comment A6: **If the Office adopts this proposed rule, the Office should use interim rules to ease the transition from an "unlimited continuation practice" to "limited continuation practice."**

For pending applications that already include at least one continuation application in its file history, the proposed rule change to continuation practice would not allow an Applicant to obtain "one more" continuation application after the effective date of the rule unless the Applicant could satisfy the "showing" requirement.[11] For example, if an Applicant files a continuation application under 37 C.F.R. § 1.53(b) on June 10, 2005 and the proposed rule is adopted and takes effect on June 10, 2006, then the Applicant must include in the next continuation application information directed to why the amendment, argument, or evidence could not have been previously submitted to satisfy the "showing" requirement. Although the Board understands the Office's desire not to have a pre-GATT rush to file patent applications[12], equity and such a drastic shift in policy dictates that this rule should be phased-in gradually, especially shortly after the rule becomes effective. An interim rule would allow the Commissioner to apply a more lenient standard at least to the 400,000-500,000 pending applications after the effective date, for possibly a year from the adoption of the proposed rule. Such an interim rule would ease the transition into the "limited continuation practice" era.

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[10] See Section 2164.03 of the M.P.E.P, Relationship of Predictability of the Art and the Enablement Requirement - 2100 Patentability, which states that mechanical and electrical arts are predictable, and the chemical arts are unpredictable.

[11] See 71 Fed Reg 56, left-hand column, first full paragraph.

[12] See *Ending Abuse of Patent Continuations* (Lemley, Moore) 84 B.U. L. Rev. 63, 2004, footnote 86, which notes the spike in patent filings before June 8, 1995.

B. Changes to Examination of Claims Practice:

The changes to the examination of claims practice propose to have an Examiner initially examine only 10 claims designated by an Applicant for review. For example, if a patent application includes 20 claims, of which 3 are in independent form and 17 are in dependent form, the Office will require the Applicant to choose the 3 independent claims and designate 7 additional dependent claims for review. The remaining 10 dependent claims will only be reviewed if there is an indication of allowable subject matter in the initial 10 claims.

If, however, the Applicant wants all 20 claims examined initially then the Office is proposing that the Applicant "share the burden" by submitting to the Office an Examination Support Document (ESD). The ESD includes requirements similar to those required by Section 708.02 of the MPEP for a Petition to Make Special to, e.g., expedite the examination of an application. For example, the ESD must include a statement that a preexamination search was conducted, submit an Information Disclosure Statement citing the relevant art, and include a detailed explanation of how the claims are patentable over the references cited in accordance with 37 C.F.R. § 1.111(b) and (c).

Comment B1: **Piecemeal examination by the Office would increase the pendency of some patent applications.**

An example will illustrate this point more clearly. Assume an application includes 20 claims, three of which are in independent form. Under the existing rules, an Examiner will initially review *all* 20 claims. Quite often, the Examiner rejects the independent claims as not patentable over the cited prior art but includes an "Indication of Allowable Subject Matter" for the subject matter in one of the dependent claims, and states that the application would be allowable if the dependent claims that include the allowable subject matter are rewritten in independent form. An Applicant may decide to either traverse the Examiner's rejections or amend the claims to place them in a form for allowance. Under the proposed rule, however, the allowable subject matter may be in one of the non-designated dependent claims. Thus, the Examiner would not review the subject matter of those claims, the Applicant would not be made aware of the indication of allowable subject matter in such claims and the pendency of the application would increase. A first full examination of all claims would be the most efficient practice.

Comment B2: **If the Office adopts this rule, the requirement in the Examination Support Document that Applicant characterize the prior art should be eliminated.**

The ESD requires that an Applicant provide a concise statement of the utility of the invention as defined by the independent claims, a Section 112 showing of where the limitations in the claims find support in the application and any parents, and identify all the limitations of the claims that are disclosed by the references cited. The first two requirements relating to the concise statement of utility and the Section 112 showing are reasonable since they both relate to an Applicant's application. The third requirement is not reasonable because it requires that an Applicant characterize in writing the relevant prior art. This role is more appropriate for the Examiner in light of 37 C.F.R. § 1.104[13] since it is the Examiner's role to review and analyze the prior art for patentability purposes. In other words, the first two requirements relating to the concise statement of utility and the Section 112 showing "share the burden" of examining all the claims in the application by providing the Examiner with additional information about the application. However, the third requirement relating to an Applicant reviewing and characterizing the prior art makes the Applicant *both* the Applicant and Examiner, and the latter role of examining and characterizing the prior art is best left to the Examiner. Shifting responsibility for examination of patent applications from Examiners to Applicants represents a fundamental and inappropriate shift in our patent system from our current examination system to a registration system.

C. Changes to Practice re Applications Containing Patentably Indistinct Claims:

The proposed rule requires that when an Applicant files multiple applications with the same filing date (or within two months of such date), and the applications include common inventors and overlapping disclosures, the Office will *presume* that the applications contain patentably indistinct claims.

An Applicant can rebut the presumption by explaining why the claims in the applications are distinct or submit a terminal disclaimer and explain to the satisfaction of the Office why two or more pending applications should be maintained. If the Office is not satisfied, then the Office may require elimination of the patentably indistinct claims from all but one of the applications.

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[13] § 1.104 Nature of examination. (a) Examiner's action. (1) On taking up an application for examination …, the *examiner* (emphasis added) shall make a thorough study thereof and shall make a thorough investigation of the available prior art relating to the subject matter of the claimed invention.

Comment C1: **The Office should assign one group of Examiners or one Examiner to review applications that have overlapping disclosures.**

In order to improve efficiency, the Office should assign one Examiner or one group of Examiners to review applications with overlapping disclosures. This approach will increase efficiencies at the Office because the Examiner will be familiar with the disclosure in the specifications of the related cases and can easily review the specifications and the scope of the claims. In other words, having one Examiner review 8 applications with overlapping disclosures is more efficient than 8 Examiners reviewing 8 applications with overlapping disclosures.

D. Alternatives to consider instead of proposed rule changes:

The Board makes the following recommendations to make the patent examination process procedurally more effective and efficient without negatively impacting substantive patent rights:

i) Establish a system of notification of Applicants before First Office Actions are issued so that an Applicant can schedule an interview prior to the First Office Action and at least encourage Examiners to interview applications before a First Office Action;

ii) Allow and encourage interviews after a final office action;

iii) Ease after final practice (Section 1.116[14] is too restrictive. It only allows amendments under very limited circumstances.);

iv) Provide incentives to E-file submissions to the Office;

v) Consider adopting additional rules that defer examination of applications for those Applicants that are willing to sacrifice patent term to delay examination; and

vi) Require that the issuance of the second final office action, which will trigger the "showing" requirement if a continuation is filed thereafter, be reviewed by at least the Supervisory Patent Examiner for the Group Art Unit. Another approach may include having three examiners, instead of only the SPE, review the second final office action.

[14] 37 C.F.R. § 1.116, (b), provides that (1) an amendment may be made canceling claims or complying with any requirement of form expressly set forth in a previous Office action; or (2) an amendment presenting rejected claims in better form for consideration on appeal may be admitted.