



**INTELLECTUAL PROPERTY LAW  
ASSOCIATION OF CHICAGO**

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

Comments on Proposed Rules: "Changes to Practice for  
The Examination of Claims in Patent Applications  
71 Fed. Reg. 48 (January 3, 2006)

Dear Under Secretary Dudas:

**I. INTRODUCTION**

The following comments are presented on behalf of the Intellectual Property Law Association of Chicago (IPLAC) regarding the United States Patent & Trademark Office's Notice of proposed rule making entitled "Changes to Practice for Examination of Claims . . ." published on January 3, 2006 at 71 Fed. Reg. 61.

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

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

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

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### Initial Comments

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

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

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

## **II. THE PROPOSED RULES WILL NEGATIVELY IMPACT APPLICANTS**

By practically limiting the number of independent claims or the number of claims that will be examined in a patent application to ten, the proposed rules will drive up the expense borne by applicants in obtaining patents, delay issuance, and make patent protection less available for the most meritorious of inventions.

The proposed rules work harm on applicants by treating all patent applications the same way, particularly with respect to the amount of resources the Patent Office should devote to each of them, regardless of the relative technological and economic importance of the inventions which they cover. The proposed rules effectively prohibit any patent application from containing more than ten independent claims.

Under the proposed rules, the Office would theoretically permit applications with more than ten claims at one time as long as applicants file an Examination Support Document (ESD). Proposed Rule 1.75(b)(1)(i). But only in the direst of circumstances would any applicant file such a document. This document requires preexamination searches of U.S. patents *and*

published U.S. patent applications *and* “foreign patent documents” *and* “non-patent literature.” Proposed Rule 1.261(b). What libraries or collections of “foreign patent documents” and “non-patent literature” should be searched to minimally meet this requirement is not stated. Applicants can omit a search in one or more of these categories only if “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 and includes such a justification with the statement required by paragraph (a)(1) of this section” [statement that a preexamination search was made and identifying search logic, classes, subclasses and files]. *Id.* A justification to a “reasonable certainty” is an open invitation to any patent infringement defendant to challenge the enforceability of any patent which eventually issues on the grounds of inequitable conduct and fraud. In effect, no prudent practitioner would exercise this option.

The ESD compels further admissions against interest and prosecution history estoppel by requiring applicants to identify the presence of *each* claim limitation in *each* prior art document submitted under an accompanying information disclosure statement. Proposed Rule 1.261(a)(3). To the extent that practitioners identify claim limitations which are not really there, they open themselves up to estoppel and potential malpractice concerns. To the extent that practitioners do *not* identify such limitations or in their good faith judgment believe that they are not present, practitioners and applicants expose themselves to a later attack on the enforceability of the patent because of inequitable conduct and/or fraud. It is expected that the cost of preparing the proposed ESD, including prior art searches, will be in excess of ten thousand dollars (and perhaps a multiple of this depending on how many claims are at issue) and will be a large fraction of the cost of preparing the patent application itself.

Those inventions which are most deserving of patent protection often differ from the prior art not merely in just *one* way, but often in *several* ways. If the economic importance of the invention warrants it (and it often does), practitioners will draft multiple sets of claims, each of which define over the prior art in different ways. Within each such claim set, practitioners will at least consider whether independent claims should be drawn to (a) a component, (b) a system of which the inventive component is a part, (c) a method of making the invention, and (d) a method of using the invention. Practitioners will also consider whether independent claims of varying breadth (broad, medium, narrow) should be written. These considerations define at least three dimensions of a multi-faceted matrix of potential independent claims, and the total number of independent claims in this multi-dimensional matrix often exceeds ten.

To avoid the legal problems and cost of an ESD, applicants with broad inventions will be forced to do one or both of two things. First, applicants can try filing several patent applications instead of one -- at a considerable duplication of cost and effort (and possible restriction under the Patent Office’s other set of proposed rule changes entitled “Changes to Practice for Continuing Applications . . .” published on January 3, 2006 at 71 Fed. Reg. 48). Under the proposed rules, applicants will have to predict (and with 20/20 foresight) what the Office’s opinion will be concerning which claims are “patentably distinct” from which others because some of those claims will have to be canceled if “patentably indistinct” claims are found in more than one application. Proposed Rule 1.78(f)(3). How claims are grouped is a highly subjective exercise, to which different examiners will have different opinions, and about which applicants’ attorneys can give only the loosest of predictions. Second, an applicant might have to pick and

choose which inventive aspects it wishes to cover, abandoning the rest to the public domain. Thus, by imposing claim number limits or alternatively imposing an onerous requirement for an ESD, the proposed rules discriminate against the most meritorious of inventions and effectively preclude their inventors from obtaining full patent protection.

### **III. THE PROPOSED RULES WILL FAIL TO SOLVE THE PATENT OFFICE'S PROBLEMS**

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

The proposed rule changes require a designation of ten representative claims for initial examination. The Supplementary Information portion of the proposed rules indicates that only a small percentage of patent applications would be affected by the rule change. That information shows that only 2,522 out of 216,327 recently filed non-provisional applications (1.2%) contain more than ten independent claims. However, for many reasons, applicants may also desire to have dependent claims examined. Thus, the number of applications this rule change may impact is considered to be greater.

Applicants already pay substantial fees for independent claims in excess of three and total claims in excess of twenty. These excess claim fees are already considered to more than cover the associated extra expense and burden placed on the Office and the examiners in considering extra claims. The burden of initially searching for subject matter in extra claims and considering those claims proportionally decreases as the number of claims increases, while the revenue generated per claim consistently increases.

The proposed rules will actually exacerbate the Office's workload problems rather than alleviate them. The extra burdens placed on applicants who wish to file more than ten representative claims will force most applicants to file multiple simultaneous applications. This will naturally add to the workload of the Office and the individual examiners. Furthermore, multiple applications may be assigned to different examiners, each of whom would need to review the application and perform a search and examination.

Further, the proposed rule changes limiting the number of examined claims to ten will increase pendency of many applications, lead to greater rather than fewer continuing applications, and/or deprive applicants of the patent coverage to which they are entitled. Take, for example, a modest application filed with thirty claims. Assume that after a thorough examination, some – but not all – of the dependent claims would contain limitations which the assigned examiner would otherwise find allowable. Under the current practice, the allowability of the subject matter of these claims would be identified in the first office action. Under the proposed rules, in preparation of the first office action, only ten claims would be examined. If

none of the ten claims includes subject matter that the examiner would find allowable, a rejection of all ten claims would be issued. The applicant would have no way of knowing whether any of the non-designated claims contain allowable subject matter. If the applicant decides that the rejection of the initial ten claims has merit, he may select one limitation from one of the non-designated claims and incorporate that limitation into the pending, designated independent claims. The examiner must then complete a second search to consider the new limitation. If the applicant selected the wrong limitation to incorporate into the independent claim, all claims would be rejected again. Most likely, this rejection would be made final. Even though the patent application as originally filed contained allowable subject matter in the eyes of both the examiner and the applicant, the proposed new rules could easily lead to a situation where the application is placed in a state of final rejection without this fact being recognized by either the examiner or the applicant.

In the least prejudicial manner implemented, the Patent Office would need to change the rules so that an application could no longer be made final until the prior art of record has already been applied to the same set of claims for a second time. Of course, using such an approach, an application may never reach final rejection as an applicant could continually alter the claims in response to each negative office action. Accordingly, pendency of applications would increase.

If, however, the Office permits final second office actions under the above-described circumstance, then the applicant would either have to abandon the application – forfeiting the otherwise allowable subject matter – or appeal. Given that the proposed rules only permit a single continued application, the applicant would not want to avail himself of such an option until absolutely necessary – namely, after losing on appeal. Again, the appeal would lead to greater pendency for this application and an increase in overall use of the appeal process by applicants, leading to even greater delays and more waste of Office resources.

If the applicant loses on appeal, he would have to (1) abandon the application – forfeiting the otherwise allowable but as yet designated subject matter, (2) use his single allowable continuation, or (3) appeal to the courts. An increased number of appeals to the courts would serve only to drain our country's already overwhelmed judicial resources.

If the applicant elects to file a continuation, he is not much better off than when he filed the original application because he does not know if the application contains subject matter on which he and the examiner can reach agreement. If the applicant fails to select the appropriate allowable subject matter to add to independent claims, the process continues as above with the increased chance that the end result will be that the applicant will spend considerable money without getting any patent at all – even though the application contains allowable subject matter. Even where the applicant selects subject matter from a previously non-designated claim to incorporate into the independent claims and thereby secures a patent, the applicant has lost his right to a patent on all other allowable subject matter which may be contained in the application.

The above example helps demonstrate why the proposed new claim and continuation rules are fundamentally and unacceptably unfair. When an inventor develops something new, the more novel and valuable the discovery is to society, the more likely it will contain many novel and non-obvious features. Under the current U.S. laws - which remain unchanged by the

proposed rules - an inventor must promptly file a patent application which explains what has been invented. Because the full scope of the prior art is inherently unknowable (both at the time of filing and later) and because the law requires the application to contain a complete written description of the invention and a disclosure of the best mode(s) known to the inventor for carrying out the invention, an applicant is always best advised to describe the invention in the patent application in as much detail as possible, including all of the new features and all of the ways the inventor envisions that the invention could be made, used or altered. Under current practice, if the applicant has done all of this and has the necessary financial resources available (either at the time of filing or during the pendency of a continuing application), he can attempt to obtain full patent coverage for what he has discovered, including all of the patentable inventions which are disclosed in the original application. Under the currently proposed rules, however, such inventors will almost certainly be denied full protection. Even in circumstances where an inventor has a thorough understanding of all of the relevant prior art that exists in the world before he files his application (which is highly unlikely in reality) and even where the inventor is able to successfully incorporate one category of allowable subject matter in the designated claims of his original application and a second category of allowable subject matter in the designated claims in his single permissible continuing application, he will, nonetheless, be barred from securing protection for any third continuing application or any additional allowable subject matter. This is true even if he has done everything as required by the U.S. patent laws and the proposed new rules. A country so dependent on intellectual assets cannot afford such an outcome.

The proposed rules will also increase the workload of the Office and examiners in other ways. An initial review of the claims in every application will be necessary. Notification of non-compliance will be required for those applications that do not specify representative claims. If the ESD is not filed (which is likely since the proposed rules provide only for a nonextendible one-month time period to supply the ESD, not to mention the associated cost and estoppel considerations), applicants will either voluntarily cancel some claims, file one or more divisional applications or submit suggestions for restriction of the claims, which would require review by an examiner.

IPLAC believes that the examiner is the best person to most efficiently perform the prior art search. In the rare situation where an ESD is submitted, the examiner will still need to review the application and consider the prior art. The examiner will not only need to consider the prior art in the ESD, but also perform another search to ensure a comprehensive search was indeed performed. Thus, examiners will need to do independent searching in addition to evaluating the ESD.

An ESD would also require such a comprehensive search that undoubtedly the search will uncover a large number of prior art documents of marginal materiality. Applicants will feel compelled to submit an Information Disclosure Statement which contains all prior art documents unearthed by the searches for the ESD submission due to inequitable conduct implications – even prior art documents of marginal materiality. This scenario would further burden the Office as the examiner would need to consider references in the ESD as well as the Information Disclosure Statement.

Furthermore, the job of searching the prior art and comparing it to the claims of a patent application is the job of the government for which search and examination fees have been paid by the applicants. It would seem illegal to re-allocate this burden to applicants. However, if the Patent Office implements the proposed rule changes and imposes the burden of filing an ESD on an applicant, then at a minimum, no search or examination fee should be due. Also, because the applicant would be performing the job of the Patent Office, the applicant should be reimbursed the costs incurred in preparing such a document. As indicated by the comments provided by the AIPLA, the costs of preparing such a document could easily exceed \$18,000. As a result, it seems quite likely that the costs of reimbursing applicants for the expenses they incur in preparing ESDs would significantly deplete the funds available to the Office for hiring and training examiners and hence would be counterproductive.

Finally, as indicated in the comments of the AIPLA, the non-extendable one-month period to file an ESD is clearly too short to prepare such an onerous document.

#### **IV. THE PROPOSED RULES WILL NEGATIVELY IMPACT INNOVATION**

Limiting patent owners to ten representative claims for examination will lead to several problems and issues for patent owners and, in turn, for the public at large. In many cases, an invention cannot be adequately covered in only ten claims, especially inventions with several parts or innovative concepts. Therefore, patent owners will be forced to file several applications (which may also be restricted by the proposed rule changes) to cover their inventions or prepare and provide the ESD to the Office in order to be able to pursue their rightful additional claims. Either option adds significant cost and time for patent owners and will likely have a negative impact on innovation in this country.

Filing several applications is costly and time consuming not only in preparing and filing the applications but also in prosecuting them and eventually maintaining any issued patents. Additionally, the cost of preparing an ESD, which requires patent owners to provide a detailed search report regarding the claims, identify limitations of the claims in the prior art and explain the patentability of the claims, will be a significant expense (*see* AIPLA comments which indicate that costs could easily exceed \$18,000) not to mention an undertaking that will open the door to admissions and limitations which can be used against patent owners in future litigation. The result will be that patent owners will limit the investment of time and money into inventions, negatively impacting the public which will lose out as potentially beneficial inventions are not pursued or pursued only partially.

Also, the significant costs related to the representative claims practice will likely unduly burden the finances of small businesses, independent inventors and start-up companies which usually have limited funds, especially during the early stages of the patent process. Under the proposed rule changes, small businesses and independent inventors will be unable to afford the costs of pursuing their inventions and may be discouraged from using the patent system in view of the financial and procedural burdens they must overcome to obtain adequate patent protection for their inventions. The result will be that small businesses and independent inventors will be less likely to protect their ideas through patents and will be more inclined to avail themselves of other forms of protection such as trade secrets. Such action will limit the inventions made

available to benefit the public and will significantly curb innovation. The overall end result is that a significant number of inventions developed by smaller companies and independent inventors, which would normally be made available to the public through the patent process, may remain unknown to the public.

As a result, small businesses and independent inventors may view their best option to be to sell their inventions to larger companies that can afford the costs of obtaining and maintaining patent protection, thereby giving larger companies a greater degree of control over a significant number of the patents issued in the United States. This result would also have a negative impact on the public and innovation.

## V. CONSTRUCTIVE ALTERNATIVE PROPOSALS

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

- Revamping the manner in which job performance of examiners is evaluated (for example, the current system rewards examiners for rejecting applications which extends the pendency of applications and adds to the backlog);
- Securing increased pay for examiners to improve retention;
- Establishing regional affiliate patent offices in other parts of the country where the cost of living is less expensive and to increase the pool of potential examiner candidates;
- Crediting examiners for claims disposed as opposed to and/or in addition to applications disposed;
- Permitting the recent increases in fees for added claims to work their course and reevaluating whether this has led to a reduction in the number of claims to be evaluated by examiners;
- Requiring applications with excess claims over a certain number to submit an independent search report such that not all applications are treated uniformly (given that the Office has indicated that only a small percentage of applications take up significant examiner resources);
- Proposing some more reasonable limit on the number of claims to be initially examined;
- Separating search and examination functions; and
- Implement a procedure where all claims of an application are examined and any desired restriction and/or election requirements must be issued within six months of the filing of the application. No fees for excess claims would be due until some period of time after the issuance of this initial determination. Such a procedure would enable applicants to determine early in the process – before making payments and wasting money on excess



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claim fees - which claims to continue to pursue in the current application. Such a procedure would further accelerate the examination of any subsequent divisional applications because an applicant could then determine early on in the patent process how many separate divisional or continuation applications he could file.

## VI. CONCLUSION

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

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

Respectfully submitted,

**THE INTELLECTUAL PROPERTY ASSOCIATION OF CHICAGO**



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