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Comments on Proposed
New Rules Package
Submitted Anonymously

5 pages (including this cover sheet)

May 3, 2006

The Honorable Jon W. Dudas
Undersecretary of Commerce for
Intellectual Property and Director of the
U.S. Patent and Trademark Office
600 Dulany Street
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Alexandria, VA 22314

Re: Changes to Practice for the Examination of Claims in Patent Applications, 71 Fed. Reg. 61 (January 3, 2006). Changes to Practice for Continuing Applications, Requests for Continued Examination Practice, and Applications Containing Patentably Indistinct Claims, 71 Fed. Reg. 48 (January 3, 2006)

Dear Undersecretary Dudas:

I am associated with a small entity that has interests in one or more patents. I submit this comment in response to the U.S. Patent and Trademark Office's (PTO) notices of proposed rulemaking referenced above.

**Background**

The proposed regulations would limit to ten the number of representative claims contained in an initial examination of a patent application as well as restrict an applicant to one continuation application as of right. Current rules of practice neither limit the number of claims that are reviewed on initial examination nor the number of permissible continuation applications. In the two proposals, the PTO concluded that the changes to the patent application and examination process would not have a significant economic impact on a substantial number of small entities.

The PTO certified that the proposed rules would not have a significant economic impact on a substantial number of small entities in accordance with Section 605(b) of the RFA.[1] The agency's certification was based on data obtained from its Patent Application Locating and Monitoring System (PALM) which showed that about 65,785 "small entities patent applications" were filed (out of a total 216,327 applications) from January

[1] 5 U.S.C. § 605(b).

1, 2005 to October 13, 2005.[2] Out of that number, 866 small entity applications (out of 2,522) had more than ten independent claims.[3] PALM also showed that in Fiscal Year 2005, 19,700 (out of 62,870) small entity patent applications were continuing applications and the PTO received 8,970 (out of 52,750) new requests for continued examination from small entities.[4] The PTO's definition of small entities excludes any application from a small business that has assigned, granted, conveyed, or licensed any rights in the invention to an entity which would not qualify for small entity status.[5]

The PTO proposed two regulations changing the rules of practice in order to reduce pendency and accelerate the patent examination process. The first proposal, *Changes to Practice for the Examination of Claims in Patent Applications*[6] would require that only representative claims designated by the applicant would be reviewed in the initial examination. The agency defines representative claims as all of the independent claims and the dependent claims that are expressly designated by the applicant for examination.[7] Applicants who designate more than ten representative claims will be asked to provide the PTO with an examination support document[8] discussing all of the representative claims. The agency asserts that preparation of the examination support document should cost about $2,500.[9]

The second proposal, *Changes to Practice for Continuing Applications, Requests for Continued Examination Practice, and Applications Containing Patentably Indistinct Claims*,[10] is intended to help make the patent examination process more efficient by facilitating examiners' review of new applications, improve the quality of patents, and expedite the issuance of patents. Continuing applications allow applicants to amend a patent application after it is rejected as well as obtain examination of the amended application. Continued examination practice allows additional examination of a patent application and helps advance an application to final agency action.[11] Instead of permitting an unlimited number of continuing application and continued examination filings, the proposed regulation revises the rules to allow only one continuation application and one continued examination as of right. The proposal also requires that second and subsequent requests for continuation applications and continued examinations should include a petition explaining why the new information could not have been submitted in a prior filing. A fee of $400 would be required for each petition.[12]

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[2] 71 Fed. Reg. at 66.
[3] *Id.*
[4] 71 Fed. Reg. at 56.
[5] Manual of Patent Examining Procedure § 509.02 (October 2005).
[6] 71 Fed. Reg. 61 (January 3, 2006).
[7] Id. at 62.
[8] Id. at 65.
[9] Id. at 66.
[10] 71 Fed. Reg. 48 (January 3, 2006).
[11] *Id.*
[12] 71 Fed. Reg. at 56-57.

**Procedural Failures**

We believe that the United States Patent and Trademark Office (Office) has failed to comply with certain procedural requirements generally applicable to rulemaking. Specifically, this proposal is insufficient as to requirements of the Regulatory Flexibility Act (5 U.S.C 601 *et seq.*) Although the Office has certified that this proposal will not have a significant impact on a substantial number of small entities pursuant to 5 U.S.C. 605(b), and accordingly has not performed the initial regulatory flexibility analysis otherwise required under 5 U.S.C. 603, we do not agree that the factual basis for the certification supports its conclusion. Among other things, because the PTO's certification did not address the impact on small businesses, as defined and required under the Regulatory Flexibility Act of 1980 (RFA), as amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA),[13] the PTO's certification did not comply with SBFRA. Therefore, this deficiency requires the PTO, at a minimum, to make a new certification that related to the required group and more appropriately, should conduct a supplemental Initial Regulatory Flexibility Analysis (IRFA) before publishing the final regulations.

The PTO estimates that 4,470 small entities making a second or subsequent continuation application and 1,796 small entities making a second request for continued examination will be affected by this proposal. Although we do not necessarily agree that this is not a substantial number of small entities, we strongly disagree with basis of the assertion that the impact on small entities will not be significant. The Office states that the impact amounts to the $400 petition fee for each applicant. However, the Office also acknowledges that "the primary impact of this change would be to require applicants to make a *bona fide* attempt to advance the application to final agency action by submitting any desired amendment, argument, or evidence prior to the close of prosecution after a single continuation application or a single request for continued examination ..." This statement suggests that the Office has failed to account for the cost of either performing additional work up front, or later making a showing as to why amendments, arguments, or evidence presented could not have been presented earlier. In either case, additional costs would be incurred by small entities as additional professional fees, and those fees may be significant. The certification made by the Office also fails to acknowledge the potential differential impact on small entities that would arise from the payment of such professional fees. It is possible that while small entities will need to make financial outlays, large entities have access to internal resources they may draw on in lieu of payment for services.

We therefore believe the certification is unjustified, and that an initial regulatory flexibility analysis is required to address these matters. We encourage the Office to consider in its analysis alternatives for small entities that would accomplish stated goals, as required by 5 U.S.C. 603(c). One such alternative would be to except small entities from these requirements in their entirety. Given that the Office estimates that the proposal would affect so few small entities, it is difficult to envision how this small

[13] Pub. L. No. 96-354, 94 Stat. 1164 (1980), (codified as amended at 5 U.S.C. §§ 601-612).

number contributes in any significant way to the backlog of unexamined claims this proposal is intended to address.

**Conclusion**

The procedural flaws in the PTO's proposed rules would most easily be addressed by exempting small entities from its application. This is also the preferred approach from our perspective and we urge the PTO to carefully consider it.

Very truly yours,