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From: Dana Robert Colarulli [mailto:dana@ipo.org]

Sent: Wednesday, May 03, 2006 5:16 PM

To: AB93Comments

Cc: 'Herbert C. Wamsley'

Subject: IPO Comments on Proposed Rules on Continuations

Importance: High

Attached are IPO's Comments on PTO's proposed rules on continuation practice. Please confirm your receipt of this email and contact me or Herb Wamsley (202/466-2893) if you have any questions. Thank you.

Mr. Dana Robert Colarulli

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May 3, 2006

The Honorable Jon W. 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
Attention: Robert W. Bahr

Re: Comments on Proposed Rules: “Changes to 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:

I am writing on behalf of Intellectual Property Owners Association (IPO) to comment on the proposals for changes in continued examination practice and other proposed rules that were published at 71 Fed. Reg. 48 on January 3, 2006. We appreciate the opportunity to comment.

INTRODUCTION

IPO strongly supports appropriate actions to stem the rising tide of unexamined patent applications, including the current program to hire and train 1,000 patent examiners a year for several years. For reasons explained in this letter, however, we cannot support the proposed rules as written, which would limit patent applicants to one continued examination filing as a matter of right. We would support a limit of two traditional continuation or continuation-in-part applications as a matter of right if the proposed rules were amended in several major respects.

IPO is a trade association representing companies and individuals in all industries and fields of technology who own or are interested in intellectual property rights. IPO's membership includes more than 200 companies and a total of 7,700 individuals who are involved in the association either through their companies or as an inventor, author, executive, law firm or attorney member. Our corporate members file about 30 percent of the patent applications filed in the USPTO by U.S. nationals, and our members are defendants in many patent infringement suits filed in the U.S. We believe patent laws and rules generally should apply in the same way to all industries and technologies. Patent laws and rules should be designed to

provide strong incentives for innovation while minimizing expenses for patent applicants and owners and for parties who may be accused of patent infringement.

PROPOSED RULES

In essence, the proposed rules limit a patent applicant to one continued examination filing as a matter of right. Rules 1.78(d) and 1.114. Continued examination filings are continuing applications or requests for continued examination (RCEs). Continuing applications include continuation applications, continuation-in-part applications, and divisional applications. Second and subsequent continuing applications can be filed only “to obtain consideration of an amendment, argument, or evidence that could not have been submitted during the prosecution of the prior-filed application.” A similar one-filing limit applies to RCEs. In addition, the proposed rules establish a presumption that two patent applications contain patentably indistinct claims if they are filed on the same day, name at least one inventor in common, are commonly owned, and contain substantially overlapping disclosures. Rule 1.78 (f)(2).

The Federal Register notice attempts to justify the proposed rules primarily as a way to reduce the backlog of unexamined applications. E.g., 71 Fed. Reg. at 49. The rules also are said to be directed toward improving patent quality and requiring a bona fide attempt to claim the applicant’s invention. E.g., 71 Fed. Reg. at 50.

CONTINUED EXAMINATION FILINGS ARE NECESSARY

The vast majority of continued examination filings are filed in a bona fide attempt to claim the applicant’s invention adequately and not for purposes of delay. Long chains of continuing examination filings are not commonplace. According to the Federal Register notice, about 63,000 continuing applications were filed in fiscal year 2005, including 44,500 designated as continuation/continuation-in-part applications. Of the 44,500, about 11,800 were second or subsequent continuation/continuation-in-part applications. Of the more than 52,000 RCE’s in 2005, slightly less than 10,000 were second or subsequent RCE’s.

Continued examination filings are made for a variety of reasons. Many IPO members make continued examination filings because of their views about recent changes in patent law. They believe, for example, that because claim interpretation has become more unpredictable after the Markman case and the doctrine of equivalents has become less available after the Festo case, an applicant needs continued examination filings to prosecute the claims thoroughly in order to adequately protect the invention.

Continued examination filings may be used to obtain consideration of newly-found prior art, or, in the case of continuations-in-part, to add new matter/support to a specification. They may be used to add testing data during prosecution, to accept

narrower claims while pursuing broader claims, or to pursue narrower claims during the pendency of an appeal.

Many continuation filings are made because the exchanges between the examiners and the applicants were not adequate as a result of searches and examinations that were not complete and thorough and because final rejections were premature. Continued examination filings sometimes are viewed as an alternative to an appeal.

In certain cases, continued examination filings are used for delay. In at least two extreme cases, the Court of Appeals for the Federal Circuit held patents unenforceable for “unreasonable and unexplained delay” after filings of large numbers of continuation applications. In several cases the court has referred to the “public notice” function of patent claims, which inform manufacturers and service providers of patent rights that may be asserted. For patent claims to provide notice of legal rights, patents should be granted within a reasonable time. Early clarification of rights, along with cost-effective operations and higher quality examination should be the key goals of the Office.

Public notice is one of the benefits of short pendency of patent applications in the Office. IPO has supported the traditional goal in the USPTO’s strategic plan of 18-month average pendency of patent applications.

THE PROPOSAL IS UNLIKELY TO REDUCE APPLICATION BACKLOGS

Although continued examination filings have increased, second and subsequent continued examination filings are not a major portion of the Office’s workload. A total of 317,000 patent applications were filed in 2005. The Federal Register notice explains that in 2005 less than 22,000 continuations, continuations-in-part and RCE’s were second or subsequent continued examination filings. Second and subsequent filings in these categories are only 7 percent of total application filings.

The savings in workload gained from implementing the proposed rules limiting the number of continued examination filings to one likely would be offset by increases in other parts of the Office’s workload such as petitions and appeals. The Office would receive (a) more petitions for premature final rejections or denial of filing a continuing application, and (b) more appeals in applications that had not yet been sufficiently examined to be “ripe” for appeal. An increase in appeal filings would further increase pendency. While the Federal Register notice cites the recent improvements in reducing appeal pendency and states that filing of an appeal may be more efficient than seeking further examination before a “seemingly stubborn examiner,” the total appeal process is still a much longer and much more expensive procedure than the filing of a continuation or RCE. There is no explanation of how the recently improved appeal pendency would be maintained in the face of significantly more appeals.

The proposed rules limit a divisional application to claiming the benefit of only one earlier application. Under current practice, applicants are able to file a series of divisionals and prosecute multiple inventions disclosed in an original application one at a time. The proposed rules would force applicants to file more divisionals, and file them earlier, in order to preserve their rights, even though the applicants may not have had an opportunity to determine the value of all of the inventions disclosed. To reduce the backlog, rules should be proposed to allow more inventions to be examined together, which would reduce the number of divisionals.

The proposed rules would apply to any application filed on or after the effective date of the final rules, and thereby would affect pending applications because continued examination filings would be limited after the new rules were in effect. The Office therefore likely would receive a flood of divisionals and other continuing examination filings before the effective date of the rules.

MOST OPPORTUNITIES FOR CONTINUED EXAMINATION FILINGS SHOULD BE PRESERVED

The public notice function of patents at an early date is important, but must be weighed against the need for continued examination filings to permit applicants to prosecute their applications fully and obtain adequate legal protection for their inventions. IPO recommends a much more moderate limitation on continued examination filings than in the proposed rules. Specifically, IPO recommends:

- Limiting an applicant to TWO traditional continuation or continuation-in-part applications as a matter of right, instead of only one as proposed by the Office.
 - The limitation should not apply to RCEs, which are processed by the Office more quickly than traditional continuation applications.
 - The limitation should not apply to divisional applications. Divisional application reform should be dealt with separately by reforming the Office's restriction practice and adopting the Unity of Invention standard for subject matter permitted in a single application.
 - The limitation should not apply when an amendment, argument or evidence already in the record was not fully addressed by the patent examiner. Also, the standard in the proposed rules of "could not have been submitted earlier" should be replaced by a reasonable diligence standard.
 - The patent examiner production system should be revised to give examiners less credit for examining continued examination filings,

which are much easier to examine than regular applications when assigned to the same examiner. An offsetting adjustment should be made to give examiners more credit for examining regular applications. This change would reduce continued examination filings significantly, particularly RCE's.

- Conducting a pilot program before limiting traditional continuation and continuation-in-part applications for all applicants. More information is needed to avoid unintended consequences. A mechanism should be developed for selecting applications for the pilot fairly and avoiding discrimination among technologies.

PRESUMPTION OF DOUBLE PATENTING

IPO opposes proposed rule 1.78(f)(2), which establishes a presumption that two patent applications contain patentably indistinct claims (i.e., the applications are subject to a double patenting rejection) if they are filed on the same day, name at least one inventor in common, are commonly owned, and contain substantially overlapping disclosures. The Federal Register notice provides no explanation of the objective sought to be achieved except that "Efficient examination also requires that applicants share some of the burden of examination . . ." 71 Fed. Reg. at 51. We question the Office's statutory authority to adopt this change. Sections 131 and 132 of title 35 of the U.S. Code require the Office to examine claims and, if any claim is rejected, notify the applicant of the reasons for the rejection. A presumption of double patenting established on the basis of overlapping disclosures without any examination by the Office of the claims does not appear to meet the statutory requirements.

HIRING AND TRAINING ADDITIONAL PATENT EXAMINERS

IPO strongly supports the Office's program for hiring and training 1,000 examiners a year for the next several years. This is the single most effective action the Office can take to deal with the backlog of unexamined patent applications. Hiring more examiners was a principal reason why the private sector supported the 2004 fee increase to generate \$200 million a year in USPTO revenue. Although Office officials in several speeches have said the Office "cannot hire its way out of this," it appears to us that the hiring plan should be the centerpiece of the Office's strategy.

According to a recent USPTO graph, the hiring program, with certain assumptions about examiner attritions, will cause the rising pendency time of patent applications in the Office to level off at less than 35 months by 2009. Pendency of 35 months is far from ideal, and eventually pendency must be reduced in order to provide notice of ownership of patent rights to the public at a reasonably early date. In its comments on the Office's 21st Century Strategic Plan, IPO reiterated its support for the traditional goal of 18-month average pendency of patent applications, which was

last achieved about 15 years ago. Early determination of patent rights will help avoid unnecessary patent litigation.

We believe the Office's current hiring plan, together with a variety of other actions, including possible legislation to further increase fees for excess claims, can reduce patent pendency to acceptable levels without interfering with the ability of patent applicants to claim their inventions adequately.

* * *

Again, we appreciate the opportunity to present these comments. A separate IPO letter transmits our comments on the proposed rules on claims in patent applications that were published at 71 Fed. Reg. 61.

Sincerely,

A handwritten signature in cursive script, appearing to read "Marc S. Adler".

Marc S. Adler
President