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From: Eastham, Dabney

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To: AB95 Comments

Cc: Berg, Richard P.

Subject: Comments on Proposed Rules: "Changes to Information Disclosure Statement Requirements and other Related Matters," 71 Fed. Reg. 38808-823 (July 10, 2006)

Comments by Richard P. Berg and R. Dabney Eastham are attached.

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September 7, 2006

Hon. Jon W. Dudas
Director of the United States Patent and Trademark Office
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Re: Comments on Proposed Rules: “Changes to Information Disclosure Statement Requirements and Other Related Matters,” 71 Fed. Reg. 38808-823 (July 10, 2006)

Dear Director Dudas:

We appreciate the opportunity to offer comments regarding the changes in the patent rules concerning information disclosure statements and related matters. Our comments are both favorable and not, depending on the proposed changes. We provide them below in connection with the specific rules that are proposed to be changed.

These comments are submitted on our behalf only and are not to be attributed to any other person, entity or client.

37 CFR §§ 1.48, 1.55, and 1.312 – correction of inventorship, etc.

The proposed changes to Rule 1.48 (correction of inventorship in a patent application other than a reissue application), 1.55 (claims for foreign priority), and 1.312 (amendments after allowance) are welcome.

37 CFR §§ 1.56, 1.97, and 1.98 – information disclosure statement requirements, in general

The Office is attempting to solve a problem that requires a statutory solution. The Office’s proposed rules will create more problems and have undesired ramifications. The Office should press for statutory changes that will lead to organic solutions of the real problems faced by the Office.

Thus, the Office is concerned about the waste of valuable examiners’ time by the necessity of reviewing information disclosed by applicants that is “irrelevant, marginally relevant or cumulative.” The Office would like to “encourage applicants to bring the most relevant information to the attention of the examiner early in the examination process.” However,

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“applicants and practitioners mistakenly believe that people associated with a patent application must submit questionably or marginally relevant documents in order to ensure compliance with the §1.56 duty of disclosure.”

The Office proposes rules that will require applicants and their attorneys to provide, *inter alia*, “explanations,” “non-cumulative descriptions,” and “patentability justifications” at various stages of the application process. The Office evidently believes that this procedure will either limit the overall amount of information that is submitted or would provide the examiners with tools to help them process the submitted information more rapidly, or both.

As a first comment, and before proceeding to the specific problems with the proposed disclosure rules, these rules are understood to be addressed to the problems of increasing pendency and inventory, as were the earlier rules proposals concerning continuation practice and examination of representative claims. We understand that the Office believes that it cannot “grow” its way out of the perceived pendency and inventory crisis. The Office evidently believes that the most it can do is change its own rules.

We believe that the Office can grow its way out of the current backlog, but that it will require Congressional support. Opening branch offices to take advantage of talent elsewhere in the country would be very helpful, as well as permanently ending fee diversion and increasing the compensation of the examining corps so that the position of examiner will be well compensated, as in the EPO, so that the problem will not be so much one of retaining experienced examiners but rather eliminating the unproductive ones.

We appreciate the fact that such changes are not ones that the Office’s management can make on its own and we understand that management has only a limited time in which to attempt to make positive changes due to the limited tenure of senior management.

Nevertheless, we suggest that the Office consider where the pressure for immediate reduction of the pendency and inventory problems is to be found. The current Commissioner for Patents told a delegation of the California State Bar’s Intellectual Property Law Section in May 2005 that he was surprised that there was little pressure from the users of the patent system to reduce the pendency and inventory problem, even in art areas where applications had been pending for four to five years, and little use made of petitions to make special.. (To its credit, the Office has introduced new petitions to make special rules.) This strongly suggests that the pressure on management to solve the pendency and inventory problem comes from Capitol Hill. We suggest that Congress should be involved with the solution. The proposed rules changes, as with the earlier ones, are going to lead to many more problems for at least the users of the patents system.

The problems with the proposed rules concerning disclosure include the following:

- 1. The Courts and Inequitable Conduct.** The obligation to disclose documents and other information that arguably are of limited value is imposed and enforced by the courts as well as the Office, as the Office admits (“the court is not bound by any one duty of disclosure

standard established by the Office”). The courts currently apply a rather vague standard abandoned by the Office in the last decade (“a reasonable examiner would have considered such prior art important in deciding whether to allow the parent application”). E.g., *Digital Control, Inc. v. The Charles Mach. Works*, 437 F.3d 1309, 1314-16 (Fed. Cir. 2006)(“Because the ‘reasonable examiner’ standard and our case law interpreting that standard were not supplanted by the PTO’s adoption of a new Rule 56, when reviewing the district court’s decision, we will do the same [apply the ‘reasonable examiner’ standard].”).

The penalty for failure to disclose or wrongful disclosure is far higher in the courts, namely, a patent may be held to be unenforceable for inequitable conduct after lengthy and expensive litigation.¹ The incentive for maximizing disclosure therefore is not one that the Office can unilaterally control by changing Rules 1.56, 1.97, and 1.98. This means that **the real solution is statutory**, because no other means are available to control the courts’ application of the case law of inequitable conduct. Instead of changing its rules, the Office should lobby for a change to Title 35 that would limit the duty of disclosure, define it more precisely, eliminate it in part or in whole (as in Europe),² or modify the doctrine of inequitable conduct, for example by making it conditional on a holding of invalidity of at least one claim due to the application of the intentionally withheld information or correction of an intentionally incorrect disclosure.

2. Vagueness of the Materiality Standard. The vagueness of the standard of materiality applied by the Office itself encourages more disclosure than less. The examiners’ application of the standard of materiality, as revealed in their office actions, indicates that the applicants must be liberal in determining what references an examiner might find to be art that “establishes, by itself or in combination with other information, a prima facie case of invalidity of a claim” under the “preponderance of evidence, burden of proof standard, giving each term in the claim its broadest reasonable construction consistent with the specification.” 37 C.F.R.

¹ All claims of a patent will be held unenforceable even if the inequitable conduct (intentionally withheld art or false statement) applies to only one claim of the patent. *Kingsdown Medical Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 874 (Fed. Cir. 1988)(*en banc*), *cert. denied*, 490 U.S. 1067 (1989). The patent may be held to be unenforceable even if no claim of the patent is held to be invalid. *Gardco Manufacturing, Inc. v. Herst Lighting Co.*, 820 F.2d 1209, 1213 Fed. Cir. 1987(“The simple fact is that a patent may be held valid and yet be rendered unenforceable for misuse or inequitable conduct.”). Reissue is not available to rehabilitate an inequitably procured patent. *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 882 F.2d 1556 (Fed. Cir. 1989). Fraudulent procurement of a patent could serve as the basis for an affirmative recovery by the accused infringer of damages under the antitrust laws. *Walker Process Equip. Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172, 177 (1965). In view of the possible results of a finding of inequitable conduct, no one should be surprised that inequitable conduct claims are often litigated, at great expense and uncertainty to the litigants.

² The European Patent Office and certain individual European countries such as Italy, impose no affirmative obligation of disclosure on applicants and their representatives. European patents may not be held unenforceable for inequitable conduct due to failure to disclose art. In these countries, disclosure is voluntary and the applicant may disclose prior art references simply in order to obtain a better examination. The EPO and the national patent offices are normally expected to find the art on their own and not rely on the applicant. Other countries, such as Australia, Canada, People’s Republic of China, Denmark, Finland, Greece, Hungary, India, Ireland, Israel, Japan, New Zealand, Norway, Sweden, and others, require the applicant, prior to examination, to submit any search reports issued by other patent offices in corresponding applications.

1.56(b)(2)(ii). We note that the office is not proposing any changes to 37 C.F.R. 1.56(b), not that this would affect the standards of materiality used by the courts.

3. More Inequitable Conduct Claims and the “Safe Harbor.” The proposed rules will provide the grounds for even more inequitable conduct claims, despite the wording to be added to Rule 1.56 concerning “reasonable inquiry” and “good faith.” An applicant that makes any mistake in providing “explanations,” “non-cumulative descriptions,” and “patentability justifications,” as seen with the benefit of hindsight years later during litigation under a claim construction that may depend on the random choice of a panel of appellate court judges, exposes herself to a charge of inequitable conduct. Furthermore, because providing “explanations,” “non-cumulative descriptions,” and “patentability justifications” are affirmative steps compared to failure to disclose, the charge of inequitable conduct inevitably will have more weight in the “intentional” prong of the test applied. This undoubtedly is not the intended result of the new rules but it is as foreseeable as the application of the law of gravity. The Office understands this will be the result and proposes a “safe harbor” in the form of new Rule 1.56(f). However, the Office has to admit that it can only be “hopeful that a court in deciding a duty of disclosure issue will take the proposed safe harbor into account.”

4. Admissions Concerning One’s Own Art. Often the prior art will include unexpired patents owned by the applicant. The applicant that is required to comment on such art, before the examiner has applied it, will be creating gratuitous admissions concerning the scope and teaching of such patents. This will create an unnecessary dilemma for the applicant and possibly limit the value of the earlier patent.

5. More Malpractice Claims. Another unintended but foreseeable result will be new malpractice claims against attorneys and agents if a mishandling of the new disclosure requirements results in a successful inequitable conduct claim. The attorney or agent may omit the disclosure of a document, for example, because she decides she cannot provide a “non-cumulative description” whereas she would have disclosed it under the present rules. A court could, of course, decide that the document was material and that it was intentionally withheld. The attorney’s defense against a suit for malpractice, after the patent is held to be unenforceable, may rely on a vague “safe harbor” that the court is free to ignore.

6. Increased Cost of Prosecuting Patent Applications. The Office is aware that the proposed rules will greatly increase the expense of patent applications. The Office estimates in its Paperwork Reduction Act statement that the “Estimated Total Annual Burden Hours” will be 2,807,641. Assuming a conservative billing rate of \$250 per hour,³ that is an additional cost to applicants of \$701,910,250 annually. The actual amount could be much greater. The Office estimates that the number of respondents will be 2,317,539 and that the estimated time for response is 1.8 minutes to 12 hours. (The Office did not give the basis for its calculation of these figures.) The Office is therefore assuming that each respondent will spend 1.21 hours of additional time annually due to the proposed rules. If we were to choose a figure in the middle

³ This is not work that can be delegated to secretaries or paralegals. In some markets the billing rate will be much greater.

of the Office's estimated range, namely six hours, the number of estimated total burden hours would be 13,905,234 and at \$250 per hour the cost to applicants would be \$3,476,308,500 – about three and one-half billion dollars.

Another way to look at these figures is on the basis of the number of active attorneys and agents. Currently, 25,091 attorneys and 7,803 agents are “active,” meaning they have a registration number and have not been stricken from the list due to failure to respond to a notice from OED or for some other reason. It is conservative to assume that only 20,000 attorneys and 5,000 agents are actually practicing. Ignoring the applicants who prosecute their own applications,⁴ the Office is estimating the 30,000 attorneys and agents will each spend 93.58 hours annually responding to the additional burden of paperwork imposed by the new rules. If we assume that each case takes six hours rather than the Office's estimate of 1.21 hours, that annual figure becomes 463.5 hours.

Clearly, the costs of prosecuting applications will increase and attorneys and agents will have less time to prepare new applications. The budgets of the applicants, however, will not have increased. Therefore, fewer applications will be prepared and prosecuted. This will make the Office's pendency and inventory numbers look better to Congress, but at what cost to the country in terms of diminished protection of intellectual property and lowered incentives to innovation? This is a decision to be taken by the representatives of the people.

Furthermore, Congress has limited the ability of the Office to change the amount it charges an applicant to file an application. Congress certainly has not authorized the Office to impose on applicants the heavy costs resulting from the proposed rules.

For the reasons given above, we recommend that the Office take up this issue with Congress. Congress alone has the power to impose uniform rules on the courts and can consider the various interests of the constituencies involved.

37 C.F.R. § 1.97 – proposal for notice of examination

We propose that if the rule changes are to be adopted, they should include a provision for a notice of impending examination with request for disclosure of information, as is the practice in certain foreign countries such as Israel. Currently, the applicant will not know the date of first examination unless she submits a status inquiry and the answer to the inquiry may well be wrong. This currently encourages piecemeal disclosure. The applicant could do a better job of selecting the art to be submitted if she could do it at one time before the first examination on the merits.

Thus, we propose a rule change in which the Office would send a notice to the applicant informing her that the first action on the merits would take place by a certain date and invite the applicant to submit any material prior art of which she is aware and any amendments she cares to make to the claims prior to examination. As in the foreign countries referred to, the prior art

⁴ The proposed rules will create another technical minefield in which *pro se* applicants will come to grief.

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would include any search reports from corresponding foreign applications. The applicant need not disclose any art until receiving the notice of impending examination.

37 C.F.R. § 1.56 – proposal for revised standard of materiality for mandatory disclosures

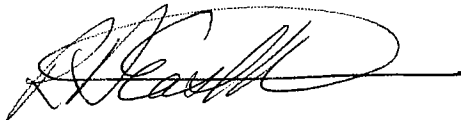
If the Office feels impelled to make rule changes, it should provide a more definite standard of materiality. As noted elsewhere in these comments, the courts will not be bound by such a rule change, but it may still have a positive effect. We suggest that mandatory disclosure be limited to art that is not available on-line. Limiting materiality to art that anticipates one or more claims would provide a more definite standard but would not be supported by case-law.⁵

Thank you for considering these comments.

Very truly yours,

A handwritten signature in black ink, appearing to be 'R. Berg', written over a horizontal line.

for Richard P. Berg

A handwritten signature in black ink, appearing to be 'R. Dabney Eastham', written over a horizontal line.

R. Dabney Eastham

⁵ See *Argus Chemical Corp. v. Fibre Glass-Evercoat Co., Inc.*, 759 F.2d 10, 12-13 (Fed. Cir.), cert. denied, 474 U.S. 903 (1985) (“We reject the view that one’s duty to the PTO should be judged by the least common denominator.”).