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May 3, 2006

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

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Comments on Proposed Rules: *Changes to Practice for Continuing Application, Requests for Continued Examination Practice and Applications Containing Patentability Indistinct Claims*, 71 Fed. Reg. 48 (January 3, 2006) (the "Proposed Continuation Rules"), and *Changes to Practice, for the Examination of Claims in Patent Applications*, 71 Fed. Reg. 61 (January 3, 2006) (the "Proposed Claim Rules")

Dear Under Secretary Dudas:

The American Bar Association Section of Intellectual Property Law (ABA-IPL) appreciates the opportunity to offer comments on the U.S. Patent and Trademark Office's (PTO's) Proposed Continuation Rules and Proposed Claim Rules.

The ABA-IPL is the world's largest intellectual property organization and the oldest substantive group within the American Bar Association. Our 19,000-member organization serves as a strong voice of the ABA in contributing significantly to the development of our system for the protection of intellectual property rights. ABA-IPL members—individual, corporate, government and institution practitioners involved in all areas of IP law, including patent, trademark, copyright and unfair competition—are advocates for enlightened law and improving the system for its administration.

Efficient examination of patent applications and expeditious allowance of valid claims of the maximum scope permitted by law are of fundamental importance to the patent system as a property rights system. There is a near-universal recognition of the need for radical changes to patent examination in order to achieve those goals. However, the ABA-IPL opposes the PTO's specific proposals to deal with the current examination crisis, as they do not appropriately address the public's interest in early and final examination of all claims and an applicant's legitimate interest in maximizing the scope of permissible protection. We strongly urge that the new rules not be adopted, and certainly not without any public hearing.

These proposed rules offer drastic changes to practice without fully anticipating or addressing various practical issues required for their implementation. Although constraints on continuation and claiming practice may be warranted, the PTO's proposed constraints are too draconian and create more problems than they solve. Moreover, there are substantial questions about the PTO's statutory authority to make these changes, and those questions will likely lead to litigation and periods of uncertainty.

Before we provide comments on the specifics of the proposed PTO rule changes, we should note that Congress is considering a variety of changes to address patent quality, including: elimination of the specific exclusion from 18 month publication for "domestic only" filers, an expansion of public participation in the patenting process (including authorization of pre-grant prior art submissions, expansion of inter partes reexamination, and creation of a new post-grant opposition) and limitations on "inequitable conduct" allegations, which should allow applicants to play a greater role in the patent examination process and work more closely with patent examiners. Given the significance of these changes, especially the implications of changes relating to "inequitable conduct," the PTO should not adopt new rules unless and until Congress acts to address the issues through the pending patent reform legislation. The PTO should, however, proceed with a proposed rulemaking in anticipation of the enactment of this legislation, so that the rules can be given immediate effect, once Congress has acted.

We appreciate that the current problems have developed over a long period of time. Solving those problems will be daunting. Our proposals for alternative solutions are not yet well developed, because we have directed our attention primarily to the proposed rules changes. Nevertheless, we are committed to working with the PTO to identify rulemaking and legislative initiatives that address root causes of the current patent pendency and other patent quality issues confronting the patent system. Below, we offer our specific disagreement with the PTO's current proposed approach, and identify constructive alternative measures that should be considered in place of the PTO proposals.

The Proposed Continuation Rules

The Proposed Continuation Rules, which allow "four bites of the apple," as a matter of right, in which to obtain issuance of appropriate claims on an invention, assume efficient examination by experienced patent examiners. The PTO has been underfunded for many years, resulting in a lack of a sufficient number of well trained examiners to handle the burgeoning number of applications resulting from the technology revolution of the past decade. The Section is committed to advocating the end of fee diversion and obtaining adequate funding for the PTO. It will take a number of years of recruitment and training for the PTO to fully remedy this deficiency, even if fee diversion ends and the PTO is given adequate resources, but that process must begin.

The PTO should consider alternative revisions as discussed below, but neither those nor the proposed rules are a quick fix for this situation that has been years in the making. As soon as possible, the PTO should provide additional incentives to its existing examiner corps, including advancement and competitive compensation, in order to retain those examiners who meet the high standards required. In addition, the PTO should promptly increase its training for the present examiners.

As for the proposed rules themselves, the PTO's "four bites at the apple" approach and its specific proposed implementation are problematic. In accordance with the Proposed Continuation Rules, any continuation filed subsequent to the one continuation filed as a matter of right must be accompanied by a petition, which provides an adequate showing of why "the amendment, argument, or evidence presented in the continuation could not have been submitted in the earlier filed, parent application." The

requirement for such a showing, however, is too stringent and unrealistic given the practicalities of conventional and reasonable patent prosecution practice and the reasonable interests of patent applicants.

While we oppose adoption of the proposed limitation on the number of continuations, if any such limitation is to be set, the showing necessary to justify continuations beyond that number should be the more conventional "good cause" standard, rather than the unfairly restrictive "could not have been submitted . . ." test. Moreover, such "good cause" continuations should not be counted against the limit.

The PTO should issue guidelines of the types of situations that conventionally would or would not satisfy a good cause test. Examples of good cause may include:

- Any divisional application filed in response to a restriction requirement
- Acceptance by the applicant of allowed narrow dependent claims while filing a continuation application for the disallowed broader claims. Oftentimes there is legitimate disagreement between the examiner and applicant about the appropriate scope of patentability. Where the examiner has stated that dependent claims are allowable if rewritten in independent form, the applicant should be permitted to do that and to file a continuation for the broader claims without that continuation being considered against the limit. This allows for a patent with narrow claims, early, when it may be critical in the financial development of an organization.
- The filing of a continuation for the purpose of submitting an Information Disclosure Statement with newly discovered art.
- The filing of an RCE in response to a new rejection by the examiner, with the understanding that there are limits to how the claims may be changed pursuant to established RCE rules.
- The filing of a continuation containing claims that are no broader than previously-filed claims, with the understanding that broader claims may be permitted at the examiner's discretion, and that if the examiner inadvertently or by mistake permits a broader claim, the claim will be deemed properly entered and examined so as to counter any allegations of improper broadening in future litigation.
- The filing of a continuation containing an amended set of claims, possibly broadened claims, within a predetermined time period after receipt of a foreign search or examination report reciting art not previously before the PTO. Assessing prior art and defining the invention is a complex process. Time should be permitted for reevaluation of the scope of protection in light of new information, claim construction issues, and possibly market experience.
- The filing of a continuation to submit a declaration under Rule 131 or 132, where a continuation application is necessary in order to have sufficient time to assemble the evidence supporting the declaration.

This is by no means an exhaustive list, but only a few illustrative examples that could form an adequate basis for "good cause" continuations. We recommend that these proposals, and others, be further studied to determine whether they form an adequate and fair basis for permitting the filing of a continuation application.

One example not satisfying "good cause" could be the filing of a continuation without new claims, new argument or new evidence prior to examination. In such a case, the applicant could be

notified of the deficient filing and given a specified period of time to cure. If not cured, the application could be dismissed for lack of prosecution, unless unintentional and/or unavoidable.

A good cause showing would not place an undue burden on the Office, nor would it prejudice the public. The likely scope of coverage of a given patent application can be evaluated by the public once an application is published. While the current law does not provide for the early publication of all patent applications, existing legislative proposals do, and it is likely that legislation containing such a provision will be enacted in the not distant future. In addition, public PAIR permits third parties to monitor patent activity real time, including examiner actions and claim coverage, providing them with ample opportunity to react accordingly.

Limitations on the number of continuations should be considered only if systems are put in place to ensure that applicants receive a fair consideration of all claims submitted.

Further study should be given to alternatives such as two or three continuations as a matter of right. The Office's own statistics show that allowing two or three continuations as a matter of right would not significantly alter the backlog of applications or examiner workload. Those statistics show that only about 6% of new applications are second or higher continuations or RCE's. If one assumes that half of these continuations would be denied under the proposed petition practice, the impact would only be about 3% of the new filings.

On the other hand, the damage an arbitrary limit on continuations would do to legitimate applicants cannot realistically be estimated. The Section does not believe the practices that some now perceive to be an abuse of continuations are so high a burden on the PTO or society that legitimate applicants should have a substantial risk of harm. The case has not yet been made that the issue cannot be addressed in other ways.

Another possible solution is limiting the filing of any continuation after some reasonable period of time, unless good cause is shown. The Section has not yet considered this or other alternatives sufficiently to endorse any of them, but sets them forth merely as examples of the types of alternatives that might be more reasonable.

The ABA-IPL Section thus opposes adoption of the proposed Continuation Rules, and urges instead that further study be given to the alternatives mentioned above. We are committed to working with the PTO to study and implement the best available solutions to the current examination crisis. However, we are strongly of the belief that the Proposed Continuation Rules are not an appropriate solution.

The Proposed Claim Rules

The Proposed Claim Rules place significant limitations on the number of claims to be examined in a given application. The PTO proposal to limit the number of claims examined is said to be necessary to allow the PTO to conduct a better, more thorough and reliable examination. The limitation requiring that only ten claims be examined in an application will not, however, achieve that goal. There is nothing to indicate that limiting the number of claims will improve quality. There is no showing that patents with fewer claims are stronger than those with more claims.

Nor will this proposal increase efficiency in examination. To the contrary, it is highly likely that the number of applications would increase, causing higher pendency and increased backlogs. If only ten claims are examined per application, applicants would likely file more applications with narrower scope

to get the claims needed to cover their inventions. What would have been a single application would be broken down under the Proposed Claim Rules into smaller pieces both because of the limitations on the number of claims and the proposed limitations on continuations and divisionals. This will particularly affect biotechnology and chemical applications because of the possibility that members of Markush groups will be counted separately.

Moreover, limiting an applicant to only ten claims will have unintended adverse consequences. More than ten claims are often necessary to adequately protect an applicant's invention. Due to the severe court-imposed restriction on the use of the doctrine of equivalents, additional claims often are necessary. With the proposed limitation on the number of continuations, an applicant cannot first present broad claims with the option of later narrowing the claims for allowance and filing a continuation application to pursue the broader claims. Under the proposals, multiple claims of different scope would have to be filed in separate applications at the same time. This ability is restricted, however, by additional limitations on presenting patentably indistinct claims in an application filed on the same day.

Instead of choosing ten representative claims for examination, all claims should be required to be examined by the examiner. The most efficient process would be complete examination of all claims applicant believes are appropriate and reasonably necessary to cover all related inventions (within a unity of invention context), in a single application to the extent possible. This would allow a preliminary search and examination of all claims, which would not have to be repeated at a later time when different claims are designated for examination. A piecemeal approach to examination would be extremely inefficient and would exacerbate the backlog rather than solve the problem.

The Section acknowledges that the examination process might be improved by requiring greater written participation by the applicants. However, any such changes must be weighed with great caution in view of the present law of inequitable conduct. Requiring more disclosure or statements of patentability from applicants substantially increases the potential for claims of inequitable conduct. The Section most likely would favor greater participation by the applicant if the law of inequitable conduct is revised substantially to protect applicants from unwarranted claims. However, until substantial changes to the inequitable conduct law are made, such as have been proposed by the Section, we strongly oppose proposals such as the requirement for an Examination Support Document in proposed Section 1.261(a).

To the extent that the foregoing approach is deemed to place an undue burden on the PTO, that burden should be addressed through the PTO's fee structure, imposing meaningful increased fees on claims exceeding a certain minimal number, proportionate to the increased burden on the PTO. To accomplish this goal, the Office should be given Congressional authority to charge inventors commensurately with the patent examination services they seek.

Other Steps That Can be Taken Short of the Proposed Rules to Improve the Examination Process

Beyond the foregoing, there are a number of steps that can be taken by the PTO short of the substantial changes discussed above which will assist the PTO and applicants in the examination process.

1. Change the "Count" System

As part of a plan that can be implemented under the current staff situation, the PTO should change the current system, which rewards examiners with a "count" for each application examined, and should provide examiners with appropriate time in which to perform comprehensive searches and evaluations upfront and incentives to issue patents on allowable claims or to reject claims on legally

appropriate grounds. In recognition of the vast diversity of patent applications with respect to length, number of claims, complexity of claims, and potentially pertinent prior art, the time that patent examiners are allotted for patent examinations should be tied to these complexity factors and the costs for the differential examination time requirements should be reflected in differential fees. In order to effectively accomplish appropriate differentiation of both allotted examiner time and required fees, the Office should have authority to establish a fee structure to accomplish the swiftness and completeness objectives.

2. Improve Examiner/Applicant Cooperation

Another important step toward achieving lower pendency and higher quality is identifying how the PTO and applicants can better work together to permit issuance of a thorough, well-searched, and well-argued first action on the merits. Two measures to improve examiner/applicant cooperation that warrant further study are preexamination conferences and more useful Information Disclosure Statements.

(a) Encouraging voluntary preexamination conferences, possibly through a different fee level for applicants who participate, would permit examiners and applicants to discuss the invention, focus on key concepts and key prior art and likely result in a more focused initial examination. The PTO has promoted such an examiner/attorney alliance:

The Examiner sees the relationship as an alliance, with both of you [the examiner and the attorney] working together on behalf of the inventor and the public . . . Patent examiners prefer a 'win/win' resolution; wherein everyone involved wins; wherein there are no losers, because the inventor, the public, the attorney and the examiner are all winners. The Examiners want you to win. Their ongoing mission is to issue valid patents as quickly as possible. [Al L. Smith, *Negotiating with Patent Examiners*, 72 J. Pat. & Trademark Off. Soc'y 168 (1990)].

We agree that rules promoting such an alliance should be adopted.

(b) Encouraging the submission of useful Information Disclosure Statements containing statements of materiality, again possibly through a different fee level for applicants who participate, and discouraging "patent dumping" in an IDS should also be further studied. More meaningful participation by the applicant, however, requires adequate "safe harbor" provisions from inequitable conduct allegations. Accordingly, any proposed changes to encourage applicant disclosure must be made hand-in-hand with inequitable conduct reform, such as presently being considered by Congress.

3. Use of PCT Search and Examination

A large number of cases enter the U.S. using the PCT route. This number is continuously increasing. Such cases come in with a full search and a written opinion and in some instances a full examination. The examiner typically disregards this information and carries out his or her own search and examination independently of the material provided. If all of this PCT material were utilized and only a "top off" search was done, this could considerably reduce the amount of time necessary to address such PCT cases.

At present, the USPTO has agreed to "farm out" searches to South Korea on PCT applications filed in the U.S. The search will be accepted as the full search without the U.S. examiner conducting a further search. However, if a PCT application is perfected in the United States and brings in a PCT search

done by South Korea as the Search/Examination Authority, the U.S. examiner will inconsistently effectively disregard that same search and conduct his or her own search.

Making better use of PCT searches and examinations and written opinions could be a good start in reducing PTO backlogs.

4. PTO Restriction Practice

The "independent and distinct invention" standard for restricting patent claims should be applied only in the rare circumstances where a patent seeks protection for inventions in wholly unrelated and unconnected technologies. In place of restricting and dividing claims, all claims should be examined in the patent examiner's initial response. This would facilitate the swift completion of examination regardless of how many claims are presented for examination.

5. Related Applications Should be Examined by the Same Examiner

As a supplement to the tightened restriction practice suggested above, a system should be instituted ensuring that related applications are examined by the same examiner.

6. Other Suggestions

In addition to the above, the following topics should be studied further to determine whether one or more would be helpful in reducing examiner workload and pendency:

- Delay of examination at applicant's choice for a limited period of time and, similarly, starting the clock on pendency only after a request for examination is filed.
- Development of rules regarding failure to prosecute which could result in the close of prosecution unless adequate and sustained progress is being made in the application.
- Escalating, but realistic, charges for later filed continuations, e.g., after publication and/or receipt of a search/examination report.

Needless to say, the ABA-IPL Section appreciates this opportunity to contribute to this important dialogue that the PTO has initiated. We look forward to continued cooperation with the Office in its quest to improve the patent examining process.

Very truly yours,



E. Anthony Figg
Chair