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**To:** AB94Comments

**Cc:** Brad Friedman

**Subject:** Comments of SanDisk Corporation to Proposed Rules of the United States Patent and Trademark Office regarding Changes to Practice for Continuing Applications and Examination of Claims



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Comments of SanDisk Corporation to Proposed Rules of the United States Patent and Trademark Office regarding "Changes to Practice for Continuing Applications, . . ."; RIN 0651-AB93 [Docket No. 2005-P-066] and "Changes to Practice for the Examination of Claims in Patent Applications"; RIN 0651-AB94 [Docket No. 2005-P-067]

Dear Sir:

My name is Brad Friedman, and I am Senior Patent Counsel, Director, for SanDisk Corporation of Sunnyvale, California. SanDisk is an electronics manufacturer that specializes in memory devices. SanDisk has an active program in place to protect its intellectual property. In particular, SanDisk has obtained over 495 utility patents in the United States and currently has 805 patent applications pending before the U.S. Patent and Trademark Office (USPTO).

SanDisk has several concerns and comments with respect to the rules being proposed by the USPTO regarding both continuing application practice and the actual examination of the claims. I have addressed each concern separately below.

## **I. Proposed Rule Changes for Continuing Application Practice**

Presently, the rules of the USPTO allow a regular patent application to claim priority from multiple earlier patent applications, or for multiple continuations to be filed from a regular patent application, as long as certain criteria are met, such as naming at least one common inventor and co-pendency. In addition to new applications, SanDisk, from time-to-time, files continuing applications (i.e., continuations, divisionals or continuations-in-part) after determining that this is the most effective way to protect its intellectual property.

The new proposed rules under 37 C.F.R. § 1.78 will hinder SanDisk's efforts in maximizing patent protection for its inventions. As SanDisk understands the proposed rules for Rule 78, applicants will be allowed to file only one continuation application (inclusive of a request for continued examination (RCE)) as of right ("two bites out of the prosecution apple"). The

language of the proposed rule sets out some special rules for divisional and continuation-in-part applications.

The above changes are primarily based on perceived administrative efficiency. More specifically, the USPTO bases its proposed rule changes on its perception that the filing of multiple continuations is a significant factor in the current backlog of patent applications at the USPTO. The USPTO has pointed out that, in fiscal year 2005, the USPTO received approximately 317,000 nonprovisional applications and that about 62,870 of those nonprovisional applications were continuing applications. In addition, the USPTO received about 52,750 requests for continued examination. Thus, according to the USPTO, about thirty percent  $(62,870 + 52,750)/(317,000 + 52,750)$  of the Office's patent examining resources must be applied to examining continued examination filings. The USPTO believes that reducing the use of continuation applications or requests for continued examination should allow its examiners to concentrate on examining new patent applications.

SanDisk has reviewed the numbers above and is not convinced that the proposed rule changes will solve the back-log problem. Specifically, of the 317,000 nonprovisional applications filed in 2005, only 11,800 were second continuation applications and only 10,000 or so involved second RCE requests. It is only these second filings and requests that would be affected by the proposed new rules. Thus, the proposed rules would have eliminated only 21,800 applications in 2005. However, the backlog at the USPTO grew by 28,000 cases during 2005. The new rules will not be able to decrease the backlog.

Moreover, the Patent Office resources allocated to this issue is not 30% as suggested by the numbers cited by the Patent Office, but less than 7%:  $(11,800 + 10,000)/(317,000 + 10,000)$ . Accordingly, there is no pressing or logical need to implement the proposed new rules.

Still further, all the above calculations assume that continuing applications require the same amount of time to examine as original applications, but it is evident that this cannot be the case. To the extent that the continuing applications are continuations or divisionals, the examiner is already familiar with the specification, and therefore, the general subject matter of the invention. In addition, the examiner has already searched the general subject matter area. So assuming, for example, that it takes half as long to examine such an application as an original application, it is reasonable to believe that the resource allocation could somewhere in the range of 5% or even less.

SanDisk is also concerned about how the rules will be implemented and interpreted by the USPTO. Our concerns are set forth below:

**A. Exception to Continuation and RCE Practice**

Proposed Rules 78(d)(1)(iv) and 114(f) provide narrow and ambiguous exceptions that would allow applicants more than two bites out of the prosecution apple, allowing more than one continuation (or continuation-in-part) or RCE to be filed in a single patent application. However, such an RCE or continuation or continuation-in-part application can only be filed if a petition is filed showing that the application is being filed “to obtain consideration of an amendment, an argument, or evidence that could not have been submitted during the prosecution of the prior-filed application.”

SanDisk has concerns about the “could not have been submitted” standard. For example, it is unclear under what circumstances the standard would be met. Would the standard be met if new evidence regarding commercial success of the invention would become available? What about newly discovered prior art? What if the Examiner has engaged in so-called “piecemeal examination,” which is contrary to USPTO practice per MPEP § 707.07(h)? This provision provides no guidance to the public as to when the “could not have been submitted” standard has been met. Accordingly, it is unfair to the public, contrary to the public mission of the Patent Office and should be eliminated.

## **B. Retroactivity**

Another concern of SanDisk with respect to the proposed new rules is that it is unclear how the new rules will affect patent applications that have been filed prior to the implementation of the new rules. In particular, it is unclear how a continuing application that claims the benefit of one or more prior regular patent applications will be affected. Assume an application A filed prior to the new rules and a continuation application B filed under the new rules. Does continuation application B get the benefit of the earlier filing date of application A? Does continuation application B get the benefit of the earlier filing date of the parent applications of application A? If not, then the rule is unfair to the applicant who in good faith filed application A in accordance with the rules of USPTO expecting the benefit of the earlier filing date.

## **C. The Proposed Changes to Continuation Practice Will Adversely Affect SanDisk’s Patent Portfolio**

Another significant downside of the new rules is that they severely limit SanDisk’s ability to properly protect its inventions. As mentioned previously, SanDisk has determined that there are certain times where filing multiple continuing applications is the only way to obtain the patent protection to which it is entitled. The proposed rules will eliminate this avenue for patent protection.

Additionally, SanDisk’s prosecution costs will be greatly increased without corresponding benefits to any of SanDisk, the Patent Office, or the public.

First, the limitation on continuation applications makes it necessary to include as many claims as possible in the initial non-provisional filing to cover all possible inventions. This can be done in a single patent application or multiple patent applications filed on the same date. In either case, SanDisk will be forced to spend more money up front in application and claims fees. Such initial claims will have the right to two bites at the apple. Later filed claims regarding other inventions will only get one bite at the apple (unless the “could not have been submitted” exception discussed above applies).

Second, SanDisk will need to file more appeals since the prosecution cycle will be ending sooner.

## **II. Currently-Proposed Rules Regarding Claims**

In another move to reduce the burden on examiners, the USPTO is proposing to amend 37 C.F.R. § 1.75(b) so as to reduce the number of claims that an examiner needs to initially examine. Based on SanDisk’s reading of the proposed rule, it will require the applicant to designate, at most, 10 claims for initial examination by the examiner. These 10 claims must include all of the independent claims. Any dependent claims chosen must depend from an independent claim chosen. In this situation, the examiner will limit his or her examination to the 10 designated claims. Examination of all other claims will be held in abeyance until all of the 10 designated claims are in condition for allowance.

Presently, the rules of the USPTO allow an unlimited number of claims to be filed in a patent application upon the filing of a fee that is tied to the number of independent claims and total claims in the patent application. The first three independent claims and 20 total claims are free. The USPTO dramatically increased the costs for filing claims in 2004 in an effort to cut down on the number of claims filed. Apparently, in the view of the USPTO, such increased costs have not decreased its backlog of cases.

SanDisk has serious doubts that reducing the number of claims examined will decrease the backlog of cases, and so SanDisk sees no tangible benefit from the proposed rules. Indeed, SanDisk sees a number of disadvantages in implementing the new rules which are set forth below.

### **A. SanDisk’s Patent Prosecution Will Require Increased Resources of Time and Money**

SanDisk can easily envision circumstances where it would be necessary to have more than 10 claims examined in a patent application in order to fully protect its inventions. This is common in our industry. The proposed rules offer SanDisk limited viable options to pursue those other claims. In particular, if there are more than 10 independent claims at any one time during prosecution of a single patent application, or the applicant wants more than 10 claims to be initially examined, the applicant is required to file an examination support document under 37 C.F.R. 1.261, which will require applicants to:

- conduct a preexamination search
- submit an IDS of the art deemed most closely related to the claims
- map all of the prior art to each claim on an element-by-element basis
- explain how the claims distinguish over the submitted prior art
- provide a concise statement of utility for the independent claims
- expressly show where each claim finds support in the specification

In essence, the examination support document requires the applicant to do the examiner's work, including performing a search and analyzing the claims. The cost of putting this support document together, and the clear risk of misinterpretation of the document by later infringers after a patent issues, is self-evident. Moreover, the risk of significant future litigation costs associated with this support document is high.

### **III. Likely Effects of Proposed Rules and Possible Solutions**

In situations where SanDisk files on inventions having multiple patentable features (e.g. systems with both individually and collectively patentable features), we will likely need to file large numbers of claims in a single application to force restriction requirements that will then preserve the right to one continuation per divisional. This will increase the upfront cost in drafting the application.

Another approach that SanDisk may take to keep its options open for continuations may be to file multiple patent applications directed to different, but logically related, inventions derived from the same core project (e.g. a computer system) on the same date. In addition to the up front filing fees, there will be costs associated with submitting the newly-required statement "to the satisfaction of the Director" rebutting the newly-created presumption that at least one of the claims in the parallel applications is patentably indistinct.

Another option for navigating the 10 claim limit may be to file a "picture claim" with all possible dependent claim features included. If the applicant identifies this as one of the 10 claims, the examiner will be required to examine each element of the claim, essentially resulting in an examination of all of the relevant claims.

It is doubtful that the USPTO backlog will decrease if any one of the above strategies is invoked by the rest of the patent community.

#### **IV. Solutions**

The Patent Office back-log can be effectively dealt with in a manner that neither diminishes the value of a patent nor hinders the patent prosecution process. The proposed new rules are not the appropriate solution.

One possibility is to hire more qualified examiners. Although the Patent Office announced in its latest “town hall” meetings that it believes it cannot solve the problem by hiring enough examiners, it needs to consider options such as satellite offices in other markets (e.g., near Chicago, New York, and San Francisco). One concern raised by Patent Office officials regarding satellite offices was uniformity of examination. We already see this problem and believe that uniform training of, and examination by, examiners will not be affected by the creation of satellite offices.

Maintaining satellite offices would allow the Patent Office to draw from a larger pool of candidates, for example those who do not desire to live in the Washington, D.C. area. The Patent Office should consider targeting areas of the country with large numbers of highly qualified potential examiners. Areas near to universities and high technology corridors would be fertile ground for satellite offices. Satellite offices would also work to bring the Patent Office closer to practitioners and applicants, encourage more interviews and increase the efficiency and effectiveness of examination.

A satellite office option is already expressly permitted by statute (see 35 U.S.C. § 1(b)), meaning that there would be no delay for legislative approval, only budget allocations. It is also unlikely that anyone in Congress would reject the idea of more federal money and jobs coming to his or her district in order to set up a branch office of the USPTO. It is also likely that the Patent Office would rally more support in Congress for stemming the diversion of Patent Office fees if the fee diversion will affect a satellite office.

Alternatively, we propose the option that the Patent Office could outsource certain functions, such as initial searches. In one implementation, some examiners could be tasked to perform solely initial searches and others to perform the examination. In another implementation, the initial searching function could be outsourced to an external entity. We are aware of high quality searches (available through prosecution or for hire) from searching specialists in various European patent offices.

Yet another option is to improve the quality of examination. The proposed rules are presented from the perspective that the filing of continuation applications is the cause of the delay and backlog. There are numerous instances where examiners have delayed prosecution by misapplication of the law and misinterpretation of references. Furthermore, there are a number of instances where the examiner has continued examination because he or she has found a new reference that could have been applied at an earlier time.

There are also many instances where the first office action is simply wasted either because the examiner does not have or take the time to fully understand the invention or fails to substantively consider all of the claims. This then leaves the applicant with only the second office action that truly addresses the substance of the claims. For example, if we file an application with some claims having broad scope and others having narrower scope, we now often receive a first office action where the examiner finds one or more references related to the broader claims and then asserts that this reference somehow covers other dependent claims that are clearly distinguishable. It would seem that examiners are not always looking at all of the claims as required under current rules. It is as if the 10-claim examination proposal, which SanDisk opposes, is in effect de facto.

Before enacting the proposed rules, SanDisk strongly suggests and hopes that the Patent Office consider and address the issues stated herein.

Sincerely,

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Director  
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