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From: Perry, Lars [mailto:LPerry@ballytech.com]

Sent: Wednesday, May 03, 2006 9:04 PM

To: AB93Comments

Subject: FW: Letter - Rename if you need to

The Honorable Jon Dudas

Under Secretary of Commerce for Intellectual Property and

Director of the United States Patent and Trademark Office

Mail Stop Comments

P.O. Box 1450

Alexandria, VA 22313-1450

Attn: Robert W. Bahr

Senior Patent Attorney

Office of the Deputy Commissioner for Examination Policy

Re: Comments on Proposed Rules: "Changes for Practice for Continuing Applications, Requests for Continued Examination Practice, and Applications Containing Patentably Indistinct Claims" 71 Fed. Reg. 48 (January 3, 2006)

For Your Consideration.

Sincerely,

Lars A. Perry

Vice President of Intellectual Property

Bally Technologies

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May 3, 2006

Via E-Mail Attachment Only
AB93Comments@uspto.gov

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Re: Comments on Proposed Rules: "Changes for Practice for Continuing Applications, Requests for Continued Examination Practice, and Applications Containing Patentably Indistinct Claims" 71 Fed. Reg. 48 (January 3, 2006)

Dear Under Secretary Dudas:

Bally Technologies, Inc. ("Bally") thanks the Director for this opportunity to offer its comments with regard to the above-identified proposed rule changes. Bally is in substantial agreement with the position of the American Intellectual Property Law Association (AIPLA) as set forth in their comments dated April 24, 2006 that the proposed rule changes should not be implemented. The following comments are therefore an amplification of the AIPLA comments based upon Bally's own experiences with respect to the United States patent system.

While the majority of our comments will refer to "continuations", "continuation applications" and the like, our comments are intended to apply to other forms of continuing applications as well. For brevity, as used herein a "continuation" will refer to any type of "continuing application", such as a divisional, a continuation, a Continuation-in-Part (CIP), an RCE, or any application which claims the benefit of an earlier filed non-provisional U.S. patent application.

Bally is a designer, manufacturer and distributor of gaming machines and computerized monitoring systems for gaming machines at casinos. We are headquartered

in Nevada, which is home to the majority of our 1500+ employee workforce. Our fiscal year 2005 revenues were approximately \$500 million. A significant portion of Bally's revenues are reinvested into our extensive R&D efforts.

The gaming business is highly segmented and competitive. As such, constant innovation is required to effectively compete in the marketplace. Patents, and particularly U.S. patents, are considered to be mission critical to Bally's continuing success.

Bally currently files approximately 75-100 new patent applications per year. This program, while robust, is not a "mass filing" type program where hundreds, if not thousands, of relatively narrow and incremental patents are filed. In general, Bally pursues patent protection for innovations which appear to have significant market value justifying such protection. As such, it is very important to Bally that its patents are granted with claims which adequately protect the important inventions disclosed therein.

Continuation practice has been an important part of achieving our goals of obtaining patent claims of fair and equitable scope. We have found that it often takes several continuations to educate the Examiner on the technology and for the Examiner to fully consider the prior art. Due to the compact prosecution techniques used by the USPTO wherein often only one amendment may be filed by the applicant before getting a final rejection, continuation practice is very common. Continuations are also commonly used to allow the introduction of evidence that may take some time to develop, such as test evidence, evidence of commercial success, etc. They are also used to allow the consideration of prior art which may otherwise not be considered (e.g. after a final rejection, a Notice of Allowance, or the payment of the Issue Fee).

The existing rules allow us to implement our patent program in an efficient and cost effective manner. This is because we can stop prosecuting the application as soon as we have achieved claims of adequate scope. We believe that it is also efficient for the USPTO, because the Examiner is already familiar with the invention and the prior art and, therefore, can examine a continuation application more quickly than he could examine a new application.

With an artificial limit on the number of continuations, we (and others like us) would have to rethink our entire patent strategy. For one, we anticipate many more appeals and/or suits against the USPTO in order to obtain the claims to which we believe we are entitled. For another, we anticipate that we will have to present claims that are significantly narrower than those to which we are entitled in order to obtain allowable claims in either an original application or in its one permitted continuation application. To make up for the narrower claims and to cover all potential claims, we would have to significantly increase the number of patents that we are filing, causing us to move in the

“mass filing” direction to achieve the same level of protection that we obtained previously through a more open-ended prosecution of our patent applications.

The proposed rules will also clearly result in the filing of more divisional applications. Under the current practice, the decision whether to file a divisional application is often deferred until after provisionally elected claims have been allowed. By allowing the applicant to defer the decision as to whether to file a divisional application for non-elected group(s) of claims until after claims of elected group(s) have been allowed, the applicant can make an informed decision as to whether or not to file the divisional application. Not infrequently, patent applicants choose not to file divisional applications on all identified claim groups if earlier elected claim groups provide adequate coverage for their inventions. However, the proposed changes potentially require applicants to file divisional applications on all identified inventions in an application or risk the loss of rights. Thus, many more divisional applications may be filed under the proposed rules than are being filed under the current rules.

In short, limiting continuation practice will transform an efficient system wherein applications are prosecuted until the proper scope of the invention is determined into a less efficient system wherein a larger number of likely narrower patent applications are prosecuted in parallel. It is our opinion that the proposed rule change, if implemented, will significantly increase the filing rate of patent applications (and, therefore, USPTO backlog) as companies and individuals change their patent filing strategies.

It should also be noted that the proposed rule changes will greatly favor large corporations which can afford mass filing strategies. In particular, individual and smaller companies with more limited resources cannot afford to adopt mass filing strategies, and may be denied adequate protection for their inventions. As such, large corporations with the resources to obtain many hundreds if not thousands of defensive patents, along with the resources to successfully litigate against narrow patent claims, will be in an even more favorable position than they are currently. Given how many technological advances come from smaller companies with limited resources, the proposed rule changes potentially impact not only USPTO workloads, but U.S. technological competitiveness.

The U.S. Congress, in its wisdom, provided for continuation applications in 35 U.S.C. § 120¹ (“Section 120”). The language of the statute is clear: if a new application

¹ **35 U.S.C. 120 Benefit of earlier filing date in the United States.**

An application for patent for an invention disclosed in the manner provided by the first paragraph of section 112 of this title in an application previously filed in the United States, or as provided by section 363 of this title, which is filed by an inventor or inventors named in the previously filed application shall have the same effect, as to such invention, as though filed on the date of the prior application, if filed before the patenting or abandonment of or termination of proceedings on the first application or on an application similarly entitled to the benefit of the filing date of the first application and if it contains or is amended to contain a specific reference to the earlier filed application. No application shall be entitled to the benefit of an earlier filed application under this section unless an amendment containing the specific reference to the

is filed prior to the patenting, abandonment or termination of proceedings of a previously filed application, and if an amendment containing a specific reference to the previously filed application is timely made, the new application “***shall have the same effect, as to such invention, as though filed on the date of the prior application***” (emphasis added). The word “shall” is unequivocal, and conveys a statutory right to patent applicants.

Bally does not dispute that the Director has the right to determine by when an applicant must make its priority claim in a pending application if it was not made at the time of filing. Nor does Bally dispute that the Director has the right to change the procedural rules that have been implemented in the past to provide for the continued examination of applications. However, Bally does not believe that the Director has the authority to eliminate a timely priority claim made under the provisions of Section 120.

In Section 2(b)(2)(A) of the Patent Act, the U.S. Congress granted the USPTO the authority to “establish regulations, not inconsistent with law, which ... shall govern the conduct of proceedings in the office.”² Arguments have been made that the proposed rule change is not inconsistent with the law because: 1) the USPTO is not proposing any numerical limit to the number of continuations; and 2) there is precedent which would imply that the USPTO has the right to limit the filing of continuation applications. Bally respectfully traverses these arguments as set forth below.

The proposed rule change would require a patent applicant to justify his or her filing of a second or subsequent continuation application. This is a “no win” situation for the patent applicant. That is, if the USPTO grants the request for a new continuation, there would be a new form of attack on the resulting patent: inequitable conduct in the request to file the continuation application. On the other hand, if the USPTO does not grant the request for a new continuation, the applicant will be denied its rights under Section 120 and the very denial of the proposed continuation application may serve as prosecution history estoppel for related applications.

The Court of Appeals for the Federal Circuit (CAFC) recognized in *In re Bogese*³ that the USPTO had the right to reject claims based upon unreasonable delay in prosecution (prosecution laches) as long as the applicant is afforded notice and an opportunity to respond. This was a particularly egregious case where the patent applicant

earlier filed application is submitted at such time during the pendency of the application as required by the Director. The Director may consider the failure to submit such an amendment within that time period as a waiver of any benefit under this section. The Director may establish procedures, including the payment of a surcharge, to accept an unintentionally delayed submission of an amendment under this section.

(Amended Nov. 14, 1975, Public Law 94-131, sec. 9, 89 Stat. 691; Nov. 8, 1984, Public Law 98-622, sec. 104(b), 98 Stat. 3385; Nov. 29, 1999, Public Law 106-113, sec. 1000(a)(9), 113 Stat. 1501A-563 (S. 1948 sec. 4503(b)(1)).)

² 35 U.S.C. §2(b)(2)(A)

³ *In re Bogese*, 303 F.3d 1362 (Fed. Cir. 2002)

filed eleven File Wrapper Continuations (FWCs) over a period of eight years without making any substantive amendments or remarks and despite repeated warnings from the USPTO that he must advance the prosecution of the application or risk the right to a patent.

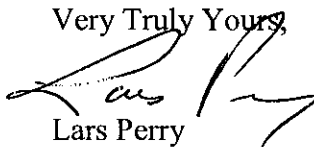
However, *In re Bogese* is distinguishable from the proposed continuation rule changes. First, the proposed rules go much farther than *In re Bogese* in that they apply even if the applicant is advancing the prosecution of the application, e.g. by filing a substantive amendment or by filing a CIP. Second, the proposed rules shift the burden of proof for unreasonable delay from the USPTO (which is required to give notice and the opportunity to cure to the applicant under the ruling of *In re Bogese*) to the patent applicant (who must justify why he or she should be able to file a second or subsequent continuation). Third, the proposed rule changes are preemptive rather than retrospective. That is, the doctrine of prosecution laches does not preemptively prevent the claiming of priority in a patent instrument, it just renders a patent instrument unenforceable (or unobtainable) after the fact if it is determined that there has been unreasonable delay. Thus, the USPTO is proposing "prior restraint" to prevent the making of a priority claim, rather than punishing unreasonable delay after the priority claim has been made.

In short, the law clearly grants patent applicants the right to file continuation applications, and circumventing the law with the proposed rule changes is beyond the Director's statutory authority. Furthermore, there is an equitable remedy already available to the USPTO to prevent unreasonable delay caused by multiple continuations which do not advance the prosecution of the application, as long as the USPTO follows the procedures as set forth in *In re Bogese*.

Bally urges the USPTO to follow the recommendation of the AIPLA and others and to not adopt the proposed rule changes concerning continuation applications. Bally believes that the proposed rule changes, if enacted, will create inefficiencies in the U.S. patent system that will tilt the playing field to benefit large entity mass filers over small entities who cannot afford to implement a mass filing strategy. Furthermore, we believe that the stated purposes of the rule change, e.g. to reduce the USPTO backlog, may well backfire as incremental patent filing and multiple same-specification patent filings will increase to compensate for the restricted prosecution opportunities at the USPTO.

Thank you for your consideration of this matter.

Very Truly Yours,



Lars Perry
Vice President of Intellectual Property
Bally Technologies, Inc.