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To: AB93Comments

Subject: Comments

Attached are my comments on the proposed rule changes to limit continuing applications and the number of claims examined in an application.

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The Honorable Jon Dudas
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Comments on Proposed Rules Submitted By Nicholas P. Godici

I am writing to comment on the two proposed rule changes published by the USPTO on January 3, 2006, specifically; "Changes to practice for Continuing Applications, Requests for Continued Examination Practice, and Applications Containing Patentability Indistinct Claims", 71 Fed. Reg. 48 and "Changes to Practice for Examination of Claims in Patent Applications", 71 Fed. Reg. 61.

I am currently Executive Advisor at the firm of Birch, Stewart, Kolasch & Birch, LLP. Additionally, I spent over 33 years at the United States Patent and Trademark Office (USPTO) starting as a patent examiner in 1972 and holding various positions within the agency including Supervisory Patent Examiner (SPE), Group Director, and Commissioner for Patents from 2000 to 2005. I also served as acting Undersecretary of Commerce for Intellectual Property and Director of the USPTO from January to December 2001. The following are my personal comments and are not submitted on behalf of my current employer.

General Comments

While I understand the USPTO's concern over the growing backlog of applications and increasing pendency times and public concerns over the quality of patents being issued by the agency, I believe that the two proposed rules will not alleviate these concerns and in my opinion are the wrong approach. In fact, I believe implementation of these proposals will increase pendency and limit an inventor's ability to obtain the scope of patent protection that currently serves as an incentive to innovation and economic growth in the United States today.

The USPTO proposes to limit the applicant's ability to file more than one continuing application and to limit the number of claims that will be examined in any application to no more than ten. Limiting patent coverage currently available to inventors should not be an objective of the agency within the U.S. government responsible for protecting inventor's rights and encouraging innovation. The USPTO can best serve the public by issuing high quality (legally sound) patents of proper scope in an efficient and timely manner. The ability to obtain patent rights acts as a catalyst to innovate, attracts investment, and spurs economic growth. Any change in the rules governing the patent process in the United States must be assessed against these goals of the patent system. The two proposed rule changes work against these broad goals of the U. S. patent system and therefore should not be adopted.

Limiting Continuing Applications

The USPTO states that up to one-third (approximately 133,000) of the applications filed each year are continuing applications and constitute "rework" because patent examiners spend time reviewing these applications for a second or third time rather than taking up a "new applications" for examination. Therefore the rationale for the proposed rule is to limit applicants to a single continuing application eliminating the need for the USPTO to examine about 22,000 second and subsequent continuing applications. An additional rationale heard is that some applicants "abuse" the patent system by keeping continuing applications pending within the USPTO so that claims can be submitted to cover products that make it to the market place well after the original filing (or to cover products being developed in the market place by others). The fact is that continuations, continuations-in-part, divisionals, and request for continued examination (RCEs) are all legitimate types of applications that are necessary tools for applicants in obtaining patent coverage to adequately protect their innovations. Many times applications contain complex systems with combinations, subcombinations, inventive processes, genus, species and multiple uses. Some claims originally submitted are found too broad by the examiner while other times the examiner will indicate that narrower claims would be allowable. Applicants will allow patents to issue with these narrower claims and then file continuing applications to obtain the broader coverage they are entitled to. Arbitrarily cutting off the applicant at one continuing application penalizes applicants who are legitimately attempting to secure the patent rights they deserve.

There are numerous other situations where continuing applications are legitimately used. C-I-Ps are used when further development of the invention results in additional subject matter being disclosed and claimed. Often times USPTO examiners have encouraged, if not required, the filing of RCEs before allowing amendments to the claims that would render the application allowable.

Limiting legitimate use of continuing applications to reduce USPTO workload by a mere 4% or to address abuse of the system by a very few applicants strikes me as overkill, using a sledge hammer to swat a fly. Certainly there is a more elegant way of dealing with “abuse” of the system.

As if limiting continuing applications were not bad enough, the USPTO proposes to make these rules “retroactive” by stating that if an applicant has already filed a continuing application before the final rule goes into effect, he will be precluded from filing any further continuing applications that depend from that application. The USPTO has stated “four bites of the apple” (one chance to present and amend claims in each of two applications) is enough. The problem is that by making the rules retroactive, the unwitting applicant may have already consumed his apple without realizing it. I believe that many attorneys may advise their clients to consider filing a continuing application before the effective date of the rules if they are already prosecuting a continuing application. With the current USPTO backlog there could conservatively be upwards of 200,000 continuing applications pending. Even if a small percentage of these applicants filed a continuing application, this “dump” of applications would easily wipe out any gain from the elimination of 22,000 second and subsequent continuing applications.

Limiting Applications to Ten Claims

The USPTO indicates that applications with large numbers of claims are difficult to examine and that quality and efficiency could be improved by limiting each application to a representative set of ten claims for examination. While at first blush this proposal may seem reasonable, I believe that it will lead to protracted examination and uncertainty with respect to the presumption of validity of unexamined dependent claims that may ultimately be issued in a patent. First, I believe that the USPTO needs to analyze this proposal based on the impact of the 2005 fee increase. Claim fees were increased dramatically and I believe that applicants are not filing as many applications with large numbers of claims because of costs. At least applicants are not filing large numbers of claims indiscriminately. Second, currently with a range of claims from broad to narrow, including dependent claims, examiners indicate where allowable subject matter can be found in dependent claims. This advances prosecution by giving the applicant the option of incorporating the allowable subject matter into independent claims. With the examination of only ten claims, the vast majority of first office actions will be a rejection of all claims since applicants will initially submit broad claims before seeing the results of the examiner’s search. It may take one or two office actions to get to the same indication of allowability that would have been accomplished in an initial office action under the current rules. This will only extend prosecution and result in the filing of more first continuing applications. This inefficient examination or “piecemeal” examination will work against the goal of timely efficient examination. Additionally quality could suffer since the later submission of narrower claims will cause the examiner to either extend the search or assume that the limitation was covered in the initial search.

This later situation could lead to the improper allowance of a claim that was not properly searched. As a former examiner I agree that applications with a very large number of claims cause a problem, however, that number is certainly not eleven. The USPTO has simply set this arbitrary number too low for efficient examination in this proposed rule. The result will be an impact opposite to the intended result.

Again, the USPTO proposes to make this rule retroactive. That is, any pending application that has not yet been examined will receive an action on only ten designated representative claims. If the applicant does not designate claims, then the examiner will act on only the independent claims in the application. This could be significantly less than ten. Thus attorneys will be forced to contact their client and discuss designating claims. The USPTO estimates that it has between 600,000 and 700,000 applications awaiting first action. The costs to applicants just to designate ten claims for examination in the applications sitting on the shelf waiting for examination at the USPTO and already paid for could easily exceed \$100 million.

A better approach

The USPTO should consider a multi-pronged approach to address quality and pendency problems. I agree with the proposals put forward by the AIPLA in their response to these rule changes and will attempt not to be repetitive of their suggestions but supplement them.

I believe that there is no quick fix to the issues facing the USPTO today. Lack of funding (fee diversion) through the decade of the 1990s through 2004 caused the USPTO to make choices between hiring, training and retaining more examiners and modernizing the office electronic systems. Too often there was not enough money to do both and compromises had to be made. The result was limited resources for hiring and the spiral of high pendency was generated. Now that Congress has ended the diversion of fees from the USPTO, providing the Office access to all of its collections in 2005 and 2006, the Office has the opportunity to rebuild the examining corps to address the pendency and quality issues it faces.

First and foremost the USPTO needs to build up the examining corps by hiring top quality examiners, training them well, and retaining not only the newly hired examiners, but also more importantly the experienced examiners on staff today. While the USPTO has announced aggressive hiring goals, it does little good to hire 1000 examiners and lose 500 during the same year. The constant hiring and training of examiners is a drain on managers and the experienced examiners who train the new recruits. The USPTO attrition rate has gone up to over 10%. In my opinion and experience nothing will improve both pendency and quality more than lowering this attrition level. In 2001 a special pay rate for patent examiners

reduced attrition rates from 14% to 7.8%. The patent community would support higher pay for examiners and I believe the USPTO should seek authority either through existing OPM processes or through the restructuring of the USPTO as a quasi-government corporation. In today's market, the combination of engineering or scientific expertise with skills in patent law and procedures is a hot commodity. In order for the USPTO to be positioned to compete for top quality human resources, they must have the ability to compensate examiners at competitive market salaries for their skills and contributions.

Additionally, to help pendency, the USPTO should be using the work of other patent offices and PCT authorities when available. Reliance on the available search reports and examination documents from other IP offices should be mandatory for USPTO examiners. All too often the USPTO does not take advantage of the work done by other offices and authorities and the efficiencies and quality improvements that could result.

The examiner production goal and credit system needs to be updated. I believe that credit or time should be shifted so that more time should be given for the examination of a new application while the time or credit for continuing applications and applications that can leverage work from other offices or authorities could be reduced. This would diminish the incentive examiners have to encourage the filing of continuations, divisionals, and RCEs for production purposes. Additionally I believe that after final practice should be changed so that meaningful examination occurs after final when an allowance can be achieved. Examiners should be rewarded for concluding prosecution without the need for refiling applications when appropriate. Higher pay, better training, and a professional working environment coupled with accountability by examiners for high quality and efficient examination would, in my opinion, be the best approach for the USPTO to take.


Finally, I think the public needs to have realistic expectations when it comes to patent quality and Congress should adopt proposals currently under consideration that would help alleviate the pressure that exists on the USPTO. The reality is that the USPTO devotes on average, 20 examining hours per application. Reasonably high quality should be expected, but perfection should not be expected and will not be achieved in every application. Third party prior art submissions and post grant review legislation should be passed by Congress to aid the examination process and provide the USPTO the opportunity to consider new evidence post issuance.

Summary

It is my opinion that the USPTO should not attempt to solve its backlog and quality problems by limiting the number of applications and claims that may be filed by inventors. Instead the USPTO should be proposing solutions that provide inventors with patents that adequately protect their intellectual property and at

the same time protect the public by ensuring those patents are proper under the patent statutes. Additionally, implementing these proposed rules will not achieve the results the USPTO expects. I believe an opposite impact of longer pendency and diminished quality will result. I urge the USPTO to reconsider these proposals, take a step back and open a dialog with the patent community that is more than willing to work with the USPTO to arrive at alternative approaches to the pendency and quality problems.

Submitted May 3, 2006


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