

MAY-03-2006 15:14

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P.02/08

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Los Angeles Intellectual Property Law Association

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May 3, 2006

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Dear Commissioner Doll:

These comments are submitted on behalf of the members of the Los Angeles Intellectual Property Law Association in regard to the United States Patent & Trademark Office's (PTO) Notice of proposed rule making entitled "Changes to Practice for Continuing Applications ..." published on January 3, 2006, at 71 Fed. Reg. 48. As will be discussed in further detail below, we oppose the proposed rules.

The LAIPLA is an organization of approximately 600 intellectual property attorneys. Our membership includes all facets of intellectual property practice, including solo practitioners, intellectual property specialty firms, general practice firms, and many in-house attorneys employed directly by corporations. Hence, the LAIPLA members represent a wide assortment of patent applicants of all sizes and industries from throughout the southern California region. We had the opportunity to learn firsthand about the proposed rules during our annual Washington in the West conference held in January 2006, which included as guest speakers Robert Spar, Director of the PTO's Office of Patent Legal Administration, and James Toupin, General Counsel of the PTO. Their presentation stimulated a great deal of discussion regarding the proposed rules among our members. These comments are the result of those discussions and reflect the general feelings of our members.

Our members feel that the proposed rules represent a significant barrier to our clients' ability to obtain meaningful patent protection for their inventions. The southern California region is notable for the high number of entrepreneurial individuals and companies pioneering new technologies in fields as diverse as entertainment/media, electronics, aerospace, energy, software, and biotechnology. The extent to which these companies are able to compete and succeed in the world marketplace depends to a significant degree on their ability to obtain protection for their

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PAGE 2/8 \* RCVD AT 5/3/2006 5:53:39 PM [Eastern Daylight Time] \* SVR:USPTO-EFXXRF-1/11 \* DNIS:2737735 \* CSID: \* DURATION (mm-ss):03:54

MAY-03-2006 15:15

D'MELVENY &amp; MYERS

P. 03/08

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intellectual property. By limiting our clients' ability to pursue continuation applications, the PTO is taking away an essential tool that has heretofore proven valuable in maintaining the competitiveness of these technology innovators.

Moreover, our members feel that the PTO has overstepped its statutory authority in proposing such a restriction of patent rights, and has also acted in manner that is contrary to the general trend of case law precedent issued by the Federal Circuit Court of Appeals. While we laud the PTO's objective in reducing the significant backlog of patent applications awaiting examination, we feel that there are other more effective ways of achieving that goal without taking away the rights of patent applicants. Each of these issues is addressed in more detail in the following subsections.

## **A. The Proposed Rules Take Away Applicants' Patent Rights**

The proposed rules will dramatically change current practice by limiting patent applicants to a single continuing application. This proposed change will have the effect of severely restricting an applicant's ability to obtain meaningful patent protection, and hence take away rights that patent applicants have long benefited from.

More specifically, the proposed rules place a limit on the number of requests for continued examination (RCEs), continuations, and continuations-in-part that can be filed. In particular, the proposed change to 37 C.F.R. § 1.78(d)(1) provides certain conditions to permit a claim for priority under 35 U.S.C. § 120, including:

The nonprovisional application is either a continuation application as defined in paragraph (a)(2) of this section or a continuation-in-part application as defined in paragraph (a)(4) of this section that claims the benefit under 35 U.S.C. 120, 121, or 365(c) of *only a single prior-filed application*, the benefit of such prior-filed application not being claimed in any other nonprovisional application other than a divisional application in compliance with paragraph (d)(1)(ii) of this section, and no request for continued examination under § 1.114 has been filed in the prior-filed application.

A similar limitation on subsequent filings of RCEs is provided by the proposed change to 37 C.F.R. § 1.114(f). A related limitation is imposed on divisional applications in which an applicant would only be permitted to file divisional applications that result from a restriction requirement, hence eliminating the availability of so-called voluntary divisionals.

Under current practice, there are no limits on the number of continuation applications, RCEs or voluntary divisionals that can be filed. Indeed, patent applicants take full advantage of the absence of limits by routinely filing continuing applications, RCEs and voluntary divisionals in many cases. The LAIPLA does not dispute the PTO's assertion that the unrestricted filings of these continuing applications has increased the backlog of cases awaiting examination at the PTO. Nevertheless, the LAIPLA members believe that the unrestricted use of continuing applications, RCEs and voluntary

LA2:798160.1

PAGE 3/8 \* RCVD AT 5/3/2006 5:53:39 PM [Eastern Daylight Time] \* SVR:USPTO-EFXRF-1/11 \* DNIS:2737735 \* CSID: \* DURATION (mm:ss):03-54

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P.04/08

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divisionals has proven necessary to obtain adequate patent protection in view of the weaknesses of the examination received at the PTO and the limitations on application of the doctrine of equivalents by the courts.

Our members often experience inconsistency in the quality of examination reflected by Office Actions issued by the PTO. This is particularly true of first Office Actions, which in many instances reflect a mistaken understanding of the invention as claimed and cite prior art references that are inapplicable to the invention. An applicant's response to the first Office Action in many instances serves to educate the Examiner on the invention. While this often results in a second Office Action that shows a better understanding of the invention, there are many other instances in which the application goes through multiple rounds of rejections without proper recognition by the Examiner of the merits of the invention. In such cases, an applicant will regularly use the RCE procedure in order to advance the application to allowance most expeditiously. The proposed rules will eliminate the availability of this remedy, since an applicant would want to keep available the single continuation opportunity for as long as possible.

During their remarks to the LAIPLA at the Washington in the West conference, the PTO representatives acknowledged these deficiencies of the examination process and expressed their belief that the quality issues relate to the backlog of examination. While there may be a correlation between the backlog and examination quality, there is no evidence that the proposed changes to the continuation practice will have a positive effect on examination quality. Since quality is also a factor of Examiner training, background education, years of experience, and English language skills, unless these other factors are addressed it is just as likely that examination quality will remain unchanged notwithstanding the reduction in backlog. Moreover, without the RCE procedure as a tool to overcome a final rejection, more applicants will opt to file appeals to the Board of Patent Appeals and Interferences, thereby shifting the backlog to that venue.

With respect to divisional applications, the proposed rule changes would result in a more restrictive practice than the internationally accepted standard that permits voluntary divisionals at any time during pendency of the parent application (e.g., European Patent Office) or at several stages throughout the prosecution even after appeal (e.g., Japanese Patent Office). In view of the cooperation of the Trilateral Patent Offices, i.e., the PTO, JPO and EPO, it would be desirable to have similar divisional practice standards, in particular since neither the JPO nor the EPO report any evident abuse of these relatively liberal divisional rules. Since there is no evidence that the current divisional rules have led to an excessive number of applications, the examination backlog is not a valid justification for such significant restrictions on the divisional practice.

Continuation applications and voluntary divisional applications are also important because it is difficult for a patent applicant to predict how a technology will be adopted in the future. Over time, a patentee may discover to her dismay that important aspects of the invention were not adequately claimed, or that unnecessary claim limitations led enabled simple design-arounds by competitors. By having a continuation application pending, patent applicants can present new or different claims that reflect actual

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PAGE 4/8 \* RCVD AT 5/3/2006 5:53:39 PM [Eastern Daylight Time] \* SVR:USPTO-EFAX-1/11 \* DNIS:2737735 \* CSID: \* DURATION (mm-ss):03-54

MAY-03-2006 15:16

O'MELVENY &amp; MYERS

P.05/08

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adoption of the technology by competitors in the marketplace. This consideration has been exacerbated by changes in the law that have limited the availability of the doctrine of equivalents in patent infringement litigation. The proposed rules severely limit the ability of a patent applicant to present new claims in the future in response to competitive pressures.

We acknowledge that the proposed rules provide a mechanism to enable submission of a continuing application that is filed "to obtain consideration of an amendment, argument or evidence that could not have been submitted during the prosecution of the prior-filed application." See proposed 37 C.F.R. § 1.78(d)(1)(iv). The submission must include a petition showing these facts to the satisfaction of the Director of the PTO. Nevertheless, it is impossible for our members to predict at this stage how onerous an evidentiary showing must be made in order to obtain a granted petition. At a minimum, our members are concerned that the evidentiary record presented in such a petition would ultimately undermine any issued claims by providing file history that would serve to limit the scope of such claims.

Accordingly, our members consider the petition mechanism to provide only illusory relief to the punitive effect of the proposed restriction on continuation practice.

## **B. The Proposed Rules Exceed the Authority of the PTO and Contravene Established Case Precedent**

A patent applicant's unrestricted right to pursue continuing applications is defined by statute at 35 U.S.C. § 120, which provides in pertinent part:

An application for patent for an invention disclosed in the manner provided by the first paragraph of section 112 of this title in an application previously filed in the United States, or as provided by section 363 of this title, which is filed by an inventor or inventors named in the previously filed application shall have the same effect, as to such invention, as though filed on the date of the prior application, if filed before the patenting or abandonment of or termination of proceedings on the first application or on an application similarly entitled to the benefit of the filing date of the first application and if it contains or is amended to contain a specific reference to the earlier filed application.

Section 120 provides only three restrictions to the right to claim priority as a continuing application: (1) the application must be filed by an inventor or inventors in the previous application; (2) the application must be filed before the patenting or abandonment of the previous application; and (3) the application must contain a specific reference to the previous application. There are no limits in the statute on the number of continuing applications that may be filed, nor is there any grant of authority to the PTO to further limit the number of continuing applications.

Moreover, pursuant to the most recent change to 35 U.S.C. § 154(a)(2), the term of a continuing application is 20 years running from the filing date of the prior filed application to which priority is claimed. In making this change to the law, Congress

LA2:798160.1

PAGE 5/8 \* RCVD AT 5/3/2006 5:53:39 PM [Eastern Daylight Time] \* SVR:USPTO-EFXRF-1/11 \* DNIS:2737735 \* CSID: \* DURATION (mm-ss):03-54

MAY-03-2006 15:16

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P.06/08

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specifically considered the practice of filing multiple continuation applications (popularly referred to then as "submarine patents"), and concluded that a restriction on the term provided an adequate safeguard against abuse of the continuing application process. Hence, Congress implicitly recognized the right of patent applicants to pursue continuing applications, subject only to the foregoing restrictions defined by section 120.

By restricting the filing of continuing applications and voluntary divisionals, the proposed rules contravene the rights established under the foregoing patent statutes. In this regard, the LAIPLA membership contends that the PTO will have exceeded its statutory authority if it proceeds with adoption of the proposed rules in their current form. As discussed above, the petition mechanism provides only illusory relief from the onerous effect of the restriction on continuing application practice, and thereby does not make up for the abuse of statutory authority resulting from the proposed rules.

Moreover, the implications of the proposed rule changes must be weighed against the backdrop of current patent jurisprudence. Over the last decade, the Federal Circuit Court of Appeals has repeatedly considered the scope and application of the doctrine of equivalents, as reflected by *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 234 F.3d 558 (Fed. Cir. 2000) (en banc), vacated and remanded, 535 U.S. 722, 122 S. Ct. 1831 (2002), and its progeny. The general trend of these cases is that the doctrine of equivalents is available in only limited circumstances, and that a patentee must instead rely upon literal infringement in order to enforce patent claims against an accused infringer. The Federal Circuit has also held that any subject matter disclosed but not claimed would be dedicated to the public. *Johnson & Johnston Assocs. v. R.E. Service Co.*, 285 F.3d 1046 (Fed. Cir. 2002). The practical effect of these Federal Circuit decisions has been to encourage patentees to increase their numbers of patents and claims in order to preclude infringement and prevent design-around by competitors.

This reaction by patent owners explains in part the increase in pending patent applications that the PTO has noted. But, rather than working with patent applicants to accommodate this changing legal trend and greater examination load, the PTO has proposed rules that would make it even more difficult for patent applicants to keep up with the current trend in the law. We therefore urge the PTO to not pursue rule changes that would limit patent applicants from pursuing continuing applications, RCEs or voluntary divisionals.

We also note that the PTO's decision to not conduct a public hearing on the proposed rule changes is a mistake. These rule changes are potentially disastrous for our clients for the reasons discussed above. The PTO must give the public a full and complete opportunity to be heard on this issue before implementing such significant rule changes.

## **C. Examination Backload Reduction Can Be Achieved Without Impacting Applicant's Rights**

As explained by the PTO representatives at the Washington in the West conference, the PTO is facing a crisis with respect to the large backlog of unexamined

LA2:798160.1

PAGE 6/8 \* RCVD AT 5/3/2006 5:53:39 PM [Eastern Daylight Time] \* SVR:USPTO-EFXRF-1/11 \* DNIS:2737735 \* CSID: \* DURATION (mm-ss):03-54

MAY-03-2006 15:17

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P.07/08

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patent applications. This backlog means that patent applications are taking much longer to pass through examination, and Examiners are under increasing pressure to conduct their examinations without devoting the amount of time needed to truly understand the invention and prior art. The members of the LAIPLA acknowledge the seriousness of this situation and appreciate the PTO's efforts to find solutions to the problem. Nevertheless, the members of the LAIPLA believe that backlog reduction can be achieved without impacting patent applicants' rights.

First, the PTO should encourage examiners to make better use of the patent counsel's knowledge of the application. One way to achieve this is by requiring examiners to initiate early interviews with the patent counsel before issuing first Office Actions. If the examiner spent a half-hour discussing the application with the patent counsel, the examiner would be able to conduct a more effective search and examination, and thereby issue a more focused and accurate first Office Action. Improved dialog between the examiners and patent counsel will yield a more streamlined process and improved quality of examination. Similarly, the PTO should encourage applicants that routinely file high numbers of patent applications to provide the examiners with periodic presentations on technology trends.

Second, the PTO must find ways to increase its examining resources. The LAIPLA supports efforts by the PTO to end the practice of diversion of PTO fees to other governmental agencies. Moreover, the LAIPLA fully supports efforts to increase the size, training and support for the examiner corps. Other suggestions might include: (a) establishing satellite examining groups in lower cost areas of the country; (b) outsourcing certain examination and/or searching functions to qualified vendors; and (c) encouraging retention of trained examination personnel through flexible work arrangements, performance compensation, and other tangible benefits.

Third, the PTO should make more creative use of the fee schedule in order to reward desired applicant behavior and discourage unwanted behavior. For example, the PTO could implement a tiered fee structure in which the filing fees increase with each successive continuation application that is submitted. An applicant would thus be discouraged from pursuing a large number of continuation filings unless they are truly important to adequately protect its patent rights. Also, the PTO could enable deferred examination as is currently done in other countries. The deferred applications would be taken off the examination schedule and thus would not contribute to the examination backlog. The PTO could also encourage applicants to remove patent applications from the backlog by offering to refund a portion of the fees. In some cases, patent applicants lose interest in an application, such as due to financial hardship of the applicant, and may welcome the opportunity to recover some fees in return for removing the application from the examination queue.

The LAIPLA members believe that each of these suggestions would have a positive effect in reducing the examination backlog without taking away an applicant's rights.

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LA2:798160.1

PAGE 7/8 \* RCVD AT 5/3/2006 5:53:39 PM [Eastern Daylight Time] \* SVR:USPTO-EFXRF-1/11 \* DNIS:2737735 \* CSID: \* DURATION (mm-ss):03-54

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P.08/08

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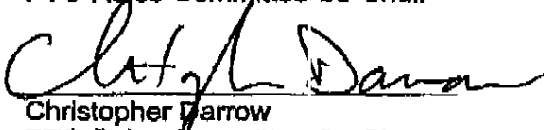
Los Angeles Intellectual Property Law Association

While the LAIPLA supports the efforts of the PTO to improve the quality and efficiency of patent application examination, the LAIPLA opposes the proposed rules for the reasons set forth above. Our members look forward to working with the PTO in resolving the examination backlog problem in a manner that respects patent applicants' rights and provides greater resources to the patent examining corps.

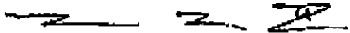
Submitted on behalf of the Board of Directors of the LAIPLA,



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PTO Rules Committee Co-Chair



Christopher Darrow  
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Submitted on behalf of the Board of Directors of the LAIPLA,



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