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To: AB93Comments
Subject: DuPont comments on proposed rules

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May 3, 2006

Attention: Robert W. Bahr
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Mail Stop Comments — Patents
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

Re: Comments to Proposed Rules Regarding Continuing Applications, Requests for Continued Examination Practice and Applications Containing Patentably Indistinct Claims

Dear Commissioner Doll:

This letter is submitted on behalf of E. I. du Pont de Nemours and Company ("DuPont") in response to the request for comments relating to the above-referenced proposed rules, published at 71 Fed. Reg. 48-49 (Jan. 3, 2006).[1] We would like to thank the United States Patent and Trademark Office ("PTO") for the opportunity to comment on these rules. We also commend the PTO for the Town Meetings and other outreach programs it has held to give the members of the patent community an opportunity to better understand the proposed rules and to hear reasons why the PTO feels these proposed rules are necessary.

I. INTRODUCTION

DuPont, like many others in the patenting community, recognizes the need for improvements to the United States patent system to allow the PTO to more effectively carry out its mission. In this context, DuPont has actively supported current legislative initiatives to improve the patent system, including legislation to stop the diversion of PTO fees to unrelated government programs so that PTO will have the money it needs to

[1] A detailed discussion regarding the proposed rules changes affecting the number of claims examined and other procedures relating thereto has been submitted separately to AB94Comments@USPTO.gov.

hire new examiners and make investments in technology to improve its ability to handle the examination of an ever-increasing number of applications.

We appreciate the efforts the PTO is making to improve its operations, and we appreciate the significant effort that went into the drafting of these proposed rules. Our primary means for analyzing any specific patent reform proposal, such as these proposed rules, is to evaluate the answers to the following four questions:

- Will the proposed reform improve patent quality?
- Will the proposed reform promote efficient and complete examination of applications and thereby reduce patent pendency?
- Will the proposed reform not unduly burden the user community?
- Will the proposed reform support the Constitutional mandate of promoting the progress of science and the useful arts, *i.e.*, will the reform foster innovation?

When evaluated in the context of the proposed rule changes to continuation practice and to claim examination, it is our view that the answers to the above questions are in the negative. Accordingly, we cannot support the proposed rules in their present form because we do not believe the rules will lead to improved patent quality, will reduce the application backlog, will be an acceptable increased burden on the user community, or will promote innovation. Instead of adopting the proposed rules, we recommend that the PTO consider other ways to achieve its goals, and we have made some suggestions in this regard that are set forth in greater detail below. We would welcome the opportunity to enter into a further dialogue with the PTO on our suggestions or on other potential changes to the PTO rules that would allow the PTO to more effectively carry out its mission.

While an increased burden on users is acceptable in certain circumstances, such as when the increases in burden are reasonable and are an exchange for a corresponding improvement to the patent system, the proposed rules do not represent such an exchange. Our analysis leads us to conclude that many of the proposed rule changes appear impractical and will be difficult and costly to implement, especially for companies like DuPont that have large patent portfolios. As demonstrated by our support to pay additional fees in exchange for an end to patent fee diversion, we are willing to incur additional costs to help the PTO increase its efficiency so as to better perform its mission. However, it is not clear that the proposed changes will achieve any of the PTO's desired goals and there appears to be little analysis or data in the Federal Register notice to support a position that such goals would be achieved by these changes. Indeed, we think it is possible that these rules, if adopted, will not improve the current examination process and may actually increase the backlog and pendency of applications in the PTO. Further, these proposed rules can certainly be expected to cause unintended consequences as a

result of their significance and their being implemented so quickly without the benefit of further study or the benefit of a pilot program.

A key concern we have with these rules is that they will take away much of the flexibility in the existing patenting system. Companies that invest in R&D and create jobs and solve societal needs must be rewarded for their investment with adequate patent coverage to protect their inventions. Companies like DuPont that make such investments are often threatened by "free riders" who try to take advantage of our spending on R&D by making minor modifications of our inventions to try to avoid infringement. The patent system should work to protect companies that invest in R&D by having flexible procedures that allow patent applicants to strategically protect their investments. When companies that invest in R&D cannot enjoy the flexibility afforded them by the current PTO practices for claiming inventions and for filing continuation applications, then it can be expected that more and more inventions will be kept as trade secrets, frustrating one of the goals of the patent system to broadly disseminate new information and advances in technology.

The PTO and supporters of the proposed rules have argued that the proposed changes are necessary because of a few bad actors who file extraordinarily large numbers of claims or who abuse the continuation process. Rather than focus on bad actors, we suggest the PTO should instead focus on the majority of companies who are the "good actors", and who invest real resources in research and development and who own many thousands of issued patents and pending applications. These companies should not be penalized by changes meant to deal with a few alleged bad actors. There are simpler and less expensive means to deal with bad actors than the ways now proposed, and we include some suggestions in this regard at the end of this letter.

Good patent protection encourages investment in all industry sectors. Good patent protection is the *quid pro quo* of early public disclosure of innovations. The balance achieved by a known, consistent patent system is one hallmark of a sound competitive national economy. Changes to such a known, consistent patent system should be made incrementally, not radically and not without a detailed and intensive review. An important potential consequence of these changes is that the patents that issue under the proposed rules may be of a lower value. The costs and risks associated with enforcement of such patents are expected to be higher than those associated with patents issued under the current PTO rules. Further, the scope of protection based upon the limits to the number of claims examined will likely be narrower. These potential consequences to rule changes are important and worthy of further detailed review.

We have included below alternatives that in our opinion represent acceptable incremental changes to the existing well-understood, flexible patent system. We believe that these alternatives will preserve the strengths of the current patent system while discouraging potential bad actors, provide more time for examiners to substantively examine each innovation, reduce patent pendency, and maintain the current cost and risk profile of the current patent system. We have also provided specific recommendations to modify the current form of the rules as proposed to make them more acceptable.

We appreciate the difficulty the PTO is facing with an ever-increasing workload and fully support the PTO's efforts to improve the patenting process. However, the current proposals fall short of providing the PTO with the means necessary to achieve its objectives. We believe our alternatives and recommendations, together with the PTO's ongoing efforts to hire 1000 new Examiners a year, will achieve the goals of improved quality and reduced pendency, without an undue burden on users.

II. DETAILED DISCUSSION

A. The Proposed Rules Regarding Continuation Applications Are Impractical, Inflexible and Too Costly For Users of the Patent System

Changing continuation practice by allowing only one continuation application as a matter of right will make the current patent system too inflexible to meet the needs of its users. Indeed, this lack of flexibility will inhibit companies from procuring commercially relevant and necessary patent protection and, thus, will frustrate innovation and discourage companies from seeking patent protection altogether. Greater reliance will likely be placed on trade secret protection. Consequently, one effect of the proposed rules will be to discourage early public disclosure of innovations which will frustrate the Constitutional mandate to promote the progress of science and useful arts.

Because of the scientific nature of certain innovations and the complexity and crowded nature of fields of art in the biotechnology and chemical industries, the proposed rule changes likely will disproportionately burden inventors and assignees in these industries, whether such burden is measured in money, human resource allocation, or delays in time to file.

Several of the important concerns raised by the above-referenced proposed rules are discussed separately below.

B. The Proposed Rules Ignore Legitimate Uses of Continuation Applications and "Prosecution Realities"

The effect of the proposed rules of limiting applicants to only one request for continued examination and no continuing applications without a successful petition is too inflexible, harsh and ignores the legitimate uses[2] of current continuation practice. *See*

[2] For example, applicants may accept a few allowed claims (narrow, but valuable), then file a continuation to secure examination of additional (broader) subject matter. Moreover, it may not be possible to predict how to craft some of the claims until all the prior art searches are complete and the examiner's opinion is well understood. Indeed, it is not unusual to file a continuation application (RCE) just to get examination and allowance of claims for which an explanation/argument relating to the distinction over the prior art was not accepted by an examiner and a final rejection entered. In addition, another legitimate use of an RCE is to manage the occasions where the applicant may simply need more time to provide evidence of patentability (*e.g.*, Rule 132 Declarations). That is, not all experiments and resource allocation requirements can fit into the current 6-month time line to respond to a rejection.

Proposed rule 1.114(f).[3] For example, the need for patent filing flexibility is illustrated by the fact that there was a time when the PTO rejected claims reciting nucleotide sequences based on sequence identity comparisons. Claims reciting hybridization conditions were preferred. Then, there was a shift in policy and sequence identity was acceptable. Continuing practice made it possible for many to accommodate the PTO policy shift with respect to pending applications. The proposed rules, if implemented, would present a substantial impediment to accommodate changes in PTO policy shifts and evolving case law that may affect pending applications.

If the proposed rules are promulgated, DuPont believes that the PTO will find itself bogged down with petitions, appeals and litigation as these rule changes are likely to be challenged in the courts. It is not clear how the PTO will address the significant increase in workload that the Board of Patent Appeals and Interferences will face with appeals caused by limiting applicants to one continuation. Notwithstanding the new procedures for handling appeals, it appears unlikely that the Board is well equipped to handle a large influx of appeals. This problem will only be exacerbated if legislation is passed that creates a post-grant opposition procedure that is administered by the Board. It will be costly and burdensome for the Board to deal with these appeals, and without a significant increase in staffing. Thus, it is expected that patent pendency for applications appealed will increase significantly.

We have seen data that show the percentage of continuations has stayed statistically about the same since 1975. No evidence has been presented that correlates the backlog with the percentage of continuation applications filed. Accordingly, we do not agree that (i) the strengths of the existing continuation practice are commonly abused, (ii) frequency of use indicates abuse, or (iii) there are insufficient incentives to curb continuation practice abuse.

There are incentives now in place that discourage continuation practice abuse. Consider, for example, the measure of the patent term (now 20 years from the filing date), the publication of most applications at 18-months, the increases in filing fees and time-extension fees for drawing out prosecution, as well as the additional filing fees for an application having an application having more than 20 claims.

Moreover, while the amendment could have been made earlier, it may not have been prudent or necessary until the discussion of the prior art with the examiner had concluded. Indeed, much of the current continuation practices – *e.g.*, the practice of using measured doses of arguments and amendments separately—is the result of factors beyond the applicant's control including current PTO practice as well as Federal Circuit precedent.

[3] Proposed rule 1.114(f) provides that an applicant may not file more than a single request for continued examination and may not file request any continuing application other than a divisional (as newly defined) unless the request includes a showing to the satisfaction of the Director that such could not have been submitted prior to the close of prosecution. *See also,* 71 Fed. Reg. at page 56 ("That is, an applicant may only file one continuation or continuation-in-part (and not 'one more' continuation or continuation-in-part application) after the effective date of the final rules . . ..")

Indeed, one "prosecution reality" that has not been addressed is that one of the needs for continuing applications is driven by examiners generating second, third and even fourth final rejections on newly cited art or other new grounds of rejection. No solution will be adequate without a significant change in the PTO's internal procedures for evaluating the performance of its examiners.

It is respectfully submitted that the combination of the patent law incentives to use continuation practice wisely and the ever-present pressures to use limited resources well and effectively are powerful tools to prevent and/or control any perceived abuse of continuation practice.

C. The Requirement That All Divisional Applications Be Filed Before the Patenting or Abandonment of the Priority Application Will be Costly to Applicants and a Waste of Resources by the PTO.

This requirement, in proposed rule 1.78(d)(1)(ii) is particularly burdensome to applicants, particularly in view of the PTO's current restriction practice. This rule will result in significantly higher costs for patent applicants as they will need to file as many divisional applications as they can afford to preserve their rights to the disclosed invention. Just as an example, a recent DuPont application in the field of biotechnology had a restriction requirement that would, under the proposed rules, have required us to file 200 divisional applications before the priority application was issued or abandoned. Moreover, in many chemical applications it is not uncommon to receive restriction requirements with five or more groupings of claims.

This new requirement for divisional applications will result in a huge burden to the PTO. The number of applications will surge and patent pendency will increase dramatically. The current system is far better because it allows the patent applicant to file divisional applications only for those claims that are commercially important, with the understanding that this is a moving target and the value of a particular set of claims may very well change over time. We have heard representatives of the PTO say that patent applicants simply will not file divisional applications for each restricted group of claims. We know of no basis to believe this to be true.

Clearly, the current problems with present PTO restriction practice include the extreme complexity of the restrictions and failure of the Office to apply consistent standards. Current restriction practice might be improved once the PTO's study of restriction and unity of invention is completed. It is possible that some significant changes may be proposed that could impact current restriction practice and may obviate the need for many of the current proposals.

D. Additional Requirements Placed on Applicants Will Likely Fan the Flames of Litigation Without Increasing Patent Quality

Proposed rule 1.114 and proposed rule 1.78(d) permit the applicant to obtain a second continuing application only after showing to the satisfaction of the Director why the amendment, argument, or evidence presented *could not have been previously*

submitted. There is no indication in the rules package as to what grounds will be deemed sufficient to grant a petition. This requirement will impose an onerous and unreasonable burden on most invention owners, particularly those supporting large research and development programs such as those in the chemical and biotechnology industries.

Regardless of whether the proposed rule changes are implemented with few or extensive guidelines, the consequences of such profound rule changes will almost certainly result in many years of litigation. It will take numerous administrative and judicial decisions relating to the boundaries of the rule including the level and quality of evidence relating to good faith showings offered by applicants, as well as determinations relating to what could have been done and when it could have been done.

Moreover, proposed rule §1.78(a) sets forth mutually exclusive definitions of a continuation, divisional, and continuation-in-part applications that will surely confuse examiners and users of the patent system. No benefit is derived by creating such uncertainty. It will create more complexity without increasing patent quality.

Equally important and as a direct result of using many aspects of the proposed rules, each and every challenger of an issued patent will have obtained new avenues to attack its enforceability. The patentee will be forced to simultaneously shoulder the burden of defending new avenues of attack while paying the increases in enforcement expenses, including the additional costs associated with the additional discovery, motion practice, and new trial tactics.

E. Applicants Should Not Be Responsible for Resolving Double Patenting Situations

The proposed rules fail to recognize the way scientific knowledge develops and the way innovations are made at the vanguard of progress. For example, proposed rule 1.78(f)(1)[4] requires the identification of every recently filed application naming a common inventor, and the identification that must be made in a separate submission only a few months after the filing of the application. This requirement places undue burden on patent attorneys and patent agents supporting prolific or multiple inventors and large research teams. Moreover, proposed rule 1.78(f)(1) taken alone or considered in combination with proposed rule 1.78(f)(2)[5] and proposed rule 1.78(f)(3)[6]

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[4] Proposed Rule 1.78(f)(1) provides, in pertinent part, that "if a nonprovisional application has a filing date that is the same as or within two months of the filing date of one or more other pending or patented nonprovisional applications . . . . The identification of such one or more other nonprovisional applications. . . . must be submitted within four months. . . ."

[5] Proposed Rule 1.78(f)(2) creates the rebuttable presumption that the same inventor named on two applications containing overlapping disclosure shall be presumed to have at least one claim that is not patentably distinct from at least one claim in the other application. In addition to being an unfounded and unreasonable presumption, much litigation should be expected regarding the determination of what is overlapping disclosure well as what shall be considered sufficient to rebut the presumption.

disproportionately burdens prolific inventors, large teams of researchers or those working in complex fields, where the rate of scientific advancement can be both fast, yet unpredictably uneven.

No benefit is gained by establishing a rebuttable presumption of unpatentability based on double patenting without considering the claimed invention. The result of the additional submissions that will be required by these proposed rules will mean more non-substantive examination work for the examiner, an increase in the number of pending applications, and an additional burden on the Board of Patent Appeals and Interferences.

III. ALTERNATIVES TO THE PROPOSED RULES

As a general matter, we suggest that the PTO consider making changes to the rules that lower the total burden of the examination process and not make changes that merely shift the examination burden to applicants. Regardless of what changes are made, we suggest that changes be made incrementally, so that the actual effects can be observed and their consequences appreciated to be sure the changes ultimately result in the desired effect.

The alternatives below are incremental changes for consideration that address, in part, all of the above goals.

1. In place of the proposed rules relating to practices for the examination of claims, implement a deferred examination process (including a reduction in filing fees accordingly). Charge an examination fee, with examination deferred to various later years, with, optionally, an ever escalating examination fee at year 3, year 5, or year 7, as measured from the priority date. This would ease demand on examiner time, permit applicants to enjoy the benefits of an early filing date (in recognition of first-to-file countries), encourage abandonment of unexamined applications and focus examination on commercially-relevant patent applications. The measure of the backlog and patent pendency can then be based on actual requests for examination.

2. In addition to alternative No. 1, permit an examination request (with examination fee) to be filed by a third party, such as between the 36th and the 48th month from the priority date.

3. To reduce the truly abusive continuations while allowing for their legitimate uses, permit two RCEs and continuations under the current fee schedule, but implement radically increasing fees for each subsequent RCE or continuation. Leave current divisional practice unchanged.

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[6] Proposed Rule 1.78(f)(3) permits the examiner to require elimination of patentably indistinct claims from one or more application in the absence of good and sufficient reason for more than one application commonly owned, naming at least one inventor, containing patentable indistinct claims. Litigation should be expected to determine what are good and sufficient reasons.

4. The patent pendency problem could be solved by the tactical use of overtime for examiners and/or temporarily re-employ retired examiners until the examining corps is brought up to full staff; and, rather than having allowance conferences, provide more time and training to those examiners with signatory authority. This would free up many man-hours for examination purposes.

5. We feel that there is a great lack of efficiency in having the major patent offices in the world (PTO, Japanese Patent Office, and European Patent Office) conduct basically the same substantive examination for a claimed invention. We strongly encourage the PTO to aggressively pursue its trilateral efforts to promote efficiency by finding ways for the major patent offices to share substantive reviews of pending applications.

IV. SUGGESTED MODIFICATIONS TO THE PROPOSED RULES

If the PTO proposes to implement the proposed rules in essentially the same form as published, we suggest the following modifications to those rules.

1. Do not implement the proposed rule changes to the number of claims to be examined simultaneously with the proposed rule changes to the examination of the claims. Rather, consider running a pilot program to assess the impact of one of the changes before fully implementing these changes or, at the very least, implement changes incrementally and wait to determine if the backlog continues.

2. Do not make the changes retroactive, in any respect, to applications already filed or filed within one year after the adoption of such rules. Invention-owners, particularly those with large research and development programs to support, will need time to study means to implement best practices under the rules, determine how best to mitigate the expected negative effects, and hire additional resources while re-allocating existing resources to administer patent prosecution under the proposed rules.

3. Alter how the examiners are evaluated for performance and use a different method than is currently used. Provide more time for the examiners to search, review art, and examine the application. No final rejection should be entered until the examiner is confident that all relevant art is of record. The applicant should have at least one opportunity to amend the pending claims if arguments distinguishing such prior art of record are determined to be not persuasive. In effect, this would allow for more than two office communications on the merits before a final rejection is entered, and/or permit claim amendments after a final rejection. This would enhance patent quality, streamline prosecution, and reduce the backlog (*i.e.*, reduce the number and use of RCEs and reduce appeals).

4. When the current filing fee is paid, 20 claims should be examined. Increase the excess claim fee rapidly if the number of independent claims goes above 10 and the number of total claims is more than 50.

5. If selection of a certain number of claims is required, do not use the terminology "representative". Rather, use "selected for initial examination by the PTO".

6. Always allow for at least one continuing application after each unsuccessful appeal regardless of the issues on appeal and regardless of whether a continuing application was filed during the pre-appeal prosecution of the specific application.

7. Allow for immediate and expedited appeals from all decisions relating to the new submissions required by any aspect of the proposed rules.

8. Amend the proposed rules to permit a continuation as a matter of right (in addition to any other continuing applications) if any of the 10 representative (selected) claims are determined to be unpatentable.

9. Obtain statutory (to better ensure judicial acceptance) prohibitions against allegations that a patent is unenforceable due to non-fraudulent misstatements or omissions that are made during prosecution to meet the requirements of the proposed rules' submissions, explanations, or other statements.

10. Amend proposed rule 1.261(c) to provide a time period of at least 3 months (with 3 more months of extensions upon payment of an extension fee) to correct or supplement any aspect of or statement in the examination support document.

Thank you for this opportunity to submit comments. If you have further questions, please do not hesitate to contact me at the above address, telephone number and/or email.

Respectfully submitted,

/s/ P. MICHAEL WALKER

E. I. DU PONT DE NEMOURS AND COMPANY

By: P. Michael Walker
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