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From: Godici Nick
Sent: Friday, September 08, 2006 4:55 PM
To: AB95 Comments
Subject: Comments

Attached are my comments on the proposed changes to IDS requirements.
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The Honorable Jon Dudas
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Attn: Hiram H. Bernstein
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Comments on Proposed Rules Changes to IDS Requirements

Submitted By Nicholas P. Godici

I am writing to comment on the proposed rule changes published by the USPTO on July 10, 2006, specifically, "Changes To Information Disclosure Statement Requirements and Other Related Matters", 71 Fed. Reg. 131.

I am currently Executive Advisor at the firm of Birch, Stewart, Kolasch & Birch, LLP. Additionally, I spent over 33 years at the United States Patent and Trademark Office (USPTO) starting as a patent examiner in 1972 and holding various positions within the agency including Supervisory Patent Examiner (SPE), Group Director, and Commissioner for Patents from 2000 to 2005. I also served as acting Undersecretary of Commerce for Intellectual Property and Director of the USPTO from January to December 2001. The following are my personal comments and are not submitted on behalf of my current employer.

General Comments:

I believe the proposals will reduce patent value and increase patenting costs. As a result, these changes will be harmful to innovation and therefore I urge the USPTO not to adopt these changes.

A strong patent system is a cornerstone of innovation and economic growth. High value patents are the result of a high level of public confidence in the quality of our system. With high public confidence comes the willingness of companies and investors to fund research and innovation. When public confidence is lowered,

patent values decrease and funding becomes tighter. Requiring applicants to submit detailed explanations and descriptions of the prior art submitted when arbitrary thresholds are exceeded will expose most every issued patent to challenges of inequitable conduct and the limits of prosecution estoppel and thus decrease the value of that patent in the eyes of investors.

The proposed changes to the IDS requirements would require patent applicants to submit “explanations”, “non-cumulative descriptions”, and “patentability justifications” when submitting prior art to the USPTO under certain circumstances. The standards set for these submissions are simply unreasonable and go too far by requiring applicant’s representative to make statements against their client’s interest and legal judgments that are certain to be challenged. Instead of increasing patent quality, the stated objective of the proposals, confidence in the enforceability of the patent will be diminished and patent value will decrease. The USPTO has failed to appreciate the consequences of these proposals when viewed from the perspective of the impact on the patent system as a whole. Instead the USPTO has focused on a very narrow internal perspective and believes implementation will allow examiners to focus on limited amounts of information. This is a classic example of not seeing the “forest for the trees”. Failure to appreciate the real impacts of these proposals could unfortunately have long-term negative consequences.

These changes will increase the cost of patent prosecution and patent litigation. It is clear from every patent practitioner I have spoken to, the cost to do detailed analysis of prior art and to craft “explanations”, “non-cumulative descriptions” and the like will be substantial. Depending on the technology and situation the prosecution costs could increase by 25-100%. This substantial increase in costs at the prosecution stage will inevitably cause some applicants to reduce or forgo filings. Small and independent inventors will be hurt the most. Innovation will be hampered and the impact on economic growth and job creation will be negative. The increased costs could price the small inventor out of the patent system.

I am sure it was not the intent of the USPTO to propose changes that would decrease patent value and increase patent costs. However, that is precisely the impact of these proposals. I urge the USPTO to step back and analyze the input of the users of the patent system and redirect efforts to initiatives that will build confidence in our patent system and the USPTO.

Specific Comments:

The current situation with respect to compliance with the duty of disclosure before the USPTO is such that practitioners are careful to cite to the USPTO any and all material information they are aware of. However, as we all know, applicants and practitioners are under no obligation to conduct a prior art search. However, many individual applicants and corporations opt to do a search and

disclose the information found to the USPTO to strengthen the patent. Under the proposed changes applicants will be less likely to do a voluntary search lest they find prior art over 25 pages long or over 20 material non-cumulative references. Therefore one impact will be fewer IDSs being filed which will defeat the objective of higher quality patents. This would be an unintended consequence of the rule changes.

Another possible course of action would be that applicants would file an IDS to comply with 37 CFR 1.56 but not submit the new explanations and descriptions of proposed 37 CFR 1.98. The consequence would be that the USPTO would not consider the IDS. This may be an acceptable outcome when a practitioner is faced with a reference over 25 pages long and the need to comply with his duty of candor. It may be more acceptable to cite the reference to the USPTO and not have it considered than to make the required statements against the client's interest and create estoppel that will be detrimental to the enforceability of the patent in the future. This strategy may be employed if the USPTO moves forward with these changes.

These proposals are discriminatory toward U.S. applicants, high-tech applicants, and small and independent inventors.

U.S. applicants would be penalized since prior art cited in counterpart foreign applications is exempt from the 20/25 thresholds. However prior art that is cited in related domestic applications is not exempt and therefore must be cited using the revised requirements of 37 CFR 1.98. This type of unequal treatment is an impact apparently lost on the USPTO. Additionally in high-tech industries such as biotechnology and computer related technologies it is not uncommon to cite references over 25 pages long or surpass the 20-reference threshold. These industries would be required to meet the new explanation requirements more frequently than other industries and therefore be subject to higher costs and more enforceability attacks. Finally, the higher cost of prosecution may force some small and independent inventors out of the patent system. These innovators have been important to the advancement of U.S. technology and to implement rules that hamper their ability to benefit from our patent system is wrong.

The increased cost to patent applicants will be prohibitive.

A very conservative estimate of the total yearly increase in patenting costs if these proposals are implemented would be several hundred million dollars. This estimate is based on the USPTO information that 15% of the applications filed have IDS submissions that would exceed the 20/25 thresholds. Additionally after first action <u>any</u> new IDS would require the new statements. When amendments are filed updated statements would be required. With over 400,000 new applications being filed each year and roughly 500,000 amendments, if only one-third of those submissions required an additional 3 hours of attorney time the

total cost to applicants would be $ 300 million dollars. The USPTO has failed to justify this increase in costs to applicants. Exactly how will quality be increased? To what level? The USPTO ignores this impact on industry and the inventor community in their proposal.

Additionally, Congress approved a substantial fee increase in USPTO fees in 2005. Fee diversion has ceased. The users of the patent community supported the fee increase with the expectation that the money would be used by the USPTO to increase quality and decrease pendency. Now the USPTO proposes to shift more costs and examination burden to those who supported increased funding.

The proposed changes to IDS requirements will have significant negative impacts, namely higher patenting costs and patent devaluation, on innovation in this country. The USPTO has not made the case for these changes that would justify these impacts. In view of this, I urge the USPTO to abandoned these proposals.

Submitted September 8, 2006

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