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From: Terry Callaghan [mailto:tcallaghan@priceheneveld.com]

Sent: Thursday, May 04, 2006 12:00 AM

To: AB93Comments

Subject: Comments on proposed rulemaking-continuations

Please consider the attached comments.

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The Honorable Jon Dudas
Under Secretary of Commerce for Intellectual Property
and Directory of United States Patent and Trademark Office

Attention: Robert W. Bahr
Senior Patent Attorney
Office of Deputy Commissioner
for Patent Examination Policy

Re: Comments on Proposed Rules “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 Under Secretary Dudas:

I am a partner with the firm of Price, Heneveld, Cooper, DeWitt & Litton, LLP and a former examiner. This letter is written on my own behalf and not on behalf of Price, Heneveld, Cooper, DeWitt & Litton, LLP or on behalf of any of its clients. Thus, this letter does not represent the views of my firm or its clients, but solely are the views of the undersigned.

Having thoroughly reviewed not only the PTO’s comments, but much of the referenced materials, I have come to the conclusion that the PTO does not fully understand the impact the proposed rules will have on the U.S. economy. I believe that this proposed rulemaking will significantly reduce the strength of protection patents provide and will impact U.S. companies more significantly than foreign companies.

Now, more than ever before, my clients understand that all that keeps their jobs from going overseas is their innovation and the ability to protect their innovations from being copied at much lower cost overseas. During the twenty years I have been involved with patents, it has been my experience that U.S. applicants are much more likely to avail themselves of filing continuation applications than are their foreign counterparts. Thus, U.S. applicants are generally getting stronger patent coverage than foreign applicants. In general it is believed that obtaining many patents on an invention provides stronger protection. This is because it is less likely a jury will be led to believe that the PTO erred many times in improperly issuing many patents. It is much more likely a jury could find that the PTO

may have erred issuing a single patent than on several. I would hope the PTO would understand this and believe the same to be true.

Before finalizing these rules, the PTO or the Department of Commerce should do their homework and analyze the effect this rule package will have on U.S. applicants and the U.S. economy. We can not afford to risk loosing many more jobs to foreign countries.

I have thoroughly reviewed the PTO's proposed rules and the PTO's comments along with the comments submitted on behalf of the American Intellectual Property Law Association's (AIPLA) on this proposed rulemaking. I do not believe that the PTO has sufficiently considered the implications of this proposal and believe that much more study is needed. I believe that in proposing this rule package, the PTO has hastily and without proper consideration of the true impact this rule package will have.

Having carefully read the AIPLA's comments, I am in full agreement with those comments and thus fully endorse those comments. The remaining portion of this letter highlights certain comments made by the AIPLA and further supplements its comments.

General Concerns

First, like the AIPLA, I question the logic employed by the PTO in its attempt to justify these changes. Throughout its comments, the PTO states that these proposed rules will "lead to more focused and efficient examination, improve the quality of issued patents, result in patents that issue faster, and give the public earlier notice of just what patentees claim." For the reasons stated below, not only do I believe that these proposed rules will fail in that mission, but will likely have the opposite effect.

In the Summary of the proposed rulemaking, the PTO first states:

Continued examination practice, including the use of both continuing applications and requests for continued examination, permits applicants to obtain further examination

and advance an application to final agency action. This practice allow applicants to craft their claims in light of the examiner's evidence and arguments, which in turn may lead to well-designed claims that give the public notice of precisely what the applicant regards as his or her invention. However, each continued examination filing, whether a continuing application or request for continued examination, requires the United States Patent and Trademark Office (Office) to delay taking up a new application and thus contributes to the backlog of unexamined applications before the Office. In addition, current practice allows an applicant to generate an unlimited string of continued examination filings from an initial application. In such a string of continued examination filings, the exchange between examiners and applicants becomes less beneficial and suffers from diminishing returns as each of the second and subsequent continuing applications or requests for continued examination in a series is filed. Moreover, the possible issuance of multiple patents arising from such a process tends to defeat the public notice function of patent claims in the initial application.

An unlimited string of continuations is an overstatement since, patent applications are abandoned if they claim priority to an application filed more than twenty years prior. Further, the PTO now will reject applications under prosecution latches if the applicants are truly abusing the process.

The PTO is only speaking from its limited vantage point and has not considered the impact of the benefit for applicants. In particular, when an applicant files foreign applications off of a U.S. application, a first U.S. patent may issue before searches are conducted in the foreign patent offices. Thus, second and subsequent continuations can be beneficial to have newly discovered prior art considered by the U.S. PTO and thus, second and subsequent continuations are more likely to be the patents that are enforced in litigation. The article cited by the PTO on page 49, column 2, states that 52% of patents litigated are continuation applications. This demonstrates the importance of continuations. Invalid patents issuing from continuations are the fault of the PTO not the fact that a continuation was filed in the first place. Unfortunately, this proposal does absolutely nothing to improve patent quality as it does not provide examiners with any more time to examine an application, it merely reduces the need to hire more examiners.

The PTO receives adequate money from its fees to examine the applications it receives. This proposal merely demonstrates that the PTO does not want to perform the task it was established to perform.

Clearly the PTO just wishes to do less work. Why work hard when you don't have to? What a sad example the PTO is setting.

The PTO previously indicated that it wanted to function more like a business than a bureaucracy. A business, however, would not turn away work. If the PTO considered itself to be more of a business, it should be happy with the increased demand for its services and for its customers willingness to pay for these services. Instead the PTO is thumbing its nose at its customers and turning its back on them and they have no where else to turn for similar services. The patent bar has voiced strong opposition to this proposal. The PTO should listen to its customers and abandon this proposal.

The PTO next contends:

The Office is making every effort to become more efficient, to ensure that the patent application process promotes innovation, and to improve the quality of issued patents. With respect to continued examination practice, the Office is proposing to revise the patent rules of practice to better focus the application process. The revised rules 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. It is expected that these rules will make the exchange between examiners and applicants more efficient and effective. The revised rules should also improve the quality of issued patents, making them easier to evaluate, enforce, and litigate. Moreover, under the revised rules patents should issue sooner, thus giving the public a clearer understanding of what is patented.

I do not understand how, the exchange will be more efficient other than the fact that an applicant has no choice but to give in to an unreasonable examiner or else appeal. Appeals are certainly not efficient. There is nothing in this proposal to encourage examiners to be more reasonable and therefore it will fail to make the exchange between examiners more efficient and effective.

The PTO has provided no evidence as to how this proposal will improve quality of issued patents. It does not give examiners more time. Each examiner will thus perform the same tasks on the same number of applications. This proposal would only change the total number of examiners.

Patents will not be easier to enforce and litigate since they may not have all relevant prior art considered due to prior art discovered in foreign counterpart applications after the patent issues. Thus, patents will be harder to enforce and litigate.

The PTO further contends:

Commentators have noted that the current unrestricted continuing application and request for continued examination practices preclude the Office from ever finally rejecting an application or even from ever finally allowing an application. See Mark A. Lemley and Kimberly A. Moore, *Ending Abuse of Patent Continuations*, 84 B.U. L. Rev. 63, 64 (2004). The burdens imposed by the repetitive filing of applications (as continuing applications) on the Office (as well as on the public) is not a recent predicament. See *To Promote the Progress of Useful Arts, Report of the President's Commission on the Patent System*, at 17–18 (1966) (recommending changes to prevent the repetitive filing of dependent (i.e., continuing) applications). Unrestricted continued examination filings and multiple applications containing patentably indistinct claims, however, are now having such an impact on the Office's ability to examine new applications that it is now appropriate for the Office to clarify the applicant's duty to advance the application to final action by placing some restrictions on the filing of multiple continuing applications, requests for continued examination, and other multiple applications to the same invention. See 35 U.S.C. 2(b) (authorizes the Office to establish regulations, not inconsistent with law, which shall govern the conduct of proceedings in the Office, and shall facilitate and expedite the processing of patent applications). This would permit the Office to apply the patent examining resources currently absorbed by these applications to the examination of new applications and thereby reduce the backlog of unexamined applications.

The first underlined portion makes no sense whatsoever. Final rejections are common in all applications whether an original application or a continuation application. Further, nothing prevents the PTO from allowing an application.

This first underlined portion is simply not true. Even once issued, patents may be subsequently rejected during a third party reexam, or may be rejected during an opposition if that legislation is passed. Further, continuation practice often enables patents to issue sooner. When an applicant has some allowed claims in a first application, it is very common for the applicant to cancel the rejected claims and pursue them in a continuation in order to obtain a patent sooner. Under the current proposal, one would not place the first application in condition for allowance but would likely appeal

the rejected claims thus delaying the issuance of a patent. Thus, the proposal would not speed the issuance of patents as the PTO contends.

The last underlined portion also does not make sense. The PTO already can reject claims to the same invention under 35 U.S.C. 101. The proposal is not needed for this purpose.

The PTO next states:

The Office's Patent Application Locating and Monitoring (PALM) records show that, in fiscal year 2005, the Office received approximately 317,000 nonprovisional applications, and that about 62,870 of these nonprovisional applications were continuing applications. In addition, the Office's PALM records show that the Office received about 52,750 requests for continued examination in fiscal year 2005. Thus, about thirty percent $(63,000 + 52,000)/(317,000 + 52,000)$ of the Office's patent examining resources must be applied to examining continued examination filings that require reworking earlier applications instead of examining new applications.

The PTO is incorrectly assuming that a continuation or divisional takes as much time to examine as a new application. This is generally not true as the examiner has supposedly read the disclosure and conducted a search prior to picking up the continuation or divisional. Thus, this computation is very misleading. Further, as highlighted in the paragraph below appearing just three paragraphs later in the proposal, the proposal would only have prevented 11,800 of these 63,000 continuation applications.

Of the roughly 63,000 continuing applications filed in fiscal year 2005, about 44,500 were designated as continuation/continuation-in-part (CIP) applications, and about 18,500 were designated as divisional applications. About 11,800 of the continuation/CIP applications were second or subsequent continuation/CIP applications. Of the over 52,000 requests for continued examination filed in fiscal year 2005, just under 10,000 were second or subsequent requests for continued examination. Thus, the Office's proposed requirements for seeking second and subsequent continuations will not have an effect on the vast majority of patent applications.

Why then is this proposal necessary and how will it have the drastic impact the PTO claims? Is it even necessary?

The PTO then states:

The Office appreciates that appropriate continued examination practice permits an applicant to obtain further examination and advance an application to final action. The current unrestricted continued examination practice, however, does not provide adequate incentives to assure that the exchanges between an applicant and the examiner during the examination process are efficient. The marginal value vis-a-vis the patent examination process as a whole of exchanges between an applicant and the examiner during the examination process tends to decrease after the first continued examination filing. The Office resources absorbed by the examination of a second or subsequent continued examination filing are diverted away from the examination of new applications, thus increasing the backlog of unexamined applications. Therefore, the Office is proposing to require that an applicant filing a second or subsequent continuing application or second or subsequent request for continued examination include a showing as to why the amendment, argument, or evidence could not have been previously submitted.

But how does it do so? Applicants do have incentive to obtain patents earlier than later do to the loss in patent term. What incentive does this proposal provide to examiners to be more efficient? The proposal assumes that applicants are always to blame for these inefficiencies. I can show the PTO numerous examples of inefficient examiners that examine applications in a piecemeal manner rather than doing a thorough and complete search and first action.

On page 57, column 2, the PTO states:

Patentably Indistinct Claims: Finally, this notice proposes that applicants (or assignees) who file multiple applications having the same effective filing date, overlapping disclosure, and a common inventor include either an explanation of how the claims are patentably distinct, or a terminal disclaimer and explanation of why there are patentably indistinct claims in multiple applications. An applicant who files multiple applications containing patentably indistinct claims must in any case submit the appropriate terminal disclaimers to avoid double patenting. See *In re Berg*, 140 F.3d 1428, 1434, 46 USPQ2d 1226, 1231 (Fed. Cir. 1998) (applicants who may file all of their claims in a single application, but instead chose to file such claims in multiple applications, are not entitled to two-way double patenting test).

Could such an explanation merely refer to different embodiments shown in the specification with an allegation that the figures represent different species without ever referring to the claims? If the examiners can do this why not applicants?

Specific Rules

Rule 1.78(f)(2)

On page 55, on the bottom of column 1 in the Federal Register, the PTO states:

Proposed § 1.78(f)(2) provides that if the circumstances set forth in proposed § 1.78(f)(1) exist and the nonprovisional application has the same filing date as the one or more other pending nonprovisional applications or patents, taking into account any filing date for which a benefit is sought under title 35, United States Code, and contains substantial overlapping disclosure as the one or more other pending nonprovisional applications or patents, a rebuttable presumption shall exist that the nonprovisional application contains at least one claim that is not patentably distinct from at least one of the claims in the one or more other pending or patented nonprovisional applications. Proposed § 1.78(f)(2) also provides that in such a situation, the applicant in the nonprovisional application must either: (1) rebut this presumption by explaining to the satisfaction of the Director how the application contains only claims that are patentably distinct from the claims in each of such other pending applications or patents; or (2) submit a terminal disclaimer in accordance with § 1.321(c). In addition, proposed § 1.78(f)(2) provides that where one or more other pending nonprovisional applications containing patentably indistinct claims have been identified, the applicant must explain to the satisfaction of the Director why it is necessary that there are two or more pending nonprovisional applications naming at least one inventor in common and owned by the same person, or subject to an obligation of assignment to the same person, which contain patentably indistinct claims. As discussed previously, where an applicant chooses to file multiple applications that are substantially the same it will be the applicant's responsibility to assist the Office in resolving potential double patenting situations rather than taking no action until faced with a double patenting rejection. Thus, if an Office action must include a double patenting rejection, it is because the applicant has not yet met his or her responsibility to resolve the double patenting situation by filing the appropriate terminal disclaimer. Therefore, the inclusion of a new double patenting rejection in a second or subsequent Office action will not preclude the Office action from being made final (assuming that the conditions in MPEP § 706.07(a) are otherwise met).

It is not clear what is meant by the underlined portion. It is foreseeable that such overlap could be a single common sentence or disclosed element, or a substantially identical disclosure. Also, would an incorporation by reference to another application constitute an overlapping disclosure with the other application?

Suggestions

Rather than trying to force something on its customers that they do not like, the PTO should revisit its earlier goals of acting more like a business and less like a bureaucracy. If the PTO were acting more like a business it would be trying to encourage its customers to purchase more of its services. This would increase revenue that can in turn be used to hire more examiners. The PTO contends that it cannot train all the new examiners it has to hire. Part of the problem is the high attrition rate. Some of the fees collected could be used to pay the examiners more so as to retain them. Also, training could be outsourced given the large number of qualified former examiners that are now in private practice.

The PTO should also note that the current fee structure encourages continuations. If an applicant wishes to file 60 total claims with 9 independent claims, it is cheaper to file three separate applications (\$3000) than it is to file a single application (\$4200). If the PTO wants to encourage filing the claims in a single application, it should revisit the fee structure and provide financial incentives rather than financial disincentives. Further, perhaps a charge can be imposed for each priority claim made.

Respectfully submitted,

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c: Hon. ??, Secretary of Commerce
Hon. Vernon Ehlers, U.S. House of Representatives
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