

-----Original Message-----

From: Derek Minihane [mailto:DMINIHAN@altera.com]

Sent: Friday, April 28, 2006 7:00 PM

To: AB93Comments

Subject: Comments to Changes to Practice for Continuing Applications ...

Attached is Altera Corporation's comments to the Patent and Trademark Office's proposed rulemaking.

Derek Minihane

Senior Director and Assistant General Counsel,

Intellectual Property Law

Altera Corporation

101 Innovation Drive, MS 1405

San Jose, CA 95134

Tel: 408 544-6940

Fax: 408 544-8304

dminihan@altera.com

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

Altera Corporation is a fabless semiconductor company with over \$1 billion dollars in annual revenue. Altera owns approximately 1,200 issued US patents, has filed over 300 patent applications last year and has almost 1,000 pending applications. Altera spends significant resources protecting its intellectual property and, its patent rights, in particular, are critical to maintaining its competitive edge. Due to the importance of patents to Altera, Altera is very interested in the proposed United States Patent and Trademark Office (Patent Office) rulemaking. Our comments explain why we do not believe that the present proposals will meet the goals set forth by the Patent Office. We follow with alternative avenues that would be more beneficial to the Patent Office goals and would also result in improved patent quality. We finish with suggested modifications to the proposed rule set should the Patent Office decide to proceed with them.

General Comments on the Purpose of the Changes

We understand the quandary faced by the Patent Office. The Patent Office has been starved of resources through fee diversion. At the same time the Patent Office has faced an ever increasing number of patent applications. According to the proposed rulemaking about 30% of these applications are so called re-work. However, the rule only affects about 20% of those 22,000 applications or about 5% of the total annual applications. Only a very few of these cases likely qualify as strung out or chain applications that seem to concern the Patent Office.

Roughly half of the 22,000 cases at issue involved Requests for Continued Examination (RCEs), which are not new filings but are rather the continued prosecution of cases before an examiner. Many of those RCEs are the direct result of the count system and the liberal use of second office action final rejections (and the refusal to consider any response to the same) in place at the patent office.

In addition, many of the remaining second or later applications are divisional applications, which result from prior restrictions that the Patent Office imposed on the applicants. The number of second or later continuations resulting from restriction practice is unknown since it was not published with the rulemaking. However, analyzing the data, one ends up with a very small number of continuation cases (less than the 11,800 cases cited).

Any problems associated with those relatively small number of cases should not be heaped on the entire patent system, but rather should be addressed using alternative or existing mechanisms. The two stated reasons for the rulemaking are 1) to reduce the number of filings and therefore the work the Patent Office must handle, so as to help reduce the mounting backlog of cases and 2) to make the scope of patents more deterministic for industry because the proposed rules would prevent applicants from

pursuing endless continuations during the potential 20-year patent life. The rulemaking, however, will not reduce the backlog of cases and will not provide any significant benefit on defining the scope of protection. The scope of protection is the result of the present state of the case law, various inconsistent court decisions, and the inherent ambiguities in the English language. The proposed rules fail to remedy those causes, yet negatively impact the US patent system generally.

According to its own numbers, even if all of the 22,000 second or later continuations and/or RCEs were eliminated, then the Patent Office would still have a growing backlog. By issuing 289,000 first office actions on the merits, the backlog at the Patent Office would grow by 58,000 (369,000-289,000-22,000=58,000). The Patent Office would not reduce the backlog as claimed at page 50 of the proposed rulemaking. Also, at the present annual increases of 8% based on the estimated 400,000 plus applications for FY2006, applications will increase by 32,000 in FY2007, and more per year subsequently. Even if all 22,000 second or later continuations were eliminated, doing so only delays the increase by about 8 months.

In addition, the estimates do not take into account the likely responses of many applicants, such as breaking up larger cases that would have been filed based on one specification into multiple claim sets. The Patent Office currently benefits from the former practice, since applicants decide over time whether they really want to pursue all aspects of the invention described in the specification. Under the proposed system, applicants would be forced to make that decision earlier when they have less information and are therefore more likely to file *more* applications, rather than fewer.

In addition, the rules essentially force applicants to pursue all of their divisional applications immediately after the allowance of the parent case. Currently, those applications are pursued serially, based on importance, and some are never pursued. With the proposed rules, most applicants would default to filing all of the divisionals, especially as doing so would enable them to add more claims. This will result in a one time flood of applications, and potentially a long term addition to work load of cases that would never have been filed under the existing rules.

The rules will also add significant work to the Patent Office due to the number of petitions and appeals that will be filed. While these latter two are not new applications, they would certainly add to the Patent Office's burden and would divert resources to responding to them. Petitions would be filed contesting final office actions where currently those petitions are not pursued, since RCEs are considered an easier and overall less costly route. Petitions would be filed seeking additional continuations, and the decisions rejecting those petitions would likely be appealed. In addition, applicants would be forced to use appeals more often, since filing a RCE would limit opportunities for filing future continuation applications.

With respect to goal of making the patent system more deterministic, many of the claim-scope issues would be moved to the courts, instead of being addressed in continuation practice, as applicants would be forced to pursue readings of their claims to address

issues that could have been clarified via a continuation. Applicants will avail themselves of re-issue and re-examination avenues to narrow claims in the future. These new applications will replace continuation applications in many instances. As long as applicants get a broad claim issued by the patent office, re-issue and re-examination filings will be a viable route. Whether an amendment is narrowing or not can be a complicated issue and these type of issues would be pushed hard in the patent office, and would create new litigation issues that would need to be resolved over time, adding to uncertainty in the industry.

Alternatives to the Proposed Changes

Given that the rules are unlikely to meet their desired goals, and that the changes are draconian not only for those few cases and applicants affected but for the patent system overall, there are certainly other less restrictive ways to provide more lasting and meaningful change. To deter continuation practice for the mere purpose of keeping a chain of applications active, the Patent Office can 1) create an escalating fee structure, 2) more stringently enforce the “new” doctrine of prosecution laches, and/or 3) more vigorously apply the enablement and written description standards of 35 U.S.C. §112.

An escalating fee structure could be based on the number of claims of priority or the number of years since the parent application was filed. The escalating fees might double, for example, for every continuation after the first (the doubling could apply to both the filing and claim fees).

The ability of the Patent Office to apply prosecution laches when an applicant does not further prosecution has been affirmed. For example, if an applicant files more than one case that receives a double patenting rejection, the Patent Office could warn the applicant that s/he is not advancing prosecution, and if the applicant files a third such case, it could be dismissed under prosecution laches. In the same way, if an applicant files a RCE without advancing prosecution (e.g., by filing an amendment), then prosecution laches could be used to halt such delay tactics. However, if an applicant is legitimately trying to obtain the full scope of protection for a disclosed invention, then the applicant should be allowed to continue to present new claims that are enabled and are otherwise supported by the specification.

Other ways that the Patent Office can affect the backlog include more hiring and better retention of examiners. The Patent Office received a significant fee increase supported by industry and trade groups two years ago. These fee increases, together with an end to fee diversion, have enabled, and will continue to enable, the Patent Office to hire 1,000 examiners per year this year and next year, as it did last year. These additional resources, coupled with the new training regime and focus on retention at the Patent Office, should yield results in the near future. While those results will not be immediate, they should be allowed to take their course, and will ease the Patent Office’s burden over time.

The Patent Office indicated that it hires only from east coast schools, since students from other regions have showed a lack of interest in moving to the Washington, DC/Virginia

area. With the availability of online and electronic tools, such as electronic image file wrappers, the Patent Office should establish regional centers and significantly increase the talent pool from which they draw. By doing so, the Patent Office would also improve the retention of those people because they would be able to live at, or closer to, their desired locations. These remote sites could be located in areas with lower costs of living, a strong university system, and an engineering intensive industry that overlaps with one or more Patent Office Technology Centers.

There is no reason to limit the Patent Office to its one current location. To limit the number of physical buildings that would need to be maintained, the Patent Office could use its hoteling initiative to allow employees to work-share offices/cubes and work remotely. Many companies and other governmental agencies have distributed work environments, and as long as some critical mass exists, these structures work very well. Now that the Patent Office has electronic files available, there is no reason to continue with the old monolithic Patent Office structure. These changes would open up a completely new pool of applicants and also serve to increase retention. The Patent Office's new electronic filing system (EFS) would enable the Patent Office to take better advantage of such an organizational structure.

Another area of change would be modifications to the point system used by the Patent Office to monitor examiner's production quotas. The point system encourages piecemeal prosecution and the filing of RCE applications. These two results of the point system fly directly in the face of the proposed rules. For example, many applicants take allowed claims and pursue existing rejected/objected claims in a continuation so as to gain some protection in the marketplace relatively early. However, the proposed rulemaking will likely result in applicants digging their heels in, since they will need to obtain complete protection in one patent, as opposed to several patents over time. Until the Patent Office fixes its internal rules and issues, it should not try to offload its problems onto its customers and create arbitrary rules that penalize legitimate business activity.

Suggestions Regarding the Proposed Changes

If the Patent Office is intent on enacting these rule changes even in the face of tremendous industry and practitioner opposition, then Altera makes the following suggestions as to changes or modifications to the rules. First, the Patent Office should exclude RCEs (or at least those RCEs forced by an Examiner's office action that cites new art or a new ground for a rejection) from the limitation on the number of continuation applications. Second, the Patent Office should modify the continuation cut off to allow at least two continuations as a matter of right. Third and at the very least, the Patent Office should allow more than one continuation to be filed at the same time, as long as the case only claims priority to one non-provisional application.

These changes would provide some flexibility to the applicant and allow an applicant to pursue additional claim sets in a timely manner, especially when a RCE is forced by an Examiner's actions. A combination of these changes would serve to alleviate the concerns of some applicants and would still provide benefits (especially in the

environment or Public PAIR and availability to follow the prosecution of cases) sought by the Patent Office for deterministic claims in a certain time period. At the same time applicants would have a better ability to adequately claim their invention with multiple claim sets for the more important cases.

Conclusion

The patent system in the United States has been critical to the success of the US economy and it is what makes the US the centerpiece of even foreign company patent portfolios. While the patent system has problems and is far from perfect, these proposed rules do not address those problems, and would instead adversely impact the ability of IP holders to obtain adequate protection for their intellectual property at the same time that the US economy is becoming more dependent on IP as the engine of its growth.