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To: AB94Comments
Subject: Comments on Continuation Practice 71 Fed. Reg. 48 (03 January 2006)

Please find attached my comments (as an individual attorney) with respect to the USPTO's proposals on Continuation Practice set forth at 71 Fed. Reg. 48 (03 January 2006).
<<Comments to USPTO on Continuation Practice_v1.DOC>>
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COMMENTS ON CONTINUATION PRACTICE

1. The USPTO Does Not Have The Statutory Authority To Limit Continuation Practice In The Manner It Proposes.

Contrary to the USPTO's position, a careful read of the Bogese II case clearly indicates that the majority of the Bogese II three-member panel (Judge Newman dissenting) did not suggest unfettered power by the USPTO to limit continuation practice under 35 U.S.C. 120. The Bogese II case dealt with an applicant who repeatedly filed continuations (twelve over eight years) to avoid response to office actions without amending claims in any substantive manner. The applicant failed to further his application toward issuance of any claims whatsoever after being warned by the examiner to do so. The majority of the panel found that such actions constituted an undue delay in prosecution, which would make the patent unenforceable by a district court. Reasoning that any patent issuing from such an application would be unenforceable in a court of law, the majority of the three-member panel found that the USPTO had the power to reject the application after providing the applicant the opportunity, after notice, to correct the delay. The majority of the panel specifically distinguished this power from the situation where an applicant "maintains pendency of an application . . . while competitors' products appear on the market in an effort to later draft and obtain allowance of claims that read on the competitors' products," a right which the majority of the panel did not dispute. *Id.* at page 1454.

Judge Newman in her dissent argued against even the limited power urged by the majority of the three-member panel (that is, to stop one from failing to move prosecution of an application toward issuance of any claims whatsoever). Judge Newman argued: "[n]o where . . . has an agency been authorized to impose, in its discretion, restrictions contrary to the statute that governs agency action." *Id.* at page 1455. As the courts have not found the practice of filing multiple continuation applications in which an applicant seeks new claims to render a patent unenforceable, it is unclear where in the two-member majority Bogese II decision the USPTO finds a right to limit such practice. It is interesting to note that the USPTO takes its position irrespective of the CCPA's explicit statement in In re Henricksen, 158 USPQ 224 at 231 (CCPA 1968) to the effect "that it is for Congress to decide, with the usual opportunity for public hearing and debate, whether such a restriction . . . is to be imposed," and its remark in In re Hogan and

Banks 194 USPQ 527 at Fn. 13 (CCPA 1977) that "a limit upon continuing applications is a matter of policy for the Congress."

2. The USPTO's Continuation Practice Proposals Will Only Lead To Significantly More Work For The USPTO.

The USPTO's proposed changes to continuation practice would of necessity lead to many more costly appeals. The USPTO urges that such appeals will not overburden the Board of Patent Appeals and Interferences as such Board has "radically reduced the inventory of pending cases." Further, it argues that the new "appeals conference program" instituted by the USPTO to review rejections in applications for concurrence of experienced examiners before an appeal is sent to the Board will adequately keep the appeals to the Board under control. The Office also notes that it is considering a "pre-brief appeal conference program" where an applicant will be permitted to request that a panel of examiners review the rejections in an application prior to the filing of an appeal brief. It argues that this will also reduce the number of appeals to the Board.

The problem with the USPTO's reasoning would be evident to most practitioners; that is, prosecuting attorneys will be forced to seek all embodiments of the invention described in a specification whether or not they would have done so under current practice in order to make sure that a presently non-preferred embodiment is not found later in time to be the next "wiz-bang." Further, applicants will be forced to file multiple divisionals all at once and then prosecute these either to issuance or appeal. Under current practice, many of these divisionals would undoubtedly never have been pursued once the commercial embodiment is chosen. In short, even with the "safety nets" the USPTO cites, it is clear that the BPAI will be overrun with appeals.

3. The USPTO's Limitations On CIP Applications Would Run Afoul Of The Patent Act's Purpose Of Promoting Early Disclosure

The limitation of continuation-in-part applications is particularly problematic in that such limitation can be said to seriously prejudice the public. That is, why would applicants continue to expend funds on researching species covered by an issued genus claim when they know their own work will be cited against any subsequent species discovery? As noted in In re Hogan, 194 USPQ 527 (CCPA 1977), the restriction of applicants to only the generic embodiments claimed in an original application "would be to impose an impossible burden on inventors and thus the

patent system . . . [would constitute] a poor way to stimulate invention, and particularly to encourage its early disclosure . . . [and would be] shortsighted and unsound from the standpoint of promoting progress in the useful arts, the constitutional purpose of the patent laws." *Id.* at 537.

4. The USPTO Relies On Flawed Statistics To Support Its Finding That Its Proposed Rules Limiting Continuation Practice Will Not Disproportionately Affect Small Entities

The USPTO argues that the proposed rule change will not affect a substantial number of small entities and will not "disproportionately impact small entity applicants." To support such statement, the Office cites questionable statistics. First, the Office totally ignores the real-world fact that the prosecuting attorneys of many small entities file their applications using a large entity fee to avoid any possibility of fraud being claimed due to the payment of a small entity fee if perchance the entity becomes a large entity pursuant to a license or otherwise. Second, it bases its statistics solely on one isolated year (2005) rather than looking at figures over a period of time. Third, the USPTO does not compare the effect of such changes on the applications of the average small entity filer vs. the average large entity filer (a large entity applicant may file numerous applications in a year; that is, one cannot count each application as if it were filed by a different entity).

The Office's own numbers cited in the Federal Register indicate that small entity filers are almost certainly affected to a greater extent than large entity filers in respect of continuation and continuation-in-part filings. It reports that 93,000 out of 317,000 applications filed in 2005 were filed under small entity status, for a total of 29.3% of all applications. It also reports that of the 11,700 second continuation/continuation-in-part applications filed in 2005, 4,470 applications were filed under small entity status (or 37.9% of the second continuation/continuation-in-part filings were filed by small entities). Therefore, accepting their assumptions, it is clear that small entities, which account for 37.9% of the second continuation/continuation-in-part filings but only 29.3% of filers, <u>will be</u> disproportionately affected by such changes, at least in respect of continuation and continuation-in-part filings (application types which allow for claims directed to distinctly different subject matter than originally elected). To obscure this fact, the USPTO lumps RCEs into its analysis (wherein the

breadth of claims is limited to originally elected subject matter), a procedure used significantly less by small entity filers than large entity filers, to find no significant impact on small entities.

5. The USPTO's Changes To Continuation Practice Would Not Lead To Greater Certainty In Respect Of The Development Of New Technology And Will Adversely Affect Emerging Companies

While there undoubtedly is an argument that there would be greater certainty in respect of the development of new technologies if all patentees were strictly limited to one set of claims, the same argument could be made if no new applications were allowed to be filed, all patent applications were immediately published, or the whole system of patents was closed down. The fact is that there will never be absolute certainty that a new product will ultimately be found to read on one or more claims of a patent application that ultimately issues as a patent. Such argument further ignores the prejudice that would be caused to the public if applicants failed to disclose alternative embodiments of an invention, or other truly separable patentable ideas, in patent applications solely because they failed to have the resources to pursue each embodiment at the filing date of their patent application.

Fundamentally, the USPTO ignores a very basic fact known to any practitioner who works with start-up companies -- continuation practice is often a necessity for small entity filers who cannot afford to pursue each of their ideas all at once (this may be due in part to the fact that too many of our recent Directors and Commissioners have not practiced patent law outside of the USPTO context, that is, dealt with real-world filers and their needs, and in some cases lacked the years of experience in patent practice to understand the problem). Even in cases where small innovative companies pursue, in an initial claim set, more than one inventive concept, such companies often are forced, by the exigency of their need to raise capital from angels, venture capitalists, etc. (often for their very survival) to obtain patent protection on core ideas before they can proceed to fight the Office on each inventive concept covered in an initially tendered claim set. Likewise, such filers often cannot afford to expend their limited resources on filing multiple applications simultaneously when faced with onerous restriction requirements. It can be argued that it is these companies, the future Microsofts, that the USPTO's proposed change in continuation practice will affect most.

The USPTO's argument that the public is prejudiced by continuation practice also ignores the real-world fact that upon filing, the most practical embodiment often has not been identified. For example, many pharmaceutical patents claim numerous compounds. While at the time of filing one species might look most promising, history has shown that it is often another species, determined after long and arduous clinical trials, that is ultimately found to be best and possessing unexpected advantageous properties. Continuation practice in such cases allows the applicant to seek adequate protection on the newly identified "super star" species, while giving the public the earliest disclosure of such information.

The USPTO argues that about thirty percent of its patent examining resources are being applied to examining continued examination filings and that if these resources were applied to new and backlog cases, the backlog would not grow. Of course, this alone is not a justification for changing continuation practice as the reallocation of the examining corps with respect to review of any patent application type would of course reduce backlog with respect to newly assigned application types.