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From: Casey Tegreene [mailto:CaseyT@IntVen.com]

Sent: Wednesday, May 03, 2006 8:13 PM

To: AB93Comments; AB94Comments

Subject: Comments to Proposed Rules

Dear Under Secretary Dudas:

Intellectual Ventures, LLC. ("IV") respectfully submits these comments in response to the U.S. Patent and Trademark Office's (PTO) notice of proposed rulemaking "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)." IV thanks the PTO for the opportunity to offer comments regarding the U.S. Patent and Trademark Office ("PTO") proposed rules.

Intellectual Ventures, LLC

Casey Tegreene

VP, Chief Patent Counsel



3 May 2006

BY ELECTRONIC MAIL TO: AB93Comments@uspto.gov AND TO
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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 -- Patents
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Attention: Robert W. Bahr, Senior Patent Attorney, and Robert A. Clarke, Deputy
Director, Office of Patent Legal Administration, in the Office of the
Deputy Commissioner for Patent Examination Policy

Comments Regarding 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); and, “Changes to Practice for the Examination of Claims in Patent Applications” 71 Fed. Reg. 61 (January 3, 2006).

Dear Under Secretary Dudas:

Intellectual Ventures, LLC, (“IV”) is a company that invents and invests in invention. IV’s inventors include many of the significant innovators in the United States spanning many of the art groups of the U.S. Patent and Trademark Office (“PTO”). IV’s patent prosecution team has hundreds of years of cumulative experience in patent prosecution, patent evaluation, licensing, and enforcement. While IV is a small company it is a large prosecution customer of the PTO, filing several dozen applications per month and having several hundred cases in active prosecution. IV’s interests are aligned with the PTO’s role in:

- a. promoting innovation;
- b. encouraging early and complete disclosure of inventions; and
- c. rational, efficient examination that produces quality patents.

IV applauds the PTO's efforts to initiate dialog on patent process and quality. Judging from the large number of well-considered comments, the PTO has engaged the patent community and started a spirited debate. In the end, the act of proposing the rules may itself have a positive effect.

IV believes that the proposed rules appear to be an attempt at a quick fix that is generally ill-advised and based on faulty premises. Indeed, Patent Commissioner Doll recently said at a PTO hosted town hall meeting¹ that the proposed rules are not really aimed at reducing pendency but are at best an attempt to make a small improvement in quality. Doll went on to tell the audience that it is better to try something even if the results may be marginal. IV believes that the proposed rules represent an incredibly significant change. If the PTO's own leadership is not sure that the rules will address the announced goals of the proposed rules (i.e., pendency reduction and quality improvement) pendency, then the many risks, as described below and by other commentators, are too great. Indeed, the PTO's lackluster justifications for the new rules are flawed and are contradicted by the findings of the U.S. Small Business Administration ("SBA"), the PTO's own statistics, and the experience of many prosecutors.

Specifically, IV believes the rules will:

- Increase overall pendency;
- Increase uncertainty;
- Cost dramatically more than PTO estimates;
- Disproportionately penalize small business;
- Increase administrative burdens on applicants and examiners;
- Unnecessarily restrict applicants' rights;
- Lead to increased litigation;
- Decrease faith in the patent system;
- Discourage complete and early disclosure; and
- Discourage continued investment in research and development.

IV further believes that several of the rules are beyond the PTO's authority. By shifting to the applicant the burden of proof for receiving a patent, the rules directly contravene statutory authority under 35 USC 102, are contrary to Federal Circuit case law, and are even contrary to the Manual of Patent Examination Procedure ("M.P.E.P.").

IV firmly supports the PTO's recent steps toward increased hiring, improved training, and improved retention of examiners. Initial indications of results are promising. IV recommends additional steps along this path, including changes that will permit higher salaries for examiners.

¹ Doll's statement was in response to a question from the audience. Town hall meeting reference: <http://www.uspto.gov/web/offices/com/speeches/06-26.htm>.

Additionally, IV believes that the quality review process implemented by the PTO is a positive step that has begun to provide improved quality. As a supplement to this, IV proposes that quality metrics and review apply to initial office actions and other preliminary matters, as well as disposals. This will help insure that prosecutions begin on the right foot, reducing unnecessary conflicts that increase pendency and degrade overall prosecution quality.

IV proposes that performance metrics be rationalized to meet the goals of efficient, high quality examination. Along this line, IV believes that efficiency metrics evaluate overall efficiency, rather than relying on partial metrics, such as time to first office action. To that end, IV recommends that examiner efficiency be considered in light of the entire duration of prosecution, including extension due to successful appeals. This will help restrict “gaming” conduct such as ill-considered final rejections that are withdrawn upon filing of appeals briefs. Crediting examiners for overcoming ill-advised appeals will encourage complete pursuit of proper final actions.

PROPOSED RULES REGARDING CLAIMS LIMITS

Rule 1.75(b) has been amended to limit the number of examined claims as a matter of right to 10 and to redefine the meaning of an independent claim. Rule 1.75(b) further provides that applicant may present additional claims for examination only if applicant provides an examination support document.

Rule 1.75(b)(1)– Faulty premise, ignores underlying law, has disparate impact on small inventors.

The PTO justifies Rule 1.75(b)(1) by asserting that the PTO is impaired by an inordinate amount of time spent on cases with large numbers of independent claims. Yet the PTO’s statistics say this occurs only about 1.2% of the time. Further, given the recent increase in cost of presenting such claims, this insignificant number is likely to fall to even lower levels. Moreover, the PTO already has in place a vehicle (restriction) for addressing claims that require excessive searching or effort by an examiner.

Based on this thin premise, Rule 1.75(b)(1) imposes claim limits that, combined with other proposed changes, guts applicants’ statutory right to fully protect their inventions. This, in turn, limits an applicant’s ability to fully define the scope of rights and to provide notice of those rights to potential infringers.

The new rules appear to stem from the PTO’s misperception that all inventions are small, incremental ideas, subject to simple definition in a few sentences. This leads to proposed rules designed for the simplest common denominator in an effort to produce “McPatents.” This perception may be appropriate for some businesses with highly incremental technology developments, but is inappropriate for the most innovative and inventive inventors and those who develop and continue to invest in inventions.

The attempt to minimize claim scope and detail contradicts the Federal Circuit's recent emphasis on the importance of full dependent claims. Over the past several years, the Federal Circuit has made it clear that it is the applicant's duty to claim the full scope of the invention and that claim sets that do not fully flesh out the invention leave the patentee vulnerable.

In particular, through the doctrine of equivalents, doctrine of claim differentiation, the "disclosed not claimed" doctrine, and a variety of other interpretive issues, dependent claims have become an essential part of the definition of the claimed subject matter (See, e.g., *Honeywell v. Hamilton*, 370 F.3d 1131 (Fed. Cir. 2004) (en banc) (discussing impact of dependent claims on doctrine of equivalents); *Nazomi v ARM* 403 F.3d 1364, 1732. (Fed. Cir. 2005) (discussing doctrine of claim differentiation); *Johnson and Johnston v. R.E. Service*, 285 F.3d 1046 (discussing disclosed not claimed doctrine), *AK Steel v. Sollac*, 44 F.3d 1234 (Fed. Cir. 2003) (dependent claims not enabled)).

In addition to ignoring recent law regarding patent interpretation, the focus on simplification and restriction sharply contrasts with trends in other areas of property rights. Very few would argue that real estate contracts, software licenses, employment contracts, loan agreements, or other common instruments should be limited to only 10 sentences. Similarly, few would argue that any additional sentences be reviewed with lesser diligence. Such practices would lead to substantial uncertainty, litigation, and undermined confidence.

Yet, in perhaps the most complex area of property rights, the proposal is to limit the rights to a limited subset. This may simplify the initial stage of prosecution for the Patent Office; but, it will hardly lead to "better, more thorough, and reliable examination quality."²

Subsequent consideration under proposed Rule 1.104 does not cure the issues.

The subsequent review of additional dependent claims under Proposed Rule 1.104 does not change the situation. Under proposed Rule 1.104, undesignated claims will not be considered until the designated claims are considered allowable. At that point, the undesignated claims will receive a partial examination. Under proposed Rule 104, examiners will not search for additional features highlighted by the dependent claims.³ Moreover, it appears that examination will not fully consider enablement and description issues raised by the additional claims.⁴

² See stated objectives of claim reduction regulations from the PTO presentations at recent town hall meetings: <http://www.uspto.gov/web/offices/pac/dapp/opla/presentation/focuspp.html#materials>.

³ See slide 41 of the PTO presentation from the Chicago town hall meeting: <http://www.uspto.gov/web/offices/pac/dapp/opla/presentation/chicagoslides.ppt>.

⁴ Id.

By delaying and a reducing consideration of the claims, the PTO will impair the quality of issued patents and likely increase overall pendency. Any claims receiving “examination light” will be considered vulnerable by potential infringers. Issues will arise relating to the presumption of validity of claims that have not been searched and of claims that have not been fully considered for description and enablement. This will lead to a set of “second class” claims, providing fuel for more litigation maneuvering.

Proposed Rule 1.104’s weakening of patents does not appear to provide any substantial reduction of pendency. In fact, the PTO has simply broken the examination process into more steps. After full resolution of issues relating to the designated claims, a new round begins in which new issues may arise and produce further office actions, responses, appeals, etc. Thus, after an examination is completed, another (abbreviated) examination begins.

Rule 1.75(b)(1) – Additional claims through examination support document.

The examination support document is an attempt to have the applicant do the job it is paying the PTO to do. Then, the PTO can decide whether the applicant has done the PTO’s job well enough.

Proposed Rule 1.75(b)(1) provides that the number of claims can be increased if the applicant provides an examination support document. As part of this submission, the applicant must do an art search that is acceptable to the PTO, identify elements in the identified references corresponding to the claims, and identify the distinctions between the claims and the art. Essentially, the examination support document essentially requires that the applicant file the case, examine the case, and write the first office action. The PTO’s role appears to be simply that of reviewer.

Examination support document is more costly and onerous than PTO alleges.

The examination support document is an extremely costly, risky, and onerous undertaking for the applicant. The PTO estimates the examination support document effort will cost \$2,500. IV has yet to find anyone who finds this a credible estimate, and believes that the average cost of more than \$18,000 estimated by the AIPLA⁵ is a much more reasonable estimate of the cost to applicants.

The PTO estimates appear to completely ignore the difference between an office action written by an examiner and one written by an applicant. Words of an examiner can be distinguished, argued, appealed, or contradicted. An office action written by an

⁵ See the comments of the American Intellectual Property Law Association (“AIPLA”) on “Changes to Practice for the Examination of Claims in Patent Applications” at page 11: <http://www.aipla.org/Template.cfm?template=/ContentManagement/ContentDisplay.cfm&ContentID=11278>.

applicant becomes a set of statements, admissions, characterizations, and opinions of the applicant that can be used against the applicant.

Examiners regularly misinterpret documents or miss items in documents. Applicants regularly identify and correct such mistakes. Applicants do not have the luxury of a motivated reviewer to correct their mistakes.

Thus, the examination document imposes a very different level of care on an applicant. First, applicants must be cognizant of possible inequitable conduct and prosecution estoppel assertions. See *Burlington Industries v. Dayco Corporation* 849 F.2d 1418, 1422 (Fed. Cir. 1988) ("the habit of charging inequitable conduct in almost every major patent case has become an absolute plague.") See also, *Ferring v Barr Labs*, No. 05-1284 (Fed. Cir. 2006) (Newman, dissenting) (defense has been "grossly misused . . . with inequitable conduct charged in almost every case in litigation.") Thus, applicants must treat every aspect of the examination document as a potential litigation tool for an infringer. Every choice of search term and class (1.262(a)(1)), every deeming of a reference as most close (1.261(a)(2)), every identification element in each reference (1.261(a)(3)), every detailed discussion of how the claims are patentable (1.261(a)(4)), every statement of utility (1.261(a)(5)), every showing of support under section 112 (1.261(a)(6)); will provide fodder for inequitable conduct assertions and prosecution estoppel assertions.

In addition to providing ammunition for rampant equitable estoppel assertions, the examination support document process also imposes prosecution estoppel risks, interpretation risks, risks of admission of art, and a variety of other risks on the applicant. As a simple example, under Federal Circuit law, interpretation of the words in claims may depend on usage of terms in cited art or references to the cited art. Thus, applicants must spend significant time reviewing, analyzing, and understanding each aspect of every reference, before describing it in the examination support document. Applicants must be careful to avoid importing terminology in references and must disavow usages in the art that conflict with usages in the claims.

In total, therefore, the burden and risk of the examination support document far exceeds that posited by the PTO.

The examination support document will likely increase administrative burden and prolong pendency.

The examination support document adds a number of documents for the examiner to review. In view of the risks to clients of the examination support document, the likely (and rational) response of applicants is to provide the minimum permissible description, and to rely on quoted text from the references.

When examiners attempt to require applicants to expand the descriptions and characterizations, additional issues will arise. This invites additional rounds of process

between the examiner and the applicant. The overall effect will be to enlarge the process, thereby extending pendency and supplying more bases for appeals.

The examination support document shifts burden to the applicant contrary to the PTO's position, case law and the statute.

Rule 1.75(b)(1) appears to completely disregard that **the PTO has the burden of proof regarding patentability**. The PTO's own M.P.E.P. recites that Federal Circuit law assigns the burden to the PTO:

To properly reject a claimed invention under 35 USC 101, the Office must (A) make a prima facie showing that the claimed invention lacks utility, and (B) provide a sufficient evidentiary basis for factual assumptions relied upon in establishing the prima facie showing. *In re Gaubert*, 524 F.2d 1222, 1224, 187 USPQ 664, 666 (CCPA 1975) ("Accordingly, the PTO must do more than merely question operability - it must set forth factual reasons which would lead one skilled in the art to question the objective truth of the statement of operability."). If the Office cannot develop a proper prima facie case and provide evidentiary support for a rejection under 35 USC 101, rejection on this ground should not be imposed. See, e.g., *In re Oetiker*, 977 F.2d 1443, 1445, 24 USPQ2d 1443, 1444 (Fed. Cir. 1992) ("[T]he examiner bears the initial burden, on review of the prior art or on any other ground, of presenting a prima facie case of unpatentability. If that burden is met, the burden of coming forward with evidence or argument shifts to the applicant.... If examination at the initial stage does not produce a prima facie case of unpatentability, then without more the applicant is entitled to grant of the patent."). See also *Fregeau v. Mossinghoff*, 776 F.2d 1034, 227 USPQ 848 (Fed. Cir. 1985) (applying prima facie case law to 35 USC 101); *In re Piasecki*, 745 F.2d 1468, 223 USPQ 785 (Fed. Cir. 1984). M.P.E.P. 2107

Thus, the proposed rules try to shift the burden of proof to that applicant in the face of PTO recognized law that such shifting is improper.

PROPOSED RULES LIMITING CONTINUATIONS

Proposed Rule 1.78 imposes a limit on the number of continuations and imposes a presumption that cases with overlapping disclosures are continuations. In some cases, originally filed applications appear to have no right to continuations.

Rule 1.78 is based on faulty premises and misperception of deliberate prosecution as abusive.

The limits on continuation practice are complementary to, and exacerbate the issues raised by the limits on claims and claim examination.

The proposed rules presume, without support, that a deliberate process of prosecution is an abusive practice. This is apparent in the PTO's recent characterization of continuations as "reworking."⁶ Yet, many continuations are proper and appropriate responses to current law. For example, continuations may be appropriate to reduce issues relating the doctrine of equivalents, such as the disclosed not claimed doctrine or prosecution history estoppel. This is particularly likely for small companies or those who have identified infringer, as these applicants may desire rapid issuance of allowed claims, while deferring discussion of the remaining claims to a later case.

In other cases, continuations may come from additional research or development that may reveal additional implications of a technology. This is particularly common in biotech, nanotech, and pharmaceutical cases. Updating applications in light of additional information is not only appropriate, it comports with the underlying policy of encouraging complete dissemination of information.

In still another case, patent applications disclose more than one invention. In a typical product release, for example, a complete description of the product often would disclose several developments that each may be a separately patentable invention. Even fragmenting the disclosure would not suffice under the rules, as the rules presume that the inventions are related.

Even if such an approach was effective, it would undermine one of the basic principles underlying patents – to reward complete and early disclosure by applicants. Instead, the proposed rules encourage limited and fragmented disclosure.

Rule 1.78 adds unnecessary and unauthorized burden and risk.

The PTO recognizes that it has no authority to limit the number of continuations. In an apparent attempt to circumvent this lack of authority, proposed Rule 1.78 imposes a presumption that certain cases are continuations, requires a petition and fee to request additional continuations (after 1), and has placed the burden on applicants to prove that the new continuation should be examined.

This petition approach adds another layer of review and risk by requiring a petition that includes an explanation of why the claims could not have been presented earlier. If the applicant provides the paperwork, and describes patentable distinctness,

⁶ See slides 17-18 of the PTO presentation from the Chicago town hall meeting:
<http://www.uspto.gov/web/offices/pac/dapp/opla/presentation/chicagoslides.ppt>.

applicant is left vulnerable in several ways. In addition to issues relating to denied petitions, the applicant risks impairing the claims by providing unnecessary characterizations and comparisons. This leads to additional issues of estoppel, interpretation, and inequitable conduct that will increase the cost and risk of prosecution.

There appears to be no compensating increase in efficiency or reduction in pendency. The addition of another petition adds to the process and adds to the burden on the PTO. As with all such process, this will inevitably provide more basis for prolonged prosecution and is thus unlikely to reduce pendency.

Proposed Rule 1.78 has a disproportionate impact on small inventors and those who invest in continued innovation and development.

Those who invest in technologies that take a long time and continued development to commercialize rely on more sophisticated patent prosecution. A common example arises in drug discovery where companies typically disclose early and continue to update as they continue to invest in and improve their technology.

Similarly, small inventors are often more active participants in ongoing development and continuation practice. Often, the ideas of small inventors challenge the status quo by presenting ideas that differ fundamentally from the current thinking. According to the U.S. Small Business Administration (“SBA”), small firms’ technological and innovation importance continues to increase.⁷

The ideas and inventions of smaller inventors may generate new markets, expand to new technology areas, or lend themselves to continued research and improvement. The most appropriate approach for such emerging technologies is to file applications covering a variety of corresponding implementations, applications, and processes. As the technology continues to evolve, the applications are continued.

Proposed Rule 1.78 will not improve overall efficiency or reduce pendency.

While the proposed rules may lead to faster, easier first actions, they will likely extend overall prosecution, increase overall workload, and add to the overall complexity of prosecution.

For example, applicants will respond to the limits on continuations and claims in several predictable ways. First, filing practices will adapt to produce restrictions. One reasonable approach is to present several diverse claims in an initial application to invite restriction. Given the current incentive structure, the invitations will be accepted. Thus,

⁷ Small firms represent 40% of the highly innovative firms in the United States, small firm patents are among the most cited, small firms are an attractive destination for elite inventors, and large and small firms rely heavily on small firm technology. See <http://www.sba.gov/advo/research/rs233tot.pdf>.

initial filings and responses will be formalistic positioning and will not move the process any closer to completion.

At the other end of the process, when faced with a final rejection, applicants will appeal aggressively, since filing a continuation will severely restrict their ability to obtain appropriate coverage. In addition to appealing final rejections, applicants will fight aggressively to provide the most limited and least risky justifications for filing additional cases or for having additional cases deemed not to be continuations.

Similarly, best practices will dictate that applicants provide the most limited explanation of new material in continuation-in-parts (“CIPs”) and of relevance of the art. This will limit its value to examiners, and lead to additional administrative issues, such as the appropriateness, sufficiency, and other features of the submissions. Thus, adding this additional layer of paper will likely increase the burden on the examiner while providing little benefit.

Focus should take the long term perspective by continuing and improving staffing and retention programs, implementing rational metrics, and quantifying quality.

The PTO states that it cannot hire its way out of its current situation. However, the situation arises from several years in which PTO underinvested in its examining corps, producing understaffing and high turnover. The result is an inadequate pool of examiners, many of whom lack sufficient experience and training. The understaffing and turnover limit the examiners’ productivity and quality of work and overextends senior examiners.

On a more positive note, the PTO recently began its more aggressive hiring plan and new training process. Yet, the predictions of the PTO do not appear to contemplate the long term effects of such advancements. IV believes that these positive steps need time to work. Moreover, IV would support increasing these efforts, such as supporting increased pay scales.

The staffing and training issues are amplified by an evaluation and incentive structure that rewards the quick and easy path. The counts approach encourages questionable restriction and shortcuts to first office action, rather than thorough and complete consideration of all issues from the start. Poorly considered first office actions spawn lengthy, combative prosecution. Issues are amplified, rather than resolved. The overall process is degraded, time is wasted, and the resulting patents have quality issues.

IV supports processes and procedures that emphasize doing the job right the first time, resolving issues at the earliest possible opportunity, and incentivizing well-considered rejections while dissuading poorly-considered rejections. Accordingly, IV supports extending the quality review program to address issues arising at the start of prosecution.

The quality review process should also produce statistical data that would become part of the metrics for evaluating examiners. These should include whether initial and final rejections under section 102 actually include identification of each element of claims in the reference. In addition, the PTO can solicit feedback from practitioners regarding the quality of the examination from examiners.

IV further supports rationalizing the incentive structure along these lines. This would include revising the performance metrics to base them upon overall pendency. The overall pendency metric would include extra credit for properly pursued final rejections and no credit for poorly considered final rejections, particularly those that are withdrawn without response to appeals briefs. This would reduce an all too common practice. Credit for first actions should be limited to those actions that meet a reasonable minimum standard.

While third party submissions may improve quality, they should be considered advisedly. Guidelines should be established to limit shoddy submissions of art that distract and burden the examiner instead of providing useful targeted information. For example, third party submissions should include identification of each element in the submitted references, and, for obviousness submissions, identification of the elements and suggestion to combine in the references.

CONCLUSION

The problems have been developing over a lengthy period and will take time and concentrated effort to fix. In addition to its hiring, training and retention, the PTO can begin this process by adopting policies that encourage addressing issues fully and completely at the first opportunity.

Instead of facing these issues, the proposed rules appear to be an attempt at a quick fix. That will push the clog further into the pipe by forcing applicants to appeal aggressively, present claims directed toward restriction rather than coverage, and artful descriptions of the coverage and art. The rules do not truly address the issues and appear likely to decrease efficiency and quality at the cost of damaging property rights.

IV supports continuing and increasing efforts in hiring, training, and retention and quality and productivity metrics based upon the overall examination, including first office actions. A policy of doing the job right the first time, resolving issues at the earliest possible opportunity, and incentivizing well-considered rejections while dissuading poorly-considered rejections.

On a personal note, the author has interacted productively for several years with the PTO on behalf of small innovative companies and inventors, not only as patent counsel, but also as a corporate officer, technologist, and named inventor. My experience has been that, where interactions between applicants and the PTO are cooperative and non-combative, the process works efficiently and effectively. The system works best

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when both parties communicate effectively and try to address issues completely at the earliest opportunity. Difficulties arise where parties on either side avoid communicating, try to game the system, procrastinate on issues, or take unreasonable, intransigent positions.

I also have represented such companies in their licensing, funding, valuations, and related negotiations. On more than one occasion, the value of the patents and the success of the endeavor turned on attention to the details— careful choice of words, complete delineation of inventions in the claims, and considered prosecution. Shortcuts at the start inevitably end up costing more time, effort, and money than simply doing it right the first time.

I believe that, overall, the patent process and the PTO have been and can continue to be efficient and effective as long as the basic rules encourage effective communications, allow effective protection of inventions, deal with issues promptly, eliminate inducements to gaming, and include long-term commitment to hiring and retaining good people.

Sincerely,

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