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From: Thomas A. Ward

Sent: Friday, September 08, 2006 4:50 PM

To: AB95 Comments

Subject: Comments On IDS Rules Proposals

Dear Sirs:

Attached are comments from the Intellectual Property Law Section Commission on Patent Rules Proposals for the State Bar of California.

Regards,

Thomas Ward

Co-chairperson, Patent Standing Committee of the Intellectual Property Law Section for the State Bar of California

**Intellectual Property Law Section
Commission on Patent Rule Proposals
State Bar of California**

**Changes to Information Disclosure Statements Requirements
And Other Related Matters
37 C.F.R. §§ 1.17, 1.48, 1.55, 1.56, 1.97, 1.98, 1.99, 1.291, 1.312, 1.555, and 1.948**

September 8, 2006

Introduction:

These comments reflect the opinions of a special Commission of the Intellectual property Section (the “Section” or the “IP Section”) of the State Bar of California (“State Bar”). The IP Section represents more than 6,700 members of the State Bar of California, many of whom practice before the United States Patent and Trademark Office (the “Office”). The Commission is made up of patent prosecution attorneys, and these comments reflect their views, although it is recognized competing interests of other members of the IP Section may be at stake. The Commission is made up of volunteers from the Patent Standing Committee and the Legislation Committee, which are subcommittees of the Executive Committee of the IP Section of the State Bar.

These comments have been reviewed and have been approved for submission by the Executive Committee. The Commission appreciates the Office’s desire to receive comments from the public, and we hope that our remarks will be recognized as a genuine effort on our part to the further development of patent practice in the United States. The Commission’s participation in this process is prompted by our desire to assist the rulemaking process by providing comment to be placed in the public record. We also hope that these remarks will be considered by the Office in formulating any Revised or Final Rule.

GENERAL COMMENTS

According to Article 1, Section 8, Clause 8: “To promote science and the useful arts, Congress may grant to authors and inventors for limited times, the exclusive right to their respective writings and discoveries.” According to 35 U.S.C. § 102, a person “shall be entitled to a patent unless” certain conditions are met. (Emphasis added.) It is well settled law that the *quid pro quo* to obtain a patent is full disclosure of the invention, so that upon expiration of the patent, the public will be able to practice the invention and learn from it, for the purpose of making improvements and other discoveries before expiration of the patent.

The Commission also believes that the exchange is reciprocal; if there is full disclosure of an invention in a patent application, the inventor is entitled to one or more patents for inventions disclosed in the application, assuming that statutory requirements of subject matter, usefulness, novelty, and non-obviousness are met.

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The USPTO recently has proposed numerous changes to the patent regulations to reduce the backlog of applications and the burden on the examiners in executing their duties in patent examination. Most recently, the Patent Office has proposed changes to the rules concerning Information Disclosure Statements (“IDS”). We support the Patent Office’s goal of reducing the burden on examiners in reviewing IDS submissions and otherwise examining patent applications.

However, while the overall objective is admirable, some aspects of the proposed rule are problematic. We hope that the Patent Office will consider and assimilate the comments and suggestions below in re-formulating a means for meeting the Office’s objectives.

The Proposed Rules Shift the Statutory Burden of Examination to Applicant.

First, the Patent Act provides among other things, that "a person shall be entitled to a patent unless...." In other words, the law expressly sets the presumption of patentability for any application filed. Under long-established principles, it is the burden of the Patent Office to make a *prima facie* case establishing that the subject matter is not patentable. The applicant then has opportunities either to challenge the *prima facie* case, or to provide evidence to rebut the examiner’s conclusion that the subject matter is not patentable.

However, the proposed amendments to the IDS rules require applicants and their representatives to determine how the disclosure of a reference does not adversely affect patentability, even before any rejection has been made. As one result of the proposed change, applicants are likely to claim more narrowly than they are entitled under the Patent Act.

More to the point, the proposed changes to the IDS rules suggest that the patent system is becoming one in which a patent practitioner acts not as the advocate for the applicant, but as an examiner, while the PTO essentially certifies the results of the patent practitioner’s examination.

In addition to the unauthorized shift of burden, from an ethical standpoint, the proposed amendments place the practitioner in a role that is inconsistent with the ethical duties and obligations of a lawyer as a zealous advocate with a duty of loyalty to his/her client.

The Proposed Changes to the Rules on IDS Submissions Will Increase Litigation of Inequitable Conduct Claims and Give Rise to Malpractice and Ethical Considerations for California Attorneys.

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Proposed new rule 1.56(f) provides a “safe harbor” for an individual who, “in good faith and to the best of the person’s knowledge, information and belief, formed after a reasonable inquiry under the circumstances, took reasonable steps to comply with the additional disclosure requirements of § 1.98(a)(3).” The Patent Office recognizes that this new proposed provision “may not act as a complete defense in all situations,” but is “hopeful that a court in deciding a duty of disclosure issue will take the proposed safe harbor into account.” 71 Fed. Reg. 38,811, 38,811-82 (July 10, 2006) (to be codified at 37 C.F.R. § 56(f)).

The “safe harbor” in Rule 56 as amended is incomplete protection, and is unacceptable in light of the new IDS rules. For example, if an applicant’s representative views a certain part of a reference as irrelevant, yet the examiner finds that same part to be relevant, then the applicant’s representative, if an attorney, may be subjected later to action for negligence or malpractice by his client. As a further example, malpractice claims against attorneys and agents may arise foreseeably from any mishandling of the new disclosure requirements which results in a successful inequitable conduct claim, or where the attorney or agent does not disclose a document because he or she cannot in good faith make the “non-cumulative description” but a court later decides differently.

Indeed, honest mistakes or differences in opinion between the examiner and the applicant’s representative could open the door to a host of malpractice lawsuits. Malpractice premiums may well be expected to increase, which raises practitioners’ operating costs, which will be passed on to clients. Clients that are small businesses or individuals will be most adversely affected, making the patent system less inaccessible to them relative to accessibility to larger entities.

The proposed amendments to the IDS Rules in light of the “safe harbor” to Rule 56 likely will result in more litigation between applicants and potential infringers based solely on an applicant's characterization of a prior art reference, and not related to the reference itself. In the likely case that an applicant submits sufficient references that require the applicant to summarize or characterize the references, anything stated by the applicant will be construed by the Patent Office, and later in litigation, to be an admission against interest.

Accused infringers involved in patent litigation against the patentee then can use such statements against the patentee in their attempt to invalidate the patent. Accordingly, requiring the applicant to characterize each submitted reference essentially requires the patent practitioner to undermine the patent from the outset.

Moreover, under the existing rule 37 C.F.R. §1.56, applicants already are required to submit references "known to be material" to patentability. It is well known that, although rejections for prior art reasons (35 U.S.C. §§ 102, 103) may arise from any art discovered by an examiner or submitted by an applicant, an applicant may not know

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which of the "known to be material" references are actually the "closest art" and therefore most valuable for examination purposes.

In the relatively common circumstances in which there is cumulative art, determining which particular references are "closest" will be subject to much guesswork by applicants and their representatives. Given the uncertainty of which art will be considered "most relevant" for IDS submissions, applicants and their representatives are likely to be more open to allegations of inequitable conduct in infringement lawsuits or declaratory judgment actions alleging invalidity and unenforceability. Essentially, the patent may be weakened from the start.

The Proposed IDS Amendments Will Greatly Increase the Cost of Patenting
Inventions and the Burden on Patent Practitioners.

Practitioners' compliance with the proposed amendments will require many additional hours of work to characterize and summarize references deemed material for submission (proposed rule 1.98(a)(3)), as well as to update to such submissions (proposed rule 1.98(a)(3)(ix)). Additional hours translate into greater costs for prosecuting patents, which costs will be passed on to clients. Clients also will have to assume the cost of increased malpractice premiums as noted above.

Increased costs can be expected to affect small entities and individuals more adversely than they will affect large entities that can absorb or budget more effectively for the rising expenses. Such imbalance will detract from the accessibility of the patent process and is against public policy.

In light of these issues, it would be natural to try to limit submissions to fewer than 20 references. Discouraging disclosure in this way works against thorough examination of applications, however.

The burden on patent practitioners also will be staggering. The patent rules mandate a duty of disclosure under 37 C.F.R. § 1.56. A patent practitioner who diligently carries out prior art searches that identify more than 20 references and complies with the proposed rules will be penalized in terms of costs, resources, time, and energy – all spent in discussing and characterizing each reference.

These excessive costs are charged to patent practitioners' clients, who likely will reduce their respective budgets for filing new applications. Patent practitioners, in turn, will be pressured to spend less time preparing new patent applications.

Given the foregoing problems with the proposed rule changes, we have compiled a number of suggestions as alternatives for the Patent Office's consideration in striving for greater efficiency in the examination process.

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SUGGESTED SOLUTIONS TO IMPROVE THE QUALITY AND EFFICIENCY
OF THE EXAMINATION PROCESS

Amend 37 C.F.R. 1.56.

Amending Rule 56 will reduce the burden on both examiners and applicants. We propose amending Rule 56 to remove the requirement for submission of U.S. Patent References available on line from the U.S. Patent Office database unless the reference is cited in a foreign patent office search report.

As a further alternative, we propose removing the requirement for submission of any reference available on line from a foreign patent office or other database that is not in a foreign language and is accessible by U.S. Patent Office examiners.

When Rule 56 originally was implemented in 1977, on line databases were not available to applicants or examiners. Examiners physically searched through their art unit to find U.S. Patents as well as any other references they could collect, potentially to cite in pending patent applications. Applicants who knew of references provided a significant service to the examiner by citing a reference they believed relevant, and providing a copy.

With on line data bases now readily available, both the examiner and applicant easily can obtain the most relevant references with a simple word search. The examiner is actually burdened if the applicant cites U.S. Patents as references, because the examiner must then review the references submitted by the applicant, in addition to performing a word search in the USPTO database. A typical applicant will cite anything remotely relevant to a patent application under consideration, as well as any related patent application to prevent a future court ruling of inequitable conduct in litigation.

This practice of citing any remotely relevant art significantly burdens the examiner. The only benefit to the examiner comes from any citations to references that are unavailable through an on line database.

The USPTO, as well as Congress, is striving to provide a system that is in compliance with other countries. No other country has a rule requiring references to be submitted other than references cited by foreign patent offices. Short of eliminating Rule 56, or modifying it to require only citation of references from foreign patent offices, elimination of a requirement to cite references from an online database is believed a step toward harmonization with other countries that will provide a benefit to both examiners and applicants.

As an additional suggestion, we further recommend substituting a different standard under which applicants are required to submit references to the Patent Office.

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Rather than requiring submission of “all information known to that individual to be material to patentability” as set forth in 1.56(a), we propose that “an applicant or other person associated with filing and prosecuting an application be required to disclose the art **the applicant believes to be closest.**”

This change would not require the applicant to try to guess which art is, in any absolute sense, or will be considered by an examiner to be the “closest.” Rather, an applicant-based standard will permit applicants to use their best judgment about which references to disclose and how to characterize them, without the unacceptably large risk of having a patent be unenforceable merely if an applicant’s view about the reference happens to differ from that of an examiner or a court in the future.

Change the Method for Conducting Art Searches and Examination.

In an attempt to work with the Patent Office toward the goal of greater efficiency within the statutory guidelines for the Office, we also suggest changing the way searches and prosecution are conducted in the USPTO. After a patent application is received by the Office, less-experienced patent examiners can perform the initial search. Their sole purpose within the Office and their art unit should be to search available data bases for readily obtainable art. Art submitted by IDS is reviewed by these same research examiners for materiality. Upon completion of the search, the case with the research examiner’s analysis of the combined initial USPTO search and IDS then can be sent to more experienced examiners in the same art unit for prosecution of the case.

Thus, the search and examination are conducted by the Patent Office, and not by the applicant or their representatives. Subsequent IDS submissions would be reviewed first by the research examiner(s) for relevance and materiality, and then forwarded to the prosecuting examiner.

Exceptions for Certain Art

The proposed rule amendments as written provide an exception for references in foreign search reports. Proposed section 1.98(a)(3)(ii) “would provide for exceptions to the additional disclosure requirements by reference to §§ 1.98(a)(3)(viii)(B) and (C). For IDSs submitted in the second time period, applicant may, without triggering any additional disclosure requirements, submit documents accompanied by a certification pursuant to § 1.97(e)(1) and a copy of the foreign search or examination report (§ 1.98(a)(3)(viii)(B)), and documents submitted in reply to a requirement for information pursuant to § 1.105 (§ 1.98(a)(3)(viii)(C)).” 71 Fed. Reg. at 38814.

Also, “Section 1.98(a)(3)(i) would provide for exceptions to the additional disclosure requirements be reference to §§ 1.98(a)(3)(viii)(A) and (a)(3)(viii)(C). For IDSs submitted in the first time period, applicant may submit documents resulting from a

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foreign search or examination report where a copy of the report is submitted (§ 1.98(a)(3)(viii)(A)) . . . without triggering any additional disclosure requirements.” *Id.*

Currently, there are no similar proposed exceptions for art which has been cited by other examiners for pending cases related to any application under examination at the Office. We suggest that the exception for references in foreign search reports apply also to references cited in connection with related cases, for example, cases with overlapping disclosures.

Conclusion

The Commission thanks the Office for the opportunity for the public to be heard on these important matters affecting the public interest. We applaud the Office for bringing attention to the patent practice and hope that the comments will be considered in the formulation of any revised proposed or final rule.

Respectfully submitted,

Intellectual Property Law Section
Commission on Patent Rule Proposals
State Bar of California