

-----Original Message-----

From: Derek Minihane [mailto:DMINIHAN@altera.com]

Sent: Friday, April 28, 2006 7:02 PM

To: AB94Comments

Subject: Comments to Changes to Examination of Claims ...

Attached is Altera Corporation's comments to the Patent and Trademark Office's proposed rulemaking.

Derek Minihane
Senior Director and Assistant General Counsel,
Intellectual Property Law
Altera Corporation
101 Innovation Drive, MS 1405
San Jose, CA 95134
Tel: 408 544-6940
Fax: 408 544-8304
dminihan@altera.com

**Comments on Proposed Rules: “Changes to Practice for
The Examination of Claims in Patent Applications”
71 Fed. Reg. 61 (January 3, 2006)**

Altera Corporation is a fabless semiconductor company with over \$1 billion dollars in annual revenue. Altera owns approximately 1,200 issued US patents, has filed over 300 patent applications last year and has almost 1,000 pending applications. Altera spends significant resources protecting its intellectual property and, its patent rights, in particular, are critical to maintaining its competitive edge. Due to the importance of patents to Altera, Altera is very interested in the proposed United States Patent and Trademark Office (Patent Office) rulemaking. Our comments explain why several problems with the proposed rulemaking and provide alternatives to the rulemaking and suggestions to modify the rulemaking.

Goal for Rulemaking Addressed

The proposed selection of 10 claims for examination is more troublesome when combined with the proposed continuation limitation rulemaking than standing on its own. For example, if applicants are limited to electing 10 claims, then the likelihood of second office action final rejections is increased since the examiner may not have even looked at the dependent claims added to the rejected independent claim which was selected. Thus, continuations will become more important and sometime essential to develop a complete record.

The analogy to appeal election, used to justify the election requirement, is not apt – the record is not complete when the patent is filed, in fact, there is no record since the Patent Office has not conducted an examination. Query: Will an applicant that did not elect that claim be prejudiced in the litigation simply because it did not seem to think the claim added patentable subject matter over the elected claims?

In addition, applicants and the courts are likely to find themselves in a situation where an independent claim is invalid, and an unexamined dependent claim is being asserted. Query: Should the courts give the presumption of validity to the unexamined claim, which the Patent Office has not examined for validity? These issues will create uncertainty for many applicants – it would be better if the Patent Office used a surgical strike to hit the problem as opposed to these proposed rules.

The Proposed Retroactivity Would Be Very Costly to Industry

The retroactive effect of the proposed rulemaking penalizes existing applicants. Those applicants have filed cases, drafted the pending claims and paid the Patent Office filing fees for all of their claims with a strategy based on the existing rules. Having to elect up to 10 claims per pending application would be very expensive as outside counsel and internal attorneys will need to decide on a new strategy for every pending case and elect up to 10 claims for any case that has not received an office action. The high cost to applicants is not justified given the small number (1.2%) of filings that the Patent Office considers to have excessive claims.

A Short Deferred Examination Will Provide Better Results

Altera would support deferred examination as long as the period of deferral was around two years. The automatic deferral would require applicants to make a decision two years after filing in a manner similar to the way they do currently in PCT, China, Japan and other foreign regimes. At the end of the two years, the applicant might have gone out of business (as happened often in 2001 and 2002), or has changed its strategic or technological direction, and is therefore no longer interested in the patent application. Such a relatively short deferral period would not unnecessarily delay the issuance of a patent, and would arguably decrease overall pendency and therefore reduce the time to issuance.

If the deferral period is too long, however, (such as the old Japanese Patent Office period of seven years), then the probability of ending up with submarine patents and the inability of industries to understand the landscape increases, especially in the absence of universal 18-month publication. Companies routinely cull their foreign portfolios due to translation and other costs associated with those filings. We expect to see similar behavior under such a rule for US cases. While applicants do not face translation costs and yearly maintenance fees, the cost of office action responses and patent issuance, combined with maintenance fees to be paid at a later time, is not trivial.

Fee Structure Changes Are Necessary

If the proposed 10-claim limitation is enacted, the Patent Office should only require applicants to pay the fees for the 10 claim being examined by the Patent Office. Then, once the claims are in condition for allowance, the applicant can pay the fee for any additional claims that are reviewed for compliance with 35 U.S.C. §§101, 112. This revised fee collection structure would only be fair; given that the applicant is not getting its claims examined, it should not have to pay any additional examination fees.

Another amendment to the proposed rulemaking would be for the Patent Office to examine up to 3 independent claims and 20 claims in total which is included in the base filing fee in the existing system. Adding that limitation but not restricting continuation practice would provide a much better workload distribution for the Patent Office. If the real issue is the occasional case with 100-500 or more claims, the Patent Office could provide the current fee structure for up to, say, 6 independent claims and 40 total claims, and then geometrically increase the fees for claims over that amount.

These limitations would work well in the absence of a limitation on the number of continuation applications, but would not work with the continuation limitation rulemaking because of the small number of independent claims that could be pursued under such a regime. Court decisions from the Federal Circuit essentially require applicants to pursue multiple independent claim sets and many dependent claims. For example, the *Johnson* case dedicating non claimed material to the public, the doctrine of claim differentiation, etc.

Inequitable Conduct Should Be Considered by the Patent Office in Making its Rules

If the rules are enacted then the examination support document should be modified to take into account the litigation realities of inequitable conduct claims. Applicants would be hard pressed to put such a document together without inviting such a claim under the present state of the law. Perhaps a simple document that provides 1) a search report along with the classes searched, and 2) a simple statement that applicant believes the claims are valid over such art would suffice. If such changes are made that may affect inequitable conduct, then changes to 37 C.F.R. §1.56 should also be made to provide safe harbors for submissions similar to the examination support document mentioned above. These considerations should also be taken into account for the upcoming rulemaking on Information Disclosure Statements.

General Comments

Also troublesome is the apparent piecemeal way in which the Patent Office is rolling out multiple changes. Instead of enacting rules, the Patent Office and the patent system would be better served by having principled discussions regarding the way the Patent Office plans to address its backlog. The resulting dialog with the industry, practitioners, and inventors would enable the Patent Office to better tailor its efforts towards areas that are more thoroughly vetted and considered before detailed rules are proposed. Such an approach is more likely to result in rules that the Patent Office's customers could support, and rules that meet the objectives of the Patent Office and the patent system generally. Altera supports of the laudable goal of quality patents issued in a timely manner, but the currently proposed rules do not move us closer to that end.