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From: Downs, Michael [mailto:Michael.Downs@walkerdigital.com]

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To: AB94Comments

Subject: Comments on Changes to Practice for the Examination of Claims...

The Honorable Jon Dudas
Under Secretary of Commerce for Intellectual Property and Director of the United States and
Trademark Office

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

Dear Under Secretary Dudas:

1. INTRODUCTION

Walker Digital Management, LLC is a privately-held company, focused on invention and innovation. Our invention teams, led by the company's founder, Jay Walker, invent business systems that solve problems. Among these was the business process that led to the creation of priceline.com. The importance of patents to protect our innovative solutions is a central element of our business model, and we currently have a portfolio of more than 200 U.S. and international patents. We use our intellectual property to build practical and scalable solutions in industries that range from travel to retail to restaurants to vending to credit cards to homeland security to publishing to gaming and entertainment.

We believe strongly that the bargain instituted by the U.S. patent system is critical to the future of innovation and economic success in the United States. The United States Patent and Trademark Office (USPTO) is the facilitator of a crucial transaction between inventors and the public: The public benefits from public disclosure of inventions (as applications and patents are published by the USPTO), and in exchange, the inventors benefit from the limited protection of any claimed invention, unless the USPTO can prove that invention is unpatentable. Accordingly, a rigorous, fair and efficient process of examining applications is fundamental to the success of the U.S. patent system.

We recognize from our own first-hand experience that the USPTO is experiencing serious operational and personnel challenges that, left unchecked, will threaten the USPTO's ability to examine applications and issue patents in a timely manner (and will accordingly reduce the attractiveness of the patent system to inventors). We are grateful that the USPTO recognizes these problems and is actively seeking solutions.

We have analyzed fully the proposed rulemaking. And we are mindful of the words of John Doll, Commissioner of Patents, who at a recent town hall meeting to discuss the PTO's proposals acknowledged the proposed rules are imperfect and challenged the audience: "We are willing to trash them if you come up with a better solution." In the first part of our remarks below, we offer suggestions with that standard in mind.

We also provide comments below on the USPTO's own proposed regulations. To start, the proposed rule changes to examination of claims and to continuing application practice (discussed in separate comments) unfortunately will not solve the problem of examination delays and the ineffective use of resources. Instead, they will upset the well-tested and equitable balance of the bargain between inventors and the public. Indeed, the implementation will backfire as a failed reform, the patent system will suffer greater inefficiencies and backlogs (particularly if implemented in combination with the changes to continuing application practice), the

implementation may increase non-participation by inventors, and innovation will suffer as a result.

Further, the proposed changes to examination of claims are an alarming departure from the historical role of the USPTO. In particular, the USPTO is now proposing that the only solution to cure its inefficiencies and problems with employee retention is to no longer examine all filed claims in light of the prior art (in favor of either (i) no prior art examination of the limitations of dependent claims or (ii) the applicant performing prior art examination of all claims).

In addition, we discuss below our belief that the proposed changes are premature, over-inclusive, underdeveloped, and unsupported—meaningful notice has not provided, and meaningful comment cannot be made. The USPTO should not be moving, as it appears to be, toward increasing reliance on self-examination of an application by the applicant. Lastly, we have serious doubts about whether the USPTO has the statutory authority to impose the proposed regulations, and we question the wisdom of an attempt to remove responsibility for such a sweeping change from the legislative branch of the federal system.

2. ALTERNATIVE PROPOSALS

The following proposals are submitted in response to the USPTO's challenge to suggest alternatives to the proposed rules that would address the problems highlighted in the notices of the proposed rules and in the town hall meetings. We are grateful to the USPTO for allowing us the opportunity to make these suggestions.

Focus on problematic applications

We suggest that instead of imposing rules on all applications, the USPTO should concentrate on more meaningful areas where examination efficiency could be improved, or at least concentrate on those small number of applications that the USPTO finds to be largely burdensome.

limit absolute numbers of claims. For example, the USPTO could seek from Congress, if necessary, the authority to limit the number of independent claims and / or the total number of claims in a particular application (and not with respect to related applications).

increase excess claims fees. In another example, the USPTO could recommend an increase in fees for excess claim again. Alternatively, fees for excess claims could escalate for each additional twenty claims, making additional claims increasingly more expensive.

require showing to justify examination of excessive amounts of claims. In another example, the USPTO could require a showing to justify why an excessive number of independent claims (e.g., more than twenty) need to be presented in any given application. Such a showing may be satisfied, for example, by circumstances similar to those for which expedited prosecution is provided (e.g., use in commerce).

require filing of additional application. In another example, the USPTO could require that an applicant file an excess number of claims (e.g., those in excess of 100, or some other number) in a continuing application in order to reduce the burden on any particular examiner.

Do not require all independent claims to be examined initially

The proposed rules require that all independent claims be included in the count of claims to be examined initially. This does not appear to be necessary in all circumstances. The proposed rules themselves clarify that a claim that does not incorporate all of the limitations of a referenced claim is an independent claim, and a claim that incorporates all of the limitations of a referenced claim but is of a different statutory class is an independent claim. According to the USPTO's logic that it is unnecessary to perform prior art examination of a dependent claim if its parent claim is

allowable, if an independent claim incorporates features the examiner has found distinguishable over the prior art, or if that independent claim is an apparatus claim that incorporates by reference all of the features of an allowable independent method claim, there is no reason why an applicant should have to waste initial examination on such independent claims. Instead, the applicant should be free to include another type of independent claim, or to designate a dependent claim for examination in its place.

3. COMMENTS ON THE USPTO'S PROPOSED RULES

In this section we provide comments on the USPTO's own proposed regulations. We have reviewed many of the public comments published by the USPTO. We also generally agree with and recommend that the USPTO seriously consider the excellent discussion of these proposed rules in the comments submitted on behalf of the AIPLA.

No efficiency gains

In promoting "efficiency," we assume that the USPTO is advocating examination that is faster and is better. While the goal of increasing the efficiency of examination is indeed desirable and likely benefits from much public support as a general goal, such a goal may be accomplished and / or strived for via various differing approaches. Assuming that the burden of examination on the USPTO is directly proportional to the number of claims in an application (which is not a settled fact), for example, one approach would be to impose fees for claims in excess of three (3) independent and twenty (20) total, in any given application. Another approach would be to increase these fees to such a level that many or most applicants would be financially deterred from filing applications with more than three (3) independent and twenty (20) total claims. Indeed, both of these approaches have been implemented and have undoubtedly reduced the number of claims filed in any given application. Whether this reduction in average number of claims filed per application has also provided a benefit of examination that is both faster and better has, to our knowledge, not been shown.

The USPTO is currently proposing another, much more complex and drastic approach, which the USPTO posits will address inefficiencies in examination for one and two tenths of a percent (1.2%) of applications (although only one year's worth of data was analyzed, so the merits of this figure are questionable when extended to other years by association). Even if the proposed rules could increase the efficiency of examining this tiny percentage of applications, it appears likely that (i) any amount of time saved would be small (e.g., commensurate with the small number of applications involved), and (ii) that more time may have already been spent in preparing the proposed rules than would be gained by their implementation.

Further, the complexities that would be introduced in (i) examination, (ii) administration (both by the USPTO and applicants), and (iii) application preparation, should the proposed rules go into effect as proposed, appear likely to cause significant inefficiencies that would far outweigh any efficiency gained by their implementation. Why, as asked in the comments submitted by the AIPLA for example, wouldn't the USPTO simply address the one and two tenths of a percent (1.2%) of applications having more than ten (10) independent claims, as opposed to imposing new and additional burdens on all applications?

Also, contrary to the statements made by the USPTO, even applications containing fewer than ten (10) independent claims would certainly be subject to increased burden and complexity pursuant to the new rules. Every applicant would be required to elect representative claims to pursue, for example, and every applicant would face increased application and administration costs associated with determining which related applications contain "patentably distinct" or "patentably indistinct" claims.

"Patentably distinct"

What is also troubling about some of the proposed changes is that they appear premature, underdeveloped, and unsupported, to such a degree that meaningful notice has not actually been provided, and meaningful comment cannot be made by the public.

For example, no guidance is provided as to the critical definition of “patentably distinct.” The number of representative claims allowed in one application under the proposed rules includes “patentably indistinct” claims in other related applications. Indeed, the term “patentably indistinct” is a keystone required for interpretation of both this and the co-pending Continuation Practice proposed rules change. The proposed rules are devoid, however, of any explanation and / or definition of this term, rendering the publication of the proposed rules ineffective for lack of public notice. Are we to assume that “patentably distinct” is used in the same manner as with respect to obviousness-type double patenting rejections? If so, then the determination of whether claims are patentably distinct is clearly a legal and examination function that examiners must perform. It necessarily requires that evidence be provided of a difference in claim scope, as well as evidence that any difference between claims is one that would have been obvious to one of ordinary skill in the art. Even if such a regulation was within the USPTO’s statutory authority to impose (which we question), applicants should not be imputed with the responsibility to make obviousness determinations—that is clearly an examination function. If, on the other hand, the USPTO has some other definition of “patentably distinct” in mind, then it must provide proper notice of that standard, distinguish it from how the term is used in examination for double patenting, and allow the public to comment on any rules implicated by that standard.

The lack of a test for “patentable distinctness” makes the proposed rules difficult and / or impossible to evaluate. It is impossible to foresee, for example, how the new rules will actually be used. Initial contemplation of the term “patentably indistinct” may lead one to believe that rules and practices developed in relation to restriction practice may be used to govern the meaning and implementation of the rules (since restriction practice already involves determinations of whether claims are “independent” and “distinct”). The USPTO admitted at the Chicago Town Hall meeting, however, that it had not yet determined what the test is for “patentable distinctness,” despite the fact that interpretation of this term is critical to properly determine the scope and effect of the proposed rules. Thus, there is insufficient notice to the public and insufficient information on which to effectively provide comments. In other words, if the USPTO proposes a definition of “patentable distinctness,” that definition should be promulgated in a new proposed rulemaking, to give the public an adequate chance to comment. We submit that publication of an incomplete proposed rule, and comments received in response, might not satisfy the burden of the USPTO under the Administrative Procedures Act.

Insufficient evidence

Also, the USPTO simply stated during the various Town Hall Meetings that it cannot hire its way out of the backlog of pending applications. No detail was provided in any of the published notices. This assertion was represented only in a graph in one particular presentation slide during the meetings. But the USPTO never provided any details about the data relied upon or the statistical models used to extrapolate projected pendency under various conditions. Accordingly, the USPTO has not supported its conclusion. Given the drastic changes it is proposing, the public should be given the ability to review the USPTO’s analysis of its stated problems. More meaningful notice will result in more meaningful comment and better solutions. The USPTO also appears to be demanding a very immediate fix to a problem with long-term and complex contributing factors. Assuming the USPTO’s analysis is correct, the future is bleak if nothing is done. That does not mean, however, that a more reasoned and disciplined approach to change should be ignored in favor of such a drastic and complex “quick fix.”

Use of patentability statement/report

The USPTO excuses its restrictions on the number of representative claims to be examined by allowing for applicants to submit an extremely burdensome and potentially limiting patentability report. However, the USPTO has not provided any indication as to how such a report will actually

make examination more efficient (it is just presumed). For example, if the USPTO merely takes an applicant's word at face value in the report as to what is known in the prior and what is not, the USPTO would merely be rubber-stamping the application and this would potentially greatly lower the quality of examination. On the other hand, if the USPTO verifies the accuracy of the representations an applicant makes in such a report and still conducts its own search to make sure the applicant hasn't omitted anything, this actually adds work for an Examiner beyond the current examination process. We do not understand how either approach could avoid harming either the speed of examination or the quality of examination, and therefore neither promotes efficiency. The lack of evidence as to how such a patentability statement/report would increase efficiency on the part of the USPTO, coupled with the potential substantial risks to the applicant in loading the prosecution history with unnecessary estoppel, makes this an unworkable option for the practice of claims examination.

Possible lack of statutory authority

The USPTO does not appear to have the statutory authority to implement the proposed changes. 35 U.S.C. § 131 specifies it is the USPTO's duty to examine. Nowhere is there any provision for the USPTO to abdicate any aspect of its duty to examine or to "delegate" its duty of examination to applicants. In particular, we suspect that is inappropriate to collect examination fees for claims that will only receive examination that is unrelated to prior art. Indeed, years of case law and practice have solidified and defined the requirement that the USPTO fully and properly examine applications. We fully expect that if the proposed changes are adopted as proposed, applicants will challenge the authority of the USPTO to issue the regulations. Given the likelihood of such a challenge, we respectfully request that the USPTO to implement the proposed rules. We also request that the USPTO provide a more detailed analysis of how the proposed regulations are believed to be consistent with the rights afforded applicants under § 120. Regardless, at least because the USPTO is now on notice that the proposed rules may be contrary to existing statutes and / or may otherwise violate the powers delegated to the USPTO by Congress, the USPTO should take all available measures to ensure that the potential damages to applicants resulting from the proposed rules are prevented or at least minimized.

Out-sourcing examination to applicants

Based on the proposed rule changes and comments made by Commissioner John Doll during the Town Hall Meeting in Alexandria, VA, the USPTO appears to have concluded that one solution to its pendency problems is to move toward a system of self-examination, in which the burden is increasingly on applicants to prove an invention is patentable. We believe these steps to be contrary to law and contrary to the legislative intent of Congress and the relevant statutes. In effect, the proposed rule changes ask applicants to trade away judicially-established protections against insufficient examination (e.g., the *prima facie* burden on the USPTO to establish a basis to reject a claim), in exchange for speculative increases in "efficiency." We also do not think the USPTO should be promoting an option for claims examination that sheds its role as factfinder and expert in examination of applications. The proposed rules suggest a move toward a system in which the expertise and technological knowledge of the examining corps is minimized to the point where "examiners" become clerks who simply verify that applicants have performed adequate self-examination of claims. This will only exacerbate the USPTO's documented problems with employee morale and retention. More importantly, it will create serious doubts about the validity of issued patents, thwarting the USPTO's stated goal of improving patent quality. If, on the other hand, the USPTO truly wishes to focus on its role as publisher of invention disclosures and reduce its role in examination, it should evaluate the feasibility of out-sourcing various aspects of examination—but it should not be out-sourcing examination to applicants.

4. CONCLUSION

We greatly appreciate the opportunity to offer some suggestions to alleviate some of the problems facing the USPTO and to comment on the USPTO's proposed rules.

Sincerely,

Michael Downs
Magdalena Fincham
Carson Fincham
Steve Filipek
Taylor Davenport

on behalf of Walker Digital Management, LLC