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**Sent:** Wednesday, May 03, 2006 5:23 PM

**To:** AB94Comments

**Cc:** 'Herbert C. Wamsley'

**Subject:** IPO Comments on Proposed Rules on the Examination of Claims

**Importance:** High

Attached are IPO's Comments on PTO's proposed rules on the examination of patent application claims. Please confirm your receipt of this email and contact me or Herb Wamsley (202/466-2893) if you have any questions. Thank you.

**Mr. Dana Robert Colarulli**

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May 3, 2006

The Honorable Jon W. Dudas  
Under Secretary of Commerce for Intellectual Property  
and Director of the United States Patent and Trademark Office  
Mail Stop Comments  
P.O. Box 1450  
Alexandria, VA 22313-1450  
Attention: Robert A. Clarke

**RE: Comments on Proposed Rules: "Changes to Practice for the Examination of Claims in Patent Applications," 71 Fed. Reg. 61 (Jan. 3, 2006)**

Dear Under Secretary Dudas:

I am writing on behalf of Intellectual Property Owners Association (IPO) to comment on the proposals on claims in patents applications that were published at 71 Fed. Reg. 61 on January 3, 2006. We appreciate the opportunity to comment.

### INTRODUCTION

IPO strongly supports appropriate actions to stem the rising tide of unexamined patent applications, including the current program for hiring and training 1,000 patent examiners a year for several years. For reasons explained in this letter, however, we cannot support the proposal to limit the initial examination of a patent application to no more than 10 independent and dependent claims that are designated by the applicant. We propose instead an increase in fees for excess claims, if needed, and other actions outlined below.

IPO is a trade association representing companies and individuals in all industries and fields of technology who own or are interested in intellectual property rights. IPO's membership includes more than 200 companies and a total of 7,700 individuals who are involved in the association either through their companies or as IPO inventor, author, executive, law firm or attorney members. Our corporate members file about 30 percent of the patent applications filed in the USPTO by U.S. nationals. We believe patent laws and rules usually should apply in the same way to all industries and technologies. Patent laws and rules should be designed to provide strong incentives for innovation while minimizing expenses for patent applicants and owners and for parties who may be accused of patent infringement.

## EXAMINATION LIMIT OF 10 CLAIMS

Proposed rule 1.75(b) and related rules would require a patent applicant to designate a total of no more than 10 claims, independent and dependent, for initial examination, unless the applicant chose to file an "Examination Support Document," a complicated and burdensome document discussed below that we believe would be seldom used. If an applicant designated up to 10 claims for initial examination, the Federal Register states that the Office would defer examination of the remaining dependent claims until the application was otherwise in condition for allowance. The Federal Register states, "The Office . . . will examine every claim in an application before issuing a patent on the application." We understand, however, that the Office would not conduct a search of the prior art for deferred dependent claims, but only an examination for compliance with 35 U.S.C. 101 and 112, which is a lesser examination than dependent claims receive under existing practice when an independent claim is initially rejected.

We oppose the proposed rules because (1) 10 claims are inadequate for many patent owners, (2) the 10-claim limit is unlikely to reduce the application backlog, and (3) the proposed Examination Support Document would not be used.

### Ten Claims Are Inadequate for Many Patent Applicants

According to a recent USPTO presentation, the largest number of 2005 applicants -- more than 35 percent -- had between 11 and 20 claims in their applications at the time of filing. About 20 percent had between 1 and 10 claims. A majority had between 11 and 30 claims. Only a small percentage filed more than 40 claims. The percentage of applicants who filed more than 25 claims dropped slightly in 2005, which was the first year of substantially higher fees for excess claims imposed by the Consolidated Appropriations Act of 2004.

This data suggests that most applicants believe more than 10 claims are needed to adequately define their inventions. Many IPO members believe the *Festo* case limited the doctrine of equivalents and claim interpretation became more unpredictable after the *Markman* case, so that it is now more important to spell out detailed and alternative features of the invention in the claims. If patents are limited to 10 claims, new technology may not be adequately protected, and the patent system's incentives to invent and to invest in future technology will be weakened.

The Office apparently believes an examiner's effort is wasted in examining dependent claims that stand or fall with the claims from which they depend, but this often is not so. Under existing examining practice, if an independent claim is rejected in the first action, the examiner also searches the dependent claims, and the results of that search are in the record. If the dependent claims are later asserted in litigation, the search results may bolster validity. Deferred dependent claims that were never subjected to a prior art search might receive less respect in litigation.

### The 10-Claim Limit is Unlikely to Reduce the Application Backlog

The proposal to defer examination of dependent claims in excess of the 10 claim limit goes against the conventional wisdom, espoused by the Office for many years, that efficiency is achieved by avoiding piecemeal examination. Until now applicants have been urged by the Office to provide a range of claims from broad to narrow in the initial application, so that the examiner can consider all of the claims in the first action. The proposal to designate less than all of the claims for initial examination seems inherently inefficient. The analogy in the Federal Register notice to use of representative claims by the Board of Patent Appeals and Interferences and the courts is inapt. Those bodies give the patent applicant or owner an opportunity to present each claim issue separately.

The Office has presented no metrics on the amount of time that would be saved by examiners by limiting applications to 10 claims total for initial examination. Only 1.2 percent of all applications contain more than 10 independent claims, and, as noted, only a small percentage have more than 40 claims total. We believe it is likely that time saved by examiners in considering only 10 claims initially would be more than offset by the burden of extra patent application filings, appeals to the Board of Patent Appeals and Interferences, petitions, and added complexity of the examining process. Patent attorneys, properly, are zealous in their pursuit of claims they believe are necessary to protect their clients' inventions. Despite proposed rule 1.75(b)(4), which attempts to prevent filing extra applications containing claims that might be considered patentably indistinct in order to avoid the 10-claim limit, extra applications would be inevitable and time would be spent litigating double patenting issues in the Office. Also, applicants might be more likely to appeal rejections of more broadly worded claims if faced with a limit on the number of claims.

The cost of implementation of the rules for the Office and applicants would be enormous. The Office proposes to make the rules apply to the hundreds of thousands of pending applications with a first action by the effective date of the rules. Most applicants who had not had a first action would have to conduct a time-consuming and expensive review of their applications and correspond with the Office. The Office's resources would be better spent concentrating on examining applications than on administering procedures for limiting claims, applying new definitions of independent claims, providing refunds for cancelled claims, and a host of other complexities in the proposed rules.

### Examination Support Documents Would Not be Used

Proposed rule 1.261 defines an "Examination Support Document" that could be submitted to avoid the 10-claim limit. An examination support document would include: (1) a statement that a pre-examination search was conducted, including an

identification in detail of the field of search, (2) an information disclosure statement citing the references deemed most closely related to the subject matter of the claims, (3) an identification of all of the limitations of the claims that are disclosed by each cited reference, (4) a detailed explanation of how each of the independent claims is patentable over the references cited, (5) a concise statement of the utility of the invention as defined in each of the independent claims, and (6) a showing of where each limitation of the claims finds support under the first paragraph of 35 U.S.C. 112 in the written description of the invention. The pre-examination search would have to cover claimed features and features that may be claimed. It would have to extend to publications, foreign patents and non-patent literature unless the applicant included a statement justifying “with reasonable certainty” that “no references more pertinent than those already identified are likely to be found in the eliminated source. . . .”

We believe very few IPO members would be willing to file such an Examination Support Document. The cost of such a document would be substantial. The analysis and writing required by such a document is more akin to that which is undertaken in patent litigation than that undertaken in patent application preparation and prosecution. Moreover, most IPO members would be wary of the risks of being accused in subsequent litigation of making misleading statements or failing to disclose information. Patent owners today already are subject to far too many charges of inequitable conduct attacking their good faith decisions whether to cite references to the Office and their good faith arguments made to the Office after examination has begun. The Examination Support Document requires numerous new statements, explanations and showings by the applicant that would create huge, unforeseeable risks despite the applicant’s best intentions.

We note that the Office has provided no information on the expected savings from use of Examination Support Documents. Patent examiners are experts in the arts in which they examine, and it is unclear how much they would rely on pre-examination work performed by applicants. As we understand it the Office does not rely on Patent Cooperation Treaty or foreign patent office searches and examinations to any great extent. The incentives for examiners to rely on Examiner Support Documents have not been explained.

#### FEES FOR EXCESS INDEPENDENT AND DEPENDENT CLAIMS

IPO strongly supports adequate funding for the Office. Patent applicants and owners must pay fees adequate to support the costs of the Office’s patent examining operations. To the extent that current fees for independent and dependent patent claims do not cover the Office’s costs of examining claims, fees for claims should be increased.

The Consolidated Appropriations Act of 2004 raised the fee for independent claims in excess of three from \$88 a claim to \$200 a claim. The fee for total claims in

excess of 20 was raised from \$18 a claim to \$50 a claim. IPO supported these fees, which were fees to cover the extra costs of examining extra claims and not penalty fees. If these fees do not cover the costs of examining extra claims, IPO would support a further increase in claim fees to cover these costs.

This is a convenient time for Congress to adjust excess claim fees upward again if needed. The patent fees increases of the Consolidated Appropriations Act of 2004 will expire on September 30, 2006, unless Congress takes action to extend them. IPO supports a temporary extension of the 2004 fee increases, which have produced \$200 million annually in additional revenue for the Office and enabled the current program to hire 1,000 patent examiners a year for the next several years. If the legislation prohibits diversion of fees to unrelated government programs, we would support making the 2004 increase permanent. If the \$50 and \$200 fees for excess claims do not cover the Office's costs of examining applications with more than three independent claims and 20 claims total, we urge the Administration to ask Congress to raise the excess claim fees again, effective October 1, 2006, as a part of the legislation to extend the 2004 fee increases.

We address the important subject of examiner productivity goals in our companion letter on the proposed rules on continuation applications. Without question it requires more time to examine applications with more claims. Examiners should have more time to examine applications with more claims. If the productivity goals, which are in urgent need of revision for other reasons, do not adequately take into account the number of claims in a typical application in an examiner's docket, the goals should be revised to do so.

#### HIRING AND TRAINING ADDITIONAL PATENT EXAMINERS

IPO strongly supports the Office's program for hiring and training 1,000 examiners a year for the next several years. This is the most effective single action that can be taken to deal with the backlog of unexamined patent applications. Hiring more examiners was a principal reason why the private sector supported the 2004 fee increase to generate \$200 million a year in USPTO revenue. Office officials in several speeches have said the Office "cannot hire its way out of its current crisis," but is this correct?

According to a recent USPTO graph, the hiring program will cause the now-rising pendency time of patent applications in the Office to level off at less than 35 months by 2009. Pendency must be reduced below that level in order to provide notice of ownership of patent rights to the public at a reasonably early date. In its comments on the Office's 21<sup>st</sup> Century Strategic Plan, IPO reiterated its support for the traditional goal of 18-month average pendency, which was last achieved 15 years ago.

We believe, however, that the Office's current hiring plan, together with more modest actions than the proposal for a 10-claim limit, including possible legislation to further increase fees for excess claims, can reduce patent pendency to acceptable levels without interfering with the ability of patent applicants to claim their inventions adequately.

#### ADDITIONAL COMMENTS AND SUGGESTIONS

Unity of Invention Standard -- IPO has long advocated that the Office should reform restriction practice and adopt the "unity of invention" standard for the amount of subject matter that can be claimed in a single application. Artificial restrictions on the types of claims that can be included in a single application reduce efficiency of examination and cause more applications to be filed. Reform in this area may require fee legislation. We understand the Office may be completing its study of restriction practice soon.

Claims in Different Statutory Categories -- We suggest that applicants be encouraged to bring to the Office's attention claims in different statutory categories that can be examined together. This could increase examiner efficiency by avoiding separate examination of claims that require the same field of search.

Claims Written in Alternative Form -- In response to the invitation in the Federal Register Notice to comment on how claims written in alternative form, such as "Markush" claims, should be counted, we do not see a need to change the way such claims are counted for any purpose.

Pilot Program -- While we are opposed to the 10-claim limit in any form because it would interfere with the ability of applicants to claim their inventions adequately, if the Office should decide to adopt some claim limit, we urge that it be undertaken initially as a pilot program for a period of perhaps 12 to 18 months.

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Again, we appreciate the opportunity to provide these comments. A separate IPO letter transmits our comments on the proposed rules on continued examination filings and other proposed rules that were published at 71 Fed Reg. 48.

Sincerely,



Marc S. Adler  
President