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Sent: Tuesday, May 02, 2006 12:07 PM

To: AB93Comments

Subject: Micron Comments in Support of PTO's Notice of Proposed Rule Making

The Honorable Jon Dudas
Under Secretary of Commerce for Intellectual Property
and Director of the United States Patent & 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 Patent Examination Policy

Dear Under Secretary Dudas:

Attached hereto are the comments of Micron Technology, Inc. in support of the U.S. Patent and Trademark Office proposed rules relating to changes in continuation practice, published at 71 Federal Register 48 (January 3, 2006).

Micron thanks the Under Secretary for this opportunity for comment and expresses its willingness to take other action deemed appropriate or helpful by the Under Secretary in support of PTO's proposed rules.

Respectfully submitted,

Micron Technology, Inc.

W. David Westergard

Director of Patent Licensing

**COMMENTS OF
MICRON TECHNOLOGY, INC.**

ON THE PTO'S

**“PROPOSED CHANGES TO PRACTICE FOR
CONTINUING APPLICATIONS, REQUESTS FOR
CONTINUED EXAMINATION PRACTICE, AND
APPLICATIONS CONTAINING PATENTABLY
INDISTINCT CLAIMS”**

May 1, 2006

I. Introduction and Summary

Micron Technology, Inc. (“Micron”) wholeheartedly supports the PTO’s proposals to reform continuation practice. Reform is essential both to stop the abuse of claim tailoring and to eliminate the inefficiency, redundancy and expense incurred by the PTO in examining claims having the same effective filing date and essentially similar disclosures as earlier filed claims.

Micron recognizes that continuation practice was developed with the twin goals of efficiency and equity in service of the public interest. Indeed, allowing an applicant to craft claims in light of a give and take with the patent examiner, whether in an original application or in a continuation application, ensures that patent claims serve their public-notice function of precisely indicating the reach and breadth of the claims. The failure of current continuation practice results from abusive practices by applicants—primarily the practice of expanding the scope of patent claims during an extended prosecution of a “family” of patent applications by tailoring claims to read on innovations first seen in the marketplace. This abuse presents one of the most serious obstacles to competition facing industry today. The courts have largely acquiesced, but it has led to a glut of continuing applications and has contributed to unprecedented backlogs within the PTO. The PTO is uniquely positioned to stop the abuse, and the time has come for it to do so. The PTO plainly has statutory and inherent regulatory authority to ensure that applicants diligently pursue their claims.

The PTO’s proposed regulation is a sensible compromise that does not ban continuing applications altogether, but instead requires an applicant to explain why the claims in a second or subsequent continuing application “could not have been submitted during the prosecution of [a] prior-filed application.” In essence, it requires applicants to show good cause for filing more than one continuing application and thereby additionally burdening the already overburdened PTO.

Micron suggests, however, that the proposed regulation be clarified in one respect. Under the proposed language, applicants might argue that they “could not have submitted” certain claims earlier because they did not know what products or processes others were developing. As the PTO’s background discussion recognizes, an applicant’s desire to cover technologies that others have developed in parallel is *not* a valid excuse for delaying prosecution or for failing to present claims earlier. The regulation accordingly should clarify that recent knowledge of developments by others will *not* be deemed good cause for filing an additional continuing application.

II. Micron’s Interest in and Support for Continuation Practice Reform

Micron has a dual interest in the PTO’s treatment of continuing applications.

First, Micron is a frequent patent applicant and a leading patentee. We design and manufacture state-of-the-art CMOS image sensors and DRAM and flash memory solutions that

are used in today's most advanced photographic and video, computing, networking, and communications products. We invest over \$600 million every year in research and development. Patenting our technological advances helps protect those large investments. For the past five years, we have been among the top ten recipients of U.S. patents, and for the last several years, MIT's *Technology Review* (now published by ipIQ) has ranked our patent portfolio as the strongest in the semiconductor industry. In addition to being one of the most prolific applicants in the PTO, we have taken advantage of continuation application practice to facilitate more strategic prosecution of the many claims related to our advances. Nevertheless, we have been concerned that applications relating to many of our most valuable inventions have been stalled in the PTO, awaiting even initial consideration by a patent examiner. Those delays have been lengthening in recent years, postponing issuance of patents and our ability to enforce them.

Second, Micron also is the subject of others' efforts to enforce their patents, and we have been quite vocal in expressing our concerns that the PTO is allowing applicants to "invent patents" rather than "patent inventions." We have learned from painful first-hand experience how "patent stalkers" will file a broadly worded initial application, wait and see where industry heads, and then add or amend claims to cover technologies that others developed independently. Multiple continuing applications are often critical to this strategy of predatory delay.

Both of those interests lead Micron to support the PTO's efforts to regulate continuation practice and prevent its abuse. Micron recognizes that continuing applications have a valid place in the patent prosecution system. Micron also believes, however, that reducing *unnecessary* continuing applications will speed up processing of worthy patent applications and improve the quality of patents that ultimately issue. Micron further expects that policing multiple or unduly delayed continuing applications will have the salutary effect of preventing unscrupulous applicants from improperly gaming the system to ensnare technology that others developed independently and reasonably believed they were entitled to exploit.

III. Micron's Concurrence in the Need for Regulatory Reform

Micron believes that continuation practice reform is long overdue. The PTO's discussion of the proposed regulation well explains the prevalence of continuation practice and the delays and backlogs it causes for examiners and other applicants. The PTO may be less familiar, however, with how (and how frequently) continuation practice is abused for improper purposes.

Repeated continuing applications allow a patent applicant to "invent a patent" instead of patenting a preexisting invention. An applicant intent on developing a patent as a litigation and licensing weapon can use repeated continuing applications to obtain patent claims far removed from whatever the applicant had in mind when preparing the disclosure. This process, sometimes called "patent stalking," is simple under current PTO rules. First the "stalker" files a patent application with a broadly worded disclosure. That original application includes a general description of technology that the applicant expects will be significant to a particular industry. Then the stalker monitors that industry, watching how the pioneering companies develop and market new products. During this time, the stalker keeps a chain of continuation applications alive and periodically amends or adds claims to match what the industry is doing.

Claims presented in continuation applications receive the same filing date as the claims presented as part of the original application. This creates a fiction in which a belatedly drafted claim will be deemed to antedate an otherwise invalidating reference, even when the reference may have been the very input on which the belatedly drafted claim was modeled. The stalker thus emerges from the PTO with tremendous advantage, both in alleging infringement (because the claims were drafted expressly to cover a target company's activities) and in maintaining validity (because of the benefit of a filing date well before the claims were actually drafted). Patent stalking is an unfair abuse of the system, yet it is commonplace—in some quarters even recommended practice.¹

A related abuse arises as a practical consequence of unfettered continuation practice. Under the current rules, no rejection issued by an examiner is ever really final. A patent applicant can simply keep filing continuing applications until it wears down the examiner and convinces him or her to issue at least some claims. According to a recent analysis, patents eventually issue in more than 85% of applications filed.²

These abuses of continuation practice reverberate throughout the patent system. Continuation patents are more likely to be litigated: patents based on continuing applications account for 52% of all litigated patents.³ Further, patents that are ultimately litigated typically issue after a longer chain of continuing applications than other patents: each litigated patent issues from an average of 2.57 applications, while patents in general issue from an average of only 1.54 applications.⁴ Abuses of continuation practice thus have far-reaching impacts.

In short, current continuation practice is easily abused, with no negative consequences to the abuser. Unscrupulous patent applicants are using continuing applications to obtain claims specifically intended to cover the independent—and novel—activities of true innovators.

¹ See, e.g., Paul Gillette, Note, “*Maximum Security*”: *Continuation and Reissue as Means of Obtaining Optimum Patent Protection After Festo*, 27 T. Jefferson L. Rev. 371 (2005) (suggesting that broadest claims be reserved for continuation applications, or perhaps even reissue); Symposium, *The End of Equivalents? Examining the Fallout from Festo*, 13 Fordham Intell. Prop. Media & Ent. L.J. 727, 742 (2003) (quoting Harold C. Wegner: “[Y]ou take whatever claims you can, you file a continuation with a disclaimer, and then you keep that new case pending forever and ever and ever, and then you add new claims when you need them. Now, that is not a very good public policy. But, it is something that is an effective way to deal with the problem. We do it all the time.”)

² Cecil D. Quillen, Jr. et al., *Continuing Patent Applications and Performance of the U.S. Patent and Trademark Office — Extended*, 12 Fed. Cir. B.J. 35, 38 (2002); see also *id.* at 50 (“the USPTO can rid itself of determined applicants only by allowing their applications”).

³ Mark A. Lemley & Kimberly A. Moore, *Ending Abuse of Patent Continuations*, 84 B.U. L. Rev. 63, 70 (2004).

⁴ John R. Allison et al., *Valuable Patents*, 92 Geo. L.J. 435, 457 (2004).

IV. Micron's Concurrence that the PTO Has Statutory and Inherent Authority to Regulate Continued Examination Practice

While some have questioned the PTO's regulatory authority to combat abuses of continued examination practice, the PTO in fact has both statutory and inherent authority to ensure that such practice serves the practical and equitable purposes for which it was created in the first place.

Congress granted the PTO express authority to "establish regulations, not inconsistent with law, which . . . shall govern the conduct of proceedings in the Office."⁵ By this provision, Congress "delegated plenary authority over PTO practice . . . to the [PTO]."⁶ Furthermore, the Patent Act expressly authorizes the PTO to promulgate regulations which "shall facilitate and expedite the processing of patent applications . . ."⁷ The proposed rule is a direct effort to expedite the processing of legitimate applications, in keeping with the plain text of the statute.

The Federal Circuit has deferred to the PTO's statutory authority to make procedural rules governing the treatment of patent applications. For example, in the context of interferences, the Federal Circuit approved PTO regulations that established a motion procedure for interference proceedings and required patent applicants to prove entitlement to the priority date of an earlier disclosure.⁸ The proposed rule governing the number of continuation applications that an applicant may file similarly falls squarely within the ambit of the PTO's procedural regulatory authority.

Apart from this express statutory authority, the Federal Circuit has also recognized the PTO's *inherent* authority to regulate continuation practice and ensure that continuation applications are pursued without unreasonable delay. In *In re Bogese*,⁹ the court recognized that "[t]he PTO is the administrative agency that is 'responsible for the granting and issuing of patents,'"¹⁰ and that "[l]ike other administrative agencies, the PTO may impose reasonable deadlines and requirements on parties that appear before it."¹¹ Thus, it held, "[t]he PTO 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."¹² *Bogese* upheld the PTO's authority to reject claims based on unreasonable delay in prosecution (prosecution laches) even without a specific regulation in place, as long as the applicant is afforded notice and an opportunity to respond. Predictably, the applicant's misconduct in that case included repeated

⁵ 35 U.S.C. § 2(b)(2)(A) (formerly 35 U.S.C. § 6(a)).

⁶ *Gerritsen v. Shirai*, 979 F.2d 1524, 1527 n.3 (Fed. Cir. 1992).

⁷ 35 U.S.C. § 2(b)(2)(C) (emphasis added).

⁸ *Stevens v. Tamai*, 366 F.3d 1325, 1332-34 (Fed. Cir. 2004).

⁹ 303 F.3d 1362 (Fed. Cir. 2002).

¹⁰ *Id.* at 1367-68 (quoting 35 U.S.C. § 2 (2000)).

¹¹ *Id.* at 1368.

¹² *Id.*

filing of continuation applications.¹³ Given that holding, the PTO clearly has authority to adopt regulations designed to streamline patent prosecution practice and to refuse to allow continuation applications that are unduly delayed or pursued for improper purposes.

To be sure, all regulations must be “not inconsistent with law,” but nothing in the proposed regulation conflicts with the section of the Patent Act that codified continuation practice, 35 U.S.C. § 120. Section 120 simply states that proper continuation applications shall receive the benefit of the earlier filing date of the first application. As the Federal Circuit held in *Bogese*, Section 120 does not eliminate the PTO’s authority to determine whether continuation applications are procedurally proper or pursued with due diligence. Indeed, Section 120 expressly grants the Director of the PTO authority to regulate the content and timing of continuation applications: it states that “[n]o application shall be entitled to the benefit of an earlier filed application under this section unless an amendment containing the specific reference to the earlier filed application is submitted at such time during the pendency of the application as required by the Director.”¹⁴

The PTO was correct in concluding that the nearly 40-year-old Court of Customs and Patent Appeals decision in *In re Henriksen*¹⁵ is not to the contrary. In that case, the Office had construed the text of Section 120 to limit continuation practice to at most three generations. That is, it read Section 120 to authorize child and grandchild continuation applications, but to forbid all great-grandchild applications and beyond.¹⁶ The C.C.P.A. reversed, holding that the text of Section 120 said no such thing and that the legislative history and prior practice suggested no such thing.¹⁷ The court further noted that nothing in the Office’s regulations, including the Rules of Practice and Manual of Patent Examining Procedure, suggested the limits that the Office had imposed, making the Office’s action “akin to a *retroactive* rule change.”¹⁸

The situation here is quite different. The PTO is not construing Section 120 itself to impose hard-and-fast, categorical limits on the number of continuation applications. Nor is it attempting to impose a retroactive rule change. It is simply creating a presumptive limit on the number of continuation applications an applicant may file, with the goal of expediting prosecution practice and cutting down on dilatory behavior and abuse. The proposed limit is not absolute: if an applicant can show good cause for filing a second continuation application, the application will be allowed and the applicant will be permitted to claim priority to the earlier application under Section 120.

Notably, in *Bogese* the Federal Circuit similarly distinguished *Henriksen*, calling the holding there “limited” and “based on a detailed review of the legislative history of . . . 35 U.S.C.

¹³ *Id.* at 1364-65.

¹⁴ 35 U.S.C. § 120.

¹⁵ 399 F.2d 253 (C.C.P.A. 1968).

¹⁶ *Id.* at 255-56.

¹⁷ *Id.* at 256-61.

¹⁸ *Id.* at 261-62.

120 and the long-standing interpretation by the Patent Office and patent bar”¹⁹ *Henriksen* did not “suggest or imply that the PTO must allow dilatory tactics in the prosecution of applications or that the PTO lacks inherent power to prohibit unreasonable delay in prosecution.”²⁰ In *Bogese’s* case, “the PTO did not adopt a mechanical rule based on a misconception of the statutory requirements.”²¹ Nor is the PTO doing so here.

V. Micron’s Support for the Proposed Regulations and Its Suggestions to Strengthen Them

Micron believes that the PTO’s proposed regulation would improve prosecution practice without imposing undue burdens on applicants who are diligent and act in good faith. Indeed, Micron believes the PTO should go further and clarify that even though substantive law does not forbid applicants from adding broader claims in order to cover technology used by others, that goal itself is not sufficient to justify an additional or belated continuing application. Independent good cause should be required.

Even though some in Congress are debating the merits of a legislative solution to continuation abuses, there is no reason for the PTO not to exercise its rulemaking authority to reform continuation practice.²² As shown in the PTO’s analysis and above, the excesses of continuation practice and the burdens it imposes on the entire patent system are undeniable and well documented. The PTO is overwhelmed, and patent prosecution simply takes too long. As a result, even diligent applicants unfairly suffer due to the dilatory and strategic behavior of others. Furthermore, the “submarine” patents that belatedly issue from continuation practice all too often blind-side honest competition.

On the other hand, Micron does not support abolition of continuation practice. Continuing applications can serve legitimate purposes such as refining claims and avoiding unnecessary appeals. Moreover, insisting that all claims be brought in a single application would often delay patent issuance, which would be unfair to applicants and might even exacerbate problems with “submarine” patents suddenly emerging into the marketplace.

The proposed regulation wisely balances the benefits of continuation practice against its potential costs and abuses. The proposed rules recognize the legitimate uses of continuation applications by allowing one continuation with no questions asked. Applicants and examiners would thereby retain the flexibility to have some claims issued while examination of the remainder continues, and to continue examinations when further examination seems likely to be fruitful. In Micron’s view, first continuations are not necessarily suspect or a sign of delay.

¹⁹ 303 F.3d at 1368 n 6.

²⁰ *Id.*

²¹ *Id.*

²² Micron has supported various proposed statutory reforms of the patent system. Those proposals are still stirring in Congress, but as explained above, the PTO plainly has regulatory authority to control the procedures of practice before it.

Most of the abuse—and much of the burden on the system—comes from second, third, fourth, and even fifth or sixth continuations.

Micron is also pleased to see that the PTO does not propose to ban multiple continuation applications outright, but simply to require the applicant to explain why the new claims could not have been submitted earlier and why it should be entitled to place an additional burden on the corps of examiners. If an applicant cannot offer a good reason, it is fair for the examiner to conclude that the applicant unduly delayed and has forfeited its right to additional claims. The PTO has indicated that applicants will be allowed to appeal examiners' rejections of continuing applications, so the danger of arbitrary examiner behavior is minimal.

The proposed regulation also harmonizes well with the judicially recognized doctrine of prosecution laches. Some have criticized the Federal Circuit's decision in *Bogese* on grounds that the PTO has not given sufficient guidance on what delays are permissible. The proposed regulation and decisions implementing it would provide a welcome first step toward providing such guidance as to what is and is not undue delay in prosecution of a patent application.

In that regard, the PTO should clarify that the desire to cover other companies' products or services is *not*, in and of itself, a sufficient excuse for the delayed filing of additional claims. To be sure, the Federal Circuit has held that it is not *per se* wrong to present in the PTO additional claims designed to cover particular competitors' products.²³ But such a commercial desire does not excuse applicants from asserting claims promptly and prosecuting them diligently.²⁴ Continuation practice has never been considered a license to dawdle—especially when a patent based on the same specification has issued and the public reasonably expects that technology disclosed but not claimed is in the public domain.²⁵

The PTO's proposal recognizes this in principle. The commentary to the proposed rules correctly observes that current rules “permit[] applicants to keep applications in pending status while awaiting developments in similar or parallel technology and then later amending the pending application to cover the developments,” and that “the practice of maintaining continuing applications for the purpose of adding claims after such discoveries is not calculated to advance prosecution before the Office.”²⁶ The proposal likewise recognizes that “when the continued examination process fails to reach a final resolution . . . the public is left uncertain as to what the set of patents resulting from the initial application will cover.”²⁷

²³ See *Bogese*, 303 F.3d at 1369; *Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 874 (Fed. Cir. 1988).

²⁴ See *Kingsdown*, 863 F.2d at 874 (“Any such amendment or insertion [of claims] must comply with all statutes and regulations . . .”).

²⁵ See *Kendall v. Winsor*, 62 U.S. 322, 329 (1858) (an inventor “may forfeit his rights by a wilful or negligent withholding of his claims, or by an attempt to withhold the benefit of his improvement from the public until a similar or the same improvement should have been made and introduced by others”).

²⁶ 71 Fed. Reg. 48, 49 (Jan. 3, 2006).

²⁷ *Id.*

The text of the proposed regulation itself, however, does not specify what will and will not be viewed as good cause to file an additional continuing application. The regulation says only that the applicant must “show[] to the satisfaction of the Director that the amendment, argument, or evidence could not have been submitted during the prosecution of the prior-filed application.”²⁸ Given the ambiguity, applicants may argue that they did not submit expanded or modified claims earlier because they did not know that others had used or developed certain technology. The proposed regulation should be amended to clarify that such new commercial knowledge is *not* a proper excuse for having failed to submit a claim previously. This could be done by adding the following sentence to 37 C.F.R. § 1.78(d)(1)(iv):

Evidence that an applicant had not previously learned or known that others had developed similar or parallel technology will not be considered as evidence that an amendment, argument or evidence could not have been submitted previously.

VI. Conclusion

The PTO is charged with managing prosecution practice, including ensuring that examination of applications proceeds without unnecessary obstacles and delays. Part of that responsibility involves regulating applicants’ conduct in applying for patents so that they do not unduly burden the PTO or prevent it from running smoothly. Continuation practice has now grown out of hand, and it is high time that the PTO steps in to ensure that continuing applications promote efficiency and equity rather than impede them. The proposed amendment is a good first step toward restoring the balance. Micron urges the PTO to adopt it, and to go further by clarifying what is (and more importantly is *not*) good cause for submitting a further continuing application.

²⁸ See proposed 37 C.F.R. § 1.78(d)(1)(iv) (set forth at 71 Fed. Reg. 59 (Jan. 3, 2006)).