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Sent: Wednesday, May 03, 2006 7:03 PM

To: AB93Comments

Subject: Comments on Proposed Rules, 71 Fed. Reg. 48 (January 3, 2006)

Attached, please find Intel Corporation's comments on the proposed rules published at 71 Fed. Reg. 48.

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May 3, 2006

Via e-mail: AB93comments@uspto.gov

Commissioner for Patents
United States Patent & Trademark Office
Mail Stop Comments-Patents
P.O.Box 1450
Alexandria, VA, 22313-1450

Re: Comments on Proposed Rules, 71 Fed. Reg. 48 (January 3, 2006)

Dear Commissioner Doll:

These comments are presented on behalf of Intel Corporation (“Intel”) in support of the United States Patent & Trademark Office’s Notice of proposed rule making entitled “Changes to Practice for Continuing Applications . . .” published on January 3, 2006, at 71 Fed. Reg. 48. For the reasons outlined below, Intel strongly supports these rules and the policies behind them.

Introduction

Intel is ranked 50th in the Fortune 500, and has nearly 105,000 employees worldwide. For over 35 years, Intel has developed technology enabling the computer and Internet revolution that has changed the world. Founded in 1968 to build semiconductor memory products, Intel introduced the world's first microprocessor in 1971. Today, Intel is the world's largest chip maker and is also a leading manufacturer of computer, networking, and communications products.

Intel is a major customer and partner of the United States Patent & Trademark Office (“the Office”). In both 2004 and 2005, Intel received over 1,500 issued patents, ranking 7th in the top 10 private sector recipients each year. Intel files thousands of new patent applications and pays millions of dollars in fees to the Office on a yearly basis. Because Intel strives to file focused, succinct applications, we will be minimally affected by the proposed continuation rules.

Thus, Intel commends the Office's efforts to curtail abuses by those outliers who unnecessarily delay prosecution of their applications with multiple continuation filings.

The patent system represents a careful balance between “the interest in motivating innovation and enlightenment by rewarding invention with patent protection on the one hand, and the interest in avoiding monopolies that unnecessarily stifle competition on the other.” Pfaff v. Wells Elecs., 525 U.S. 55, 63 (1998). It is well-settled that the Office should take the interests of the public into account when examining patent applications. “A patent by its very nature is affected with a public interest.” Precision Instrument Mfg. Co. v. Automotive Maint. Mach. Co., 324 U.S. 806, 816 (1945). “The public, therefore, is a most material party to, and should be duly considered in, every application for a patent” Woodbridge v. United States, 263 U.S. 50, 61 (1923). The Federal Circuit has acknowledged this important public interest, for example, in recognizing prosecution laches as a defense to patent infringement, and as a ground for rejection by the Office. Symbol Technologies, Inc. v. Lemelson Medical, 277 F.3d 1361, 1368, (Fed. Cir. 2002); In re Bogese, 303 F.3d 1362, 1367-68 (2003). Intel views the new rules from the balanced perspective of both a patent applicant, and a member of the public frequently involved in both sides of patent disputes.

The Proposed Rules Address the Office's Backlog by Eliminating Virtually All “Perpetual Continuation Applications”

The proposed continuation rules establish a balanced policy of ensuring appropriate protection for inventions, while 1) permitting the Office to focus its limited resources on new applications, and 2) creating greater public certainty on the scope of patent protection. Intel believes that the opportunity for two complete examinations from a single application offers ample time to identify and reach agreement with the Office on what is regarded to be the invention in that application. Experience has shown that few original applications require more than one continuation. Yet a small group of applicants generate a large number of continuing applications that receive priority and disproportionately contribute to the Office's backlog.

For example, one study of about 200,000 issued patents in 12 art classes shows shocking incidences of unnecessary delay and continuation abuse (“Uncertainty and Cost - Averting a Global Patent Crisis,” International Intellectual Property Institute, March 2006). In the group of patents, there were over 5000 patents included in a continuation chain with a length of 5 or

greater. Over 1100 patents were part of a chain with a length greater than 10. And 15 continuation chains were found with a length of 50 or greater. Clearly, such conduct goes far beyond the reasonable incentive contemplated by the patent laws. The unduly long continuation chains consume Office resources more appropriately spent on new applications that have never been examined. These chains result in real, likely intentional, uncertainty on the scope of patent protection.

That such chains of continuations unduly and undeservedly delay the examination and issuance of newer patent applications with earlier filing dates but later priority dates is beyond argument. Under Manual of Patent Examining Procedure § 708, examiners are almost always required to examine applications based upon their earliest priority date first. Thus, continuation applications in such lengthy chains are ordinarily examined first. Given that such “re-work” found by the Office’s study is approaching one-third of the total workload, this substantially delays new applications in favor of the re-work. As a result, the current policy favors old applications that have already been disclosed to the world through the issuance of the parent, grand-parent or even great, great, great great-grandparent patent, while the newer applications languish. Common sense and public policy dictate that the newer applications should be preferred over these continuations.

While chains of multiple continuations may not represent a large fraction of total patents, they are among the most problematic applications to examine. For example, recently up to 14% of examiners have left the Office each year, and half of those departing examiners have been with the office less than 3 years. “Improvements Needed to Better Manage Patent Office Automation and Address Workforce Challenges,” United States Government Accountability Office, Testimony before the House Committee on the Judiciary, GAO-05-1008T (September 8, 2005), pp. 22-23. While the Office is working to reduce attrition, it is clear that multiple continuation chains are much more likely to involve new examiners who must re-start the examination of the second or later continuation without the benefit of having examined the original application. Similarly, as in the lengthy chains cited above, strings of multiple continuing applications tend to include lengthy applications with many claims. This point is underscored by comments from the public that emphasize the strategy of some filers to include multiple inventions in a single application, in an effort to delay payment of filing fees through a series of related divisional applications. These factors disproportionately increase the

complexity and burden of examining the chains of multiple, and often badly outdated, continuing applications, as opposed to focused, new filings directed to an unexamined, distinct invention.

Policy Considerations Support the Reduction of Perpetual Continuation Chains that Inhibit Settlement of Patent Disputes and that Deprive Patent Claims of Their Public Notice Function

Perpetuating continuation applications deprives the public of the notice function of patent claims and also inhibits settlement discussions of patent assertions. It is for this reason that the Supreme Court in promulgating the doctrine of prosecution laches held that unnecessarily delaying the presentation of claims denies the public the benefit of the notice function of patents and their claims:

The limits of a patent must be known for the protection of the patentee, the encouragement of the innovative genius of others, and the assurance that the subject of the patent will be dedicated ultimately to the public. The statute seeks to guard against unreasonable advantages to the patentee and disadvantages to others arising from uncertain as to their rights. The inventor must ‘inform the public during the life of the patent of the limits of the monopoly asserted so that it may be known which features may be safely used or manufactured without a license and which may not.’ The claims ‘measure the invention.’

General Electric Co. v. Wabash Appliance Corp., 304 U.S. 364,369,37 USPQ 466, 468-69 (1938) (citation omitted). Yet these perpetual chains of continuations do just the opposite by permitting patents to issue that seem to dedicate technology to the public due to the failure to claim disclosed subject matter (Johnson & Johnston Associates Inc. v. R.E. Service Co., Inc., 285 F.3d 1046 (Fed. Cir. March 28, 2002)(*en banc*)), and then belatedly claim (perhaps even a decade later) that which was thought to be dedicated to the public. Particularly in fields where networking effects predominate, such as computing and communications where products have to interoperate with each other, continuation applications that belatedly revoke from the public domain what the public thought was freely available to all are particularly pernicious.

Many take advantage of the delays obtained from continuations to game the system. As one well-known commentator put it in a lecture on how to continually keep patent applications before the Office:

Your competitors need to overcome your first line of defense, and worry about what claims in your pipeline will issue in the future and create additional problems. To take advantage of the comparative ease of subsequent prosecution,

while keeping your options open, it makes sense to keep at least one application pending in important cases, *even after you are running out of new ideas for claims that are likely to be patentable*. One reason for keeping the tree alive, after you think you have harvested all the apples, is that you may find a way to “recapture” and patent a claim you conceded (or failed to think of) earlier in prosecution.

George Wheeler, *Creative Claim Drafting: Claim Drafting Strategies, Specification Preparation, and Prosecution Tactics* <http://www.jmls.edu/ripl/vol3/issue1/wheeler-middle.html> (Emphasis added).

It is not uncommon for a licensing entity to keep Mr. Wheeler’s perpetual chain or tree of continuation applications alive while they embark on a licensing campaign. Since the licensing entity has kept its options alive, the target companies of those licensing efforts are faced with a Hobson’s choice. Either they can explain their non-infringement position and know that the licensing entity will submit a continuation application that omits the words that led to the non-infringement argument or they can remain silent and run the risk of litigation. And further, once they are sued, those companies know that any arguments made during the litigation will result in a new continuation being filed, presenting additional claims.

This is not a hypothetical situation. For example, in 1995 MicroUnity, Inc. filed an application that first issued as U.S. Patent No. 5,742,840 (“the ‘840 patent”). This application included a 387-sheet architecture manual that was submitted as an “Appendix” on microfiche. Over the course of the next decade, as Intel released a number of products, the ‘840 patent spawned more than 30 continuation applications purportedly claiming priority to the ‘840 Patent. Over time, these continuations sought increasingly broad interpretations that had little resemblance to the original claims. Microunity’s conduct changed from patenting its own purported inventions to inventing patents with hindsight that were, Intel believes, attempting to read on products that were already in the marketplace. MicroUnity eventually asserted these patents and their 370 page appendix against Intel and others, demanding billions of dollars in alleged damages. Intel believes that limiting continuation practice to two opportunities will provide applicants a fair opportunity to patent their inventions but will deprive patent attorneys and others, who some might view as trying to game the system, of the opportunity to invent patents on others’ products.

The Proposed Rules Present a Reasonable Solution within the Office's Authority

Clearly, these significant problems need to be addressed in order to maintain the viability of the patent system, and the Office's proposed rules are an appropriate solution. The Office has the authority to issue lawful regulations that "facilitate and expedite the processing of patent applications." 35 U.S.C. § 2(b)(2)(C). Consistent with this authority, the Office has set forth extensive regulations on procedural requirements regarding patent prosecution. While the Patent Act provides that continuing applications shall have the benefit of the earlier-filed application, it does not grant applicants an absolute right to unregulated continuation filings. 35 U.S.C. § 120. In fact, section 120 of the 1952 Patent Act did not create the right to continuation filings, but merely codified a practice developed by the Office and the courts. Commentary on the New Patent Act, P.J. Federico, 1952 U.S. Code Cong. & Adm. News, p. 2394.

Given the statute's silence on the issue, the Office may reasonably regulate continuation practice as set forth in the proposed rules. See, e.g., Lacavera v. Dudas, ___ F.3d. ___, 2006 U.S. App. LEXIS 2821, *7-8, citing Chevron U.S.A. Inc. v. NRDC, 467 U.S. 837 (1984). The Federal Circuit has recognized that the Office "has inherent authority to govern procedure before the PTO, and that authority allows it to set reasonable deadlines and requirements for the prosecution of applications." In re Bogese, 303 F.3d at 1367-68. The proposed rules fall squarely within that authority, and as the Federal Circuit noted in Bogese, the Office's "authority to sanction undue delay is even broader than the authority of a district court to hold a patent unenforceable." Id. Thus, the Office need not point to an express statutory provision for each exercise of its authority. For example, the Office may lawfully reject claims on the grounds of inequitable conduct or obviousness-type double patenting, despite the lack of express statutory authority to do so. See In re Jerabek, 789 F.2d 886, 892 (Fed. Cir. 1986).

The proposed rules are reasonable because they provide the notice to all applicants required by Bogese, they address important problems identified by the Office, and they place no absolute numerical or temporal limits on continued examination filings. Every applicant will have the right to at least one continuation filing, and every applicant will have the right to petition for additional filings. In the event the Office abuses its discretion in deciding such a petition, the applicant will have the right to judicial review. The proposed rules are thus distinguishable from the situation in Henriksen, in which the Office sought to place an absolute numerical limit on continuations, cutting off the application chain in all circumstances. In re

Henriksen, 399 F.2d 253, 256 (CCPA 1968). Moreover, unlike the proposed rules at issue, the Office's position in Henriksen was adopted in a PTO Board decision, without the opportunity for notice and comment of the formal rule-making process. Id.

Similarly, prior unpublished cases dealing with continuation practice are also inapplicable to the legality of the proposed rules. In both Ricoh Co. v. Nashua Corp., 1999 U.S. App. Lexis 2672 (Fed. Cir. 1999), and Bott v. Four Start Corp., 848 F.2d 1245, 1988 WL 54107 (Fed. Cir. 1988), an infringement defendant argued that broader claims sought through continuations should be subject to the two-year limitation and intervening rights provisions of reissue applications. This issue is irrelevant to the proposed rules, which place no time limit on the filing of continuations. Neither Ricoh nor Bott stands for the proposition that the Office cannot reasonably regulate multiple continuation practice as in the proposed rules. To the extent it is argued that Ricoh or Bott establish an absolute right to unregulated continuation filings with no consequences, this idea has been expressly rejected by the Federal Circuit in the subsequent Lemelson and Bogese cases discussed above.

Under the new rules, applicants will still have ample, guaranteed opportunities (two applications and up to four office actions), as a matter of right, to present and obtain claims to their inventions in up to two issued patents. The Board's appeal process and appeal conferences are available where necessary. And finally, patentees will still have the opportunity to seek claim amendments (broadening where appropriate) through the reissue process. In our view, these options and safeguards will provide more than enough leeway to obtain appropriate patent protection, particularly if applicants draft efficient and focused filings.

Lastly, the new rules proposed by the Office to restrict applications containing patentably indistinct claims are necessary to avoid abusive filing tactics by applicants seeking to circumvent the proposed restrictions on continued examination filings.

Comments Critical of the Proposed Rules are Not Persuasive

In comments submitted to the Office and other public forums, some have criticized the proposed continuation rules. These criticisms are not well-founded. As explained below, the proposed rules are practical and appropriate despite the comments.

Effects on filing practices:

Some comments argue that the proposed rules would adversely change the way practitioners prosecute applications before the Office. Some practitioners, for example, prefer the availability of multiple continued examination filings as a mechanism to extend negotiating with an Examiner and/or prosecuting an application prudently in light of current law (e.g., Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd., 344 F.3d 1359 (Fed. Cir. 2003)). Obviously any new rules package may change how practitioners prosecute applications. The proposed rules, however, would only substantially impact those practitioners who do not prosecute applications with diligence toward final resolution. The Office has a substantial interest and a duty to promote efficient and purposeful prosecution. Indeed, practitioners who prosecute applications diligently toward final resolution would still be able to extend prosecution to a third or subsequent application under the proposed rules when circumstances warrant continued examination.

While some proposals call for allowing 2 or possibly 3 continued examination filings as a matter of right, we think this extension of the proposed rules is unnecessary. Practitioners under the proposed rules would still have at least 3 opportunities to amend their claims in any desired manner and/or submit evidence in light of the prior art uncovered by the Office before having to make a showing that further examination is necessary.

Examination Quality:

Some comments also argue that poor examination quality leads to increased continued examination filings. These comments ignore, however, that the Office already provides reasonable safeguards available to practitioners in various instances where practitioners disagree with an Examiner's position. Practitioners, for example, can appeal rejections and petition for review of the finality of Office Actions. Use of such safeguards helps hold Examiners accountable for their decisions, helps educate both Examiners and practitioners, and helps resolve issues to bring finality to prosecution. While they may not be preferred by all

practitioners, the use of such safeguards is nonetheless effective, and preferable to extending prosecution indefinitely as a matter of right.

We realize petitions and appeals would likely increase under the proposed rules, but continued examination filings will certainly decrease. When weighed against the Office injecting more certainty in the important public notice function of our patent system, however, Intel believes this shift is justified whether or not the Office actually realizes a reduced total workload. We also note that the Office has substantially reduced the appeals backlog, and implemented pre-appeal conferences to promote bringing finality in prosecution.

Applicants' Lack of Certainty as to Market, Product, or Invention:

Several comments have advocated that unlimited continuation applications should continue due to the presence of market uncertainty, product uncertainty, and even applicant uncertainty as to their own invention. These comments, in summary, state that unlimited continuations are needed to respond to innovations in the market, to claim a final product with a long development cycle, or simply because applicants need a lengthy time to determine what their invention is.

While these are undoubtedly important to some applicants, the greater legal certainty for the public that will result from the proposed rules far outweighs the concerns of any applicant or group of applicants. The public (including fellow patent holders, innovators, and others who “promote the progress of . . . useful arts” (US Const, Art.1, Sect. 8)) should not have to bear the costs of applicants’ uncertainty or intentional delay during prosecution. 35 U.S.C. § 112, ¶2 requires “one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention” upon filing of the application. Moreover, inventors are required to sign an oath, swearing that they have read and understood the application, and that they are inventors of the claimed subject matter. 37 CFR § 1.63. Execution of such an oath by an applicant who has not yet decided what the invention is hardly seems appropriate. The applicant, and not the public, is in the better position to know, and distinctly claim, their invention at the time of filing.

Furthermore, the proposed rules offer ample opportunity for applicants to observe the market, develop their product, or otherwise figure out what their invention is. In 2005, the average pendency (filing to issue) of an application was 29.1 months (2005 Patent Public Advisory Committee Annual Report), and the Office has predicted that this time will increase.

Assuming that a provisional application is filed, an applicant may have up to 6 years, on average, to determine what their invention is before his first continuation of right issues as a patent. If circumstances exist for a grantable petition, an applicant may have even longer for a patent issuing from a second continuation. Intel believes that the better part of a decade is sufficient time for applicants to “figure it out,” and the Office has struck an appropriate balance in view of the public’s legitimate expectation of legal certainty in the property rights granted by US patents.

Continuations-in-part (CIPs):

Several comments have advocated that CIPs should be treated differently under the proposed rules. CIPs are conceptually similar to other types of continuation applications that claim priority under 35 U.S.C. § 120. Given their necessary claim of priority under Section 120, there is no principled reason for treating CIPs differently from other continuing applications that claim priority under this section. If the Office allowed this approach, such an exception would surely swallow the proposed rules. Applicants could simply add matter that is either not patentably distinct or is unclaimed in a parent, and could circumvent the proposed rules’ limit of one continuation of right. Further, with the recent amendments to 35 U.S.C. § 103(c), the need to file continuation in part applications has been greatly mitigated.

Possible effects:

Several comments have speculated that the proposed rules would result in multiple new application filings “up front” instead of serial continuation applications under the current regime. Some comments further opined that this would somehow be unfair to “small” applicants in favor of “large” applicants.

Such unfounded speculation does not identify any infirmity in the proposed rules. It is at least as likely, and more consistent with the intent of the proposed rules, that applicants will file a similar number of new applications, and prosecute them more diligently. Even if more applications were filed up front, the proposed rules permit this, provided that all of the applications were directed toward patentably distinct inventions. If not, the proposed rules have provisions preventing such abuse.

At least one comment suggests that the proposed rules would favor large entities with presumably more money to spend on initial filing fees, over small entities that attempt to include multiple inventions in fewer applications to delay filing fees. This argument ignores the reality that large entities still operate within limited filing budgets, and the effects of the rules will apply

across the board. Any applicant, large or small, must decide what level of filing activity it can reasonably afford, and make filing decisions accordingly. Small entities already receive a 50% discount on prosecution fees, and can take advantage of inexpensive provisional applications to delay paying filing fees. The proposed rules are properly crafted to reduce overall pendency and increase public certainty and finality, which are far more important than trying to maintain a perceived differential in treatment between classes of applicants.

Still others argue that as a result there will be many more appeals and instead of facing delays in examination, applicants will face delays before the Board. This argument ignores the excellent reforms instituted last year of having appeal conferences. If the examiner has done an inadequate job examining the case, the appeals conference provides a quick and effective remedy under the guidance of the Office's most experienced examiners to bypass the appeals process and have examination completed expeditiously.

Necessity/Legality of the Proposed Rules:

Some comments assert that the 20-year patent term measured from the filing date resolved any potential problems caused by continuations, but this is not the case. While it is beneficial to have some outside limit on pendency, 20 years is nonetheless an extremely long time in terms of many product and technology development cycles. Those who would use continuation practice to keep a "placeholder" application on file during the development of a technology still have the incentive to do so. Thus, pendency, notice, and finality are still adversely affected.

Others argue that the pre-grant publication of non-provisional applications solves all finality and public notice problems. This notion is incorrect for two reasons. First, not all applications are published, as there is a broad exception for applications in which foreign counterpart applications are not desired. Second, even publication does not solve the finality problem. Even assuming actual knowledge by each industry of all relevant published applications, the potentially unlimited pendency (regardless of secrecy) of an application chain prevents meaningful resolution of patent conflicts.

At least one person's comments proposed an alternative of a time limit during which unlimited continuations could be filed, and after which no continuations could be filed. This idea misses the point of the proposed rules, which is to provide one continuing application as of right, and potentially unlimited additional applications for good cause. The time-limit proposal

would encourage unlimited abuse of the process up until the deadline, and then cut off even legitimate continuing applications after that.

Some comments argue that the Office does not have the authority to enact the proposed rules. However, as explained above, the proposed rules are reasonable and within the Office's regulatory power.

Alternatives

Others have suggested that other alternatives should be considered. For example, one group has proposed that the Office try this approach on a trial basis for certain limited art units and evaluating its success. We do not believe that such an experimental approach would comply with Article 27(1) of the TRIPS Agreement (Trade-Related Aspects of Intellectual Property Rights), which prohibits discrimination as to the field of technology.

Other suggestions point to legislative fixes. While true patent reform would be desirable, it is not currently clear when that reform will happen as major industry players disagree on the parameters of that reform. The problem of the Office's backlog and the delays new applications are encountering exist today. They require a solution today.

Some might argue that the Office's policy of taking up continuations for examination before newly-filed applications should be reversed. While this would provide much-needed attention to newly-filed inventions, it would be a disaster in terms of prosecution delays and resultant patent-term extensions in the continuing applications. Especially given the Office's pendency challenges, moving continuations to the back of the line would effectively undo the 20-year patent term established by Congress in 1995, and play directly into the hands of those who seek delay and obfuscation through continuation practice.

Yet others assert that the Office can hire its way out of the problem by simply hiring more examiners. However, experienced examiners, unlike the goddess Athena, are not created spontaneously. It takes years to grow an experienced examining corps. Hiring even more inexperienced examiners will not solve the problem but will lower dramatically the quality of the services offered by the Office even if the Office were to receive permission from Congress to hire even more.

Conclusion

In summary, Intel believes the new rules as proposed by the Office strike an appropriate balance among patent applicants' interest in obtaining optimal coverage for their inventions in a timely manner upon application, the Office's interest in efficiently processing new applications toward disposal as mandated by Congress, and the public's interest in having notice as to what technology is and is not available for use.

Sincerely,
David Simon
Chief Patent Counsel
Intel Corp.