

-----Original Message-----

From: Matt Rainey

Sent: Tuesday, September 12, 2006 12:31 PM

To: AB95 Comments

Subject: RESEND: Intellectual Ventures - Comments on Amendments to Rules on Information Disclosure Statements

Dear Mr. Bernstein,

Would you please substitute the attached comments for those that I sent you last Friday, September 8, 2006. (The earlier version still included a header with the notation "DRAFT" and a docket number, which have now been removed. No other changes have been made.)

We would appreciate it if you would substitute this replacement copy for the version posted publicly on the PTO web site.

Many thanks,

--Matt Rainey

From: Matt Rainey

Sent: Friday, September 08, 2006 8:11 PM

To: 'AB95.comments@uspto.gov'

Subject: Intellectual Ventures - Comments on Amendments to Rules on Information Disclosure Statements

Dear Mr. Bernstein,

Attached are the comments of Intellectual Ventures on the proposed guidelines by the USPTO on Information Disclosure Statements.

Best regards,

--Matt Rainey

Vice President/Patent Counsel
Intellectual Ventures
1756 114th Avenue SE, Suite 110
Bellevue, Washington 98004
Fax: 425-467-2352

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re:

PTO Docket No.: PTO-P-2005-0024
RIN 0651-AB95

**For: Comments on Changes to
Information Disclosure Statement
Requirements and Other Related
Matters**

71 Fed. Reg. 38808
(July 10, 2006)

**Comments on Changes to Information Disclosure Statement Requirements
and Other Related Matters**

Mail Stop Comments - Patents
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450
Attn: Hiram H. Bernstein

by e-mail
AB95.comments@uspto.gov

Dear Mr. Bernstein:

Intellectual Ventures, LLC appreciates the opportunity to comment on the Notice of proposed changes (the "Notice") published July 10, 2006, at 71 Fed. Reg. 38808 regarding the proposed Changes to Information Disclosure Statement Requirements and Other Related Matters (the "Changes").

I. Executive Summary

Intellectual Ventures relies on a strong patent system and supports the Office's 21st Century Strategic Plan for reforming and strengthening the patent system. Intellectual Ventures supports reforms that reduce overall pendency and increase quality, but not when the reforms damage the quality of examination or patent value and are contrary to settled law.

We believe that the Changes as proposed in the Notice will not further the goals of the 21st Century Strategic Plan, will not reduce pendency, and will ultimately weaken patents issued under the new rules. If implemented as proposed, the Changes would dramatically and harshly increase costs of submitting information, increase the risks to patent validity from

submitting such information, and improperly shift examination to applicants. These effects create perverse incentives to submit less information during examination. The costs and risks associated with discovering and submitting information will outweigh the risks of not discovering and submitting information. Disclosure documents required under the proposed rules will not focus examination, but will increase uncertainty and litigation in the system. Citations to distinguishing claim features can focus examination, but citations to *all* claim features will only interfere with efficient examination. With less information before the Office during examination, examination quality will decrease. Issued patents will have less value and be at greater risk of being found invalid. All in all, any benefits obtained under the proposed rules would not justify the disadvantages of lower quality of examination and lower patent value.

Intellectual Ventures urges that the Office revise the rules before full implementation and include other suggested features. Section IX of these comments suggests alternatives (“the Alternatives”) that would make the new rules more likely to result in the issuance of high-quality patents. The Alternatives would also less likely discourage applicants from submitting information. We strongly urge the Office to reconsider the proposed Changes, and respectfully request that the Alternatives be considered and implemented.

II. Introduction

The patent system of the United States has been, for years, the gold standard in global patents systems. Most of the world's greatest inventions have been developed in the United States and protected by U.S. patents. Alexander Graham Bell invented the telephone.¹ Three scientists at IBM's T. J. Watson Research Center developed laser *in situ* keratomileusis, more commonly known as LASIK eye surgery to the millions of people liberated from eye-glasses.² When Leo Sternbach invented VALIUM[®], he may not have known that he would transform the way a generation dealt with anxiety—but he did.³ Each of these inventors was able to develop great inventions because the inventor believed that the fruit of his labor would be protected by a U.S. patent. In other words, the patent system provides an incentive for inventors to invent. Studies have also confirmed the importance of intellectual property in increasing the economic wealth of states and nations. A recent study by the Federal Reserve Bank of Cleveland determined that one of the key indicators to the economic success of a state is the state's stock of knowledge.⁴ This stock of knowledge includes “[1] the proportion of the population with at least a high school degree, [2] the proportion of the state's population with at least a bachelor's degree, and [3] the stock of patents held by people or businesses in the state).”⁵ In fact, the study found that the strongest factor in determining a state's economic success is the state's degree of patenting.⁶ This finding only confirms what we intuitively know: Intellectual property rights lead to innovation, and innovation leads to economic success.

1 See U.S. Patent No. 174,465.

2 See U.S. Patent No. 4,784,135.

3 See U.S. Patent No. 3,371,085.

4 Paul Bauer, et al., *State Growth Empirics*, Working Paper Series 06-06, Federal Reserve Bank of Cleveland, available at <http://www.clevelandfed.org/Research/Workpaper/2006/wp0606.pdf>.

5 *Id.* at 34.

6 *Id.* at 26 (“The knowledge variables, particularly patents, are the key to understanding how some states persistently outperform others in terms of per capita income.”).

The above inventions came about, in part, because our country has provided the best environment for innovators. But the world is rapidly changing. As Thomas Friedman, author of the best-selling book *The World is Flat: A Brief History of the Twenty-first Century*, notes, barriers to entry into the global marketplace are shrinking. At a time when it is less expensive to have a company's call center halfway around the world rather than around the corner, one hopes that the Office is doing everything possible to maintain the best aspects of our intellectual property system—a system that has encouraged the entrepreneurial spirit that drives the American and world economies. The Office must do everything within its power to ensure that the United States remains the home of the world's leading innovators and inventors.

As any prolific inventor knows, information must be shared as freely as possible to encourage innovation; current innovation always depends heavily upon access to information about prior innovations. Information also allows one to critically evaluate new ideas and products. Without maximal access to information, it is not possible to effectively and efficiently evaluate the merits of a new idea.

For this reason, Intellectual Ventures is quite concerned about the Office's currently proposed Changes concerning Information Disclosure Statements,⁷ which seem likely to add further uncertainty to the examination process, increase the patent application backlog, and discourage the sharing of information that ensures the high quality of the U.S. patent system.

III. Intellectual Ventures is an Invention Company That Relies on a Strong Patent System to Drive Its Innovation

Intellectual Ventures creates and invests in new inventions. Intellectual Ventures works with internal and external inventors—some of the brightest minds of today's inventive society—to create new inventions.⁸ We also build upon our inventions by licensing and acquiring intellectual property from industrial, government and academic partnerships. We rely on a strong patent system to protect the innovation our company fosters. For more information about the business model and work of Intellectual Ventures, please visit our website: <http://www.intven.com/about.aspx>.

Our inventions are diverse. They span a range of technologies in a myriad of practical applications, including software, semiconductors, medical devices and biotechnology. We apply technologies in different combinations and unique ways to solve problems and make novel advancements. We find that inventions at the cutting edge often push boundaries and cannot be easily classified into neat categories. To promote the progress of science and the useful arts, the laws and rules of the U.S. patent system need to sensibly reflect such technological realities, and to remain flexible and open to protect innovation across diverse areas.

⁷ See Changes to Information Disclosure Statement Requirements and Other Related Matters, 71 Fed. Reg. 38808 (July 10, 2006).

⁸ For a list of senior inventors at Intellectual Ventures, see <http://www.intven.com/inventors.aspx>.

IV. The Changes Will Decrease Patent Quality, Add Uncertainty to the Examination System, Increase the Backlog and Should Be Revised Before Implementation

The proposed Changes to Information Disclosure Statement practice are a regression to the pre-1992 system that the Office considered untenable. The proposed rules will not further the Office goal of increasing certainty in both the examination process and the patent system. The proposed rules will only lead to greater uncertainty. The proposed rules will lead to greater petitions and litigation in courts.

The proposed rules create a system that penalizes the applicant for submitting information that facilitates examination and forces the applicant to submit self-serving summaries that will direct the examiner's attention away from the underlying disclosed information. Under the proposed rules, examiners will be supplied with explanations that may simply be self-serving to applicants, detracting from overall examination quality. Examiners will be required to spend the little time allotted to them to review Information Disclosure Statements for administrative compliance with the proposed and complex rules, rather than actually substantively reviewing the underlying disclosed information. Under the proposed rules, applicants have incentives for *not* performing a prior art search, and examiners would have incentives for *not* reading the underlying disclosed information. The proposed rules would not lead to focused examination.

The proposed rules also improperly shift the examination burden to the applicant. The rules force applicants to make admissions or statements against interest that will be used against them in later attacks by third parties. Third parties will have greater ammunition for making greater numbers of inequitable conduct charges, even when unfounded, because of the disclosures and decisions the proposed rules force upon applicants. In the end, the safe harbor the Office "hopes" to create under Rule 56 may not even be recognized by courts. Overall, the rule changes will increase uncertainty, decrease patent quality, and should be substantially revised before implementation.

Intellectual Ventures supports rule changes that increase fairness. For example, we support the rule that allows applicants to shift the burden of submitting information and drafting explanations to the third parties who sent the art to the applicants.

Overall, the Changes are so burdensome to applicants and the Office that they create incentives to submit less information and require examiners to spend more time on administrative compliance and less time on substantive examination. This result would be contrary to an efficient and high-quality patent system.

V. Provisions of the Changes Are Unclear and Will Lead to More Petitions, Only Increasing the Application Backlog

A. The Notice Gives No Guidance on How Disagreements Should Be Handled Between Applicants and Examiners Regarding Submitted Information

The proposed rules give no guidance on settling disputes over compliance with the proposed rules. As with any proposed rule, applicants and examiners will likely disagree at some point over what is necessary for compliance with the new requirements. How will the Office handle such disputes?

For example, in certain circumstances, an applicant may submit prior art and state that the prior art is not cumulative, in accordance with proposed § 1.98(a)(3)(v). The examiner might disagree and refuse to consider the art on the grounds that the art is cumulative. If the matter is petitioned to the Director of the Office, and the Director of the Office believes the reference is cumulative, must the applicant file suit in federal district court to have information considered by the Office? Disputes over compliance with the proposed rules are almost certain to increase patent prosecution costs and pendency.

B. No Clear Guidance Exists for Applicants in Defining What is “Cumulative” Information and the Office Should Allow Applicants to Submit Cumulative Information

The proposed Changes would allow examiners to deny consideration of submitted information simply because the information is cumulative. However, deciding whether information is cumulative is highly fact specific. It depends on many factors, including claim scope, teachings of the specification, skill level in the art, the reference teachings, and other factors.⁹ The proposed Changes would give examiners the ability to reject submissions based on their own interpretation when it conflicts with the applicant’s interpretation. The Changes would likely be implemented unevenly throughout the Office. Based on one’s particular understanding of “cumulative,” some examiners will reject submissions more often than other examiners. The differences in interpretation would only create greater uncertainty in the examination process, which would decrease patent quality. The validity of an issued patent may be decided on this very issue.¹⁰ The risk of incorrectly defining whether information is cumulative is simply too high. The proposed rules relating to “cumulative” submissions should not be implemented.

C. It is Unclear What Standard is Set by the Proposed “Meaningful Compliance” in § 1.98(a)(3)(vii)

Proposed Rule 1.98(a)(3)(vii) requires that explanations under (a)(3)(iv) of the same section “must not be *pro forma* types of explanations.”¹¹ Also this proposed section mandates that non-cumulative descriptions “must be significantly different” so as to point out why cited information is not cumulative.¹² It is unclear whether this section of the proposed rules creates a standard higher than that which is required for other areas of prosecutions, *e.g.* for replies under § 1.111. Whether an explanation is *pro forma* or a non-cumulative description is significantly different is highly fact-specific, and different examiners will apply the standard differently. We recommend that this section of the rules be removed, as it is unnecessary and would encourage applicants to avoid submitting potentially relevant prior art.

⁹ See, *e.g.*, *Halliburton Co. v. Schlumberger Tech. Corp.*, 925 F.2d 1435, 1441 (Fed. Cir. 1991) (“When weighing whether uncited prior art is more material than that before the examiner, a trial court considers similarities and differences between prior art and the claims of the patent. In making this determination, the trial court must consider portions of prior art references which teach away from the claimed invention.”).

¹⁰ See, *e.g.*, *Semiconductor Energy Lab. Co. v. Samsung Elecs. Co.*, 204 F.3d 1368, 1374 (Fed. Cir. 2000) (“A withheld reference may be highly material when it discloses a more complete combination of relevant features, even if those features are before the patent examiner in other references.” (citations omitted)).

¹¹ 71 Fed. Reg. at 38821.

¹² *Id.*

D. The Proposed Changes Create Greater Uncertainty and Will Lead to Increased Patent Litigation Before and After Issuance

Greater uncertainty during the prosecution of an application is likely to lead to increased patent litigation. Congress has recently focused on the goal of reducing the costs and complexity of litigation.¹³ Unfortunately, the Changes will ultimately hinder Congress' goal and only contribute to increased patent litigation for at least two reasons. First, greater uncertainty in the implementation of the rules will require applicants to challenge examiners' refusals of submissions through petitions, and possibly, judicial review. Second, the increased disclosures required under the proposed rules will expose issued patents to greater risk of attack by third parties. The attacks will come from inequitable conduct charges, which have become prevalent throughout patent litigation today.

VI. Provisions of the Changes are Unnecessarily Harsh and Unfair, and Would Increase Costs of Innovation

A. The Changes Require Explanation of Art Submitted Late in Prosecution, Even When the Art was Cited by Foreign Offices

The proposed Changes would require explanations and patentability justifications for art cited by foreign offices and submitted after the mailing of a Notice of Allowance. This change is particularly harsh and unnecessary. The relevance of the art can readily be ascertained by the examiner by referring to the foreign search report or foreign office action. Documents cited by foreign patent offices should be exempt from additional disclosure requirements. The Office should require applicants to submit the art with a copy of the foreign search report, without further analysis.

B. Eliminating Fee Requirements Will Not Increase Fairness of Rules Because Costs of Compliance With the Proposed Rules Far Outweighs Fees Under the Old Rules

The proposed Changes eliminate fee requirements for submitting Information Disclosure Statements.¹⁴ However, the Office gives no justification for harsh and unfair indirect costs required to comply with the proposed rules.

¹³ See Patent Reform Act of 2005, H.R. 2795, 109th Cong. (2005); Patent Reform Act of 2006, S. 3818, 109th Cong. (2006).

¹⁴ See 71 Fed. Reg. at 38809:

The fee requirement under § 1.17(p) for submitting an IDS is proposed to be eliminated. Under current § 1.97, an applicant can delay the examiner's receipt of relevant information until after the initial stage of examination by simply paying the fee under § 1.17(p). Under the proposed rules, an applicant wishing to submit an IDS after a first Office action on the merits and before the mailing date of a notice of allowability or a notice of allowance under § 1.311 could only do so if applicant meets the certification requirements under § 1.97(e)(1) (that the information was discovered as a result of being cited by a foreign patent office in a counterpart application and is being submitted to the Office within three months of its citation by the foreign patent office), or applicant complies with applicable additional disclosure requirements.

The proposed rules force high, unfair costs of compliance onto applicants. Providing explanations and non-cumulative statements would require analyses by experienced practitioners and cost many thousands of dollars per application. For example, practitioners routinely bill \$200-\$400 or more per hour. Preparing an explanation and non-cumulative statement under the proposed rules would likely require from 1 to 3 hours per document (or even more, given that *each* relevant location in the prior art must be identified). Therefore, preparing a submission citing 30 documents for filing with the specification could add from \$6,000 to over \$36,000 to the filing costs of a single application.

The proposed rules also force applicants to pay a “surcharge” for slow prosecution in international applications. The patent offices of Europe, Japan, Australia, Canada, China, and other countries all perform independent searches. If a foreign office cites ten documents after the corresponding U.S. examiner has mailed a notice of allowance, applicants would pay the significant costs of alerting the U.S. examiner to the new art. Citing 10 documents after allowance would require an explanation, a non-cumulative statement, and a patentability report. Again, preparing the submission would require from 1 to 3 hours per document of practitioner time. Therefore, the proposed rules could force between \$2,000-\$8,000 of prosecution costs *per foreign office* onto applicants, because foreign examination lags behind the U.S.

The only option for applicants unable to pay this surcharge would be to request deferred examination under 37 C.F.R. § 1.103(d). The deferred examination would allow applicants to have the benefit of consideration of foreign search reports and office actions at an earlier stage of the U.S. prosecution. However, this solution is unfair. Applicants should not have to wait for the completion of examinations in foreign prosecution in order to secure high quality patent protection in the U.S.

The costs of complying with the proposed rules would be unfair and would decrease the quality of examination. The proposed rules would create incentives for an applicant avoid learning of relevant art. Rather than review the art to further prosecution, applicants will be forced, due to costs, to an ignorant-but-safe position. Submitting less information will likely save applicants tens of thousands of dollars. Without searching, applicants and examiners will have the benefit of less art, and patent quality will decrease. This result would be contrary to the innovative culture of the United States and its patent system.

C. The Changes Create Substantial Economic Burdens on Applicants and Unfairly Affect Small Entities

The costs outlined above unfairly impact small businesses and individual applicants. The Office seems to disregard the impact the proposed rules will have on small businesses. The Notice gives no analysis of impact on small entities under the Regulatory Flexibility Act. The Office is urged to perform an analysis under this Act.

D. The Federal Circuit Compels Applicants to be Cautious and Submit Information, Even When Cumulative, But the Proposed Rules Prevent Applicants From Following This Guidance

The Federal Circuit has stated that applicants should submit all information that may be relevant. “Moreover, . . . when a question of materiality of a reference is close, a patent

applicant should err on the side of disclosure.”¹⁵ However, under the proposed rules, the Office is creating a contrary incentive. Applicants will submit less information because of the great economic costs of compliance and the greater risks of creating damaging estoppel and charges of inequitable conduct. Applicants will simply avoid the art by not searching. The proposed rules will decrease patent quality.

Furthermore, the Federal Circuit has stated that “an applicant may submit cumulative materials.”¹⁶ In contrast to the court's guidance, the proposed rules state “an IDS must not cite documents that are merely cumulative.”¹⁷ The Office gives no explanation for proposing rules that conflict directly with Federal Circuit guidance.

Rather than increasing patent quality, the ban on submitting allegedly cumulative references is certain to be yet another hook to invalidate valuable, high-quality issued patents on technical grounds. If the prosecution history of an issued patent contains an instance in which the Office declined to consider a reference because it was allegedly cumulative, and for whatever reason, the applicant accepted the Office's position, any accused infringer will have a ready-made unenforceability defense.

The proposed rules should be revised. Applicants should continue to be allowed to submit cumulative information, and no “non-cumulative description” should be required.

E. Exceptions Should be Created that Exempts Certain Information From Counting Towards the Twenty-Document Limit

1. Co-pending, Commonly Owned Applications

Applicants have a duty to bring to the Office's attention information within their knowledge as to other copending U.S. applications that would be material to the patentability of the application in question.¹⁸ For example, applicants have an obligation under 37 C.F.R. § 1.78 to inform the Office of related applications that may raise obviousness-type double patenting issues. The submission of such information is best done through the filing of an Information Disclosure Statement.

However, under the proposed rules, copending applications count towards the twenty-document threshold. The proposed rule is unfair. Applicants should not be penalized for bringing numerous related applications to the Office's attention that may have resulted from a restriction requirement. The rules should permit applicants to merely list the copending application numbers in an Information Disclosure Statement without having the identification of the copending application count towards the twenty-document threshold.

¹⁵ *LNP Eng'g Plastics, Inc. v. Miller Waste Mills, Inc.*, 275 F.3d 1347, 1361 (Fed. Cir. 2000) (citing *LaBounty Mfg. v. U.S. Int'l Trade Comm'n*, 958 F.2d 1066, 1076 (Fed. Cir. 1992)).

¹⁶ *Id.* (“An applicant need not disclose a material reference if it is cumulative to or less material than those references already before the examiner. However, an applicant may submit cumulative materials.” (citation omitted))

¹⁷ 71 Fed. Reg. at 38810.

¹⁸ See, e.g., M.P.E.P. §§ 2001.06(b) and 2004 item 9; see also, *Armour & Co. v. Swift & Co.*, 466 F.2d 767, 779, 175 USPQ 70, 79 (7th Cir. 1972); and *Dayco Prod., Inc. v. Total Containment, Inc.*, 329 F.3d 1358, 1365-69 (Fed. Cir. 2003).

2. Prior Art Applied by Office Examiner in Rejecting Claims in Related Application

Applicants have a duty to disclose prior art that was used to reject claims in related applications where the claims in the examined application are closely related to the claims in the related application.¹⁹ The Office's own office actions should suffice to provide the explanation of the relevancy of the applied prior art. The Office should treat these cited references in an IDS equivalent to the prior art cited in a foreign search report or office action. *See* MPEP §§ 609 and 2001.06(a).

3. Information Submitted in Continuation Application to be Printed on Face of Patent

Examiners are required to review the prior art in parent applications when examining continuations. Applicants need not resubmit such prior art in the continuation application. However, if applicants want such information to appear on the face of the continuation patent they must submit an IDS.²⁰ Such an IDS should not count towards the twenty-document limit.

4. Litigation Related Documents

Applicants are obligated to submit litigation-related documents to satisfy the duty of disclosure.²¹ These litigation documents, such as pleadings, answers to interrogatories, and testimony, are self-explanatory. Submission of litigation related documents should be exempted from the twenty-document limit.

F. Applicants May Still Need to Submit Art Sent to Them by Third Parties if the Third Party Refuses to Do So

The Office is commended for recognizing and proposing solutions to the problem associated with information applicants receive from third parties. Under the proposed rules, however, "applicant may opt to provide written consent to the filing of a protest by the third party based on such information, thus shifting the explanation burden back to the third party."²² An applicant should not be forced to consent to a protest simply because a third party has brought some ostensible prior art to the applicant's attention. If the art is potentially material, it should be submitted, whether by the applicant or the third party. If not, it need not be submitted in any case. Forcing the applicant to pay the price of consenting to a protest procedure penalizes the applicant without any benefit to the patent system.

It appears that the duty to disclose the information remains on applicants if the third party refuses to submit the information. With the high costs associated with "explaining" the information, it is likely that all third parties will refuse to submit the information. Furthermore, the Office has no means to force the third parties to submit the art. Applicants may then be stuck with the information, and the costs associated with explaining it (which has been addressed above). Rather ironically, the proposed rules actually place more power

¹⁹ *See id.* § 2001.06(b).

²⁰ *See id.* § 609.

²¹ *See id.* § 2001.06(c).

²² 71 Fed. Reg. at 38810.

in the hands of the third party. If the third party's objective is to inconvenience the patent applicant, that third party will be able to do so more effectively if the cost of compliance with IDS rules is substantial. The Office is strongly urged to permit the applicant to disclose the information when the third party refuses to do so without having to provide any explanation other than the fact that the third party chose not to submit the information himself.

VII. Shifting the Examination Burden to Applicants is Contrary to Statutory Mandates and is in Excess of the Office's Statutory Jurisdiction and Limits

A. The Office May Not Promulgate Rules That Conflict with Other Statutes

The Office does not have substantive rulemaking authority that would circumvent the will of Congress.²³ The Commissioner has the authority to promulgate rules relating to the proceedings in the Office under 35 U.S.C. § 2. However, the Commissioner may not promulgate rules that conflict with other statutory provisions.²⁴

The requirements for a patent application are stated in 35 U.S.C. § 111. Under § 111(a), applicants must file a specification that complies with § 112, submit an oath, and pay a fee.²⁵ Upon filing an application in compliance with § 111(a), the Director is required to examine the patent application.²⁶ Section 102 places the evidentiary burdens of examination on the Office. Unless the Office establishes a *prima facie* case of unpatentability, the applicant is entitled to a patent.²⁷ Furthermore, applicants have no affirmative duty to search²⁸ or examine a patent application. The proposed rules impermissibly conflict with these statutes. The proposed rules require applicants to examine their own applications before the Office will examine it.

B. 37 C.F.R. § 1.105 and *Star Fruits* Do Not Give the Office Authority to Shift the Burden of Examination

37 C.F.R. § 1.105 ("Rule 105") gives examiners the authority to require information from applicants *in the course of examination*.²⁹ Rule 105 does not suggest an examiner may require information from applicants as a condition for initial examination. Rule 105 cannot be read to give examiners such authority, or it would impermissibly conflict with patent statutes. As explained above, the burden of examination is on the Office. The Federal Circuit in *Star Fruits* did not read Rule 105 to shift the burden of examination to applicants.³⁰ The court was only concerned with "conduct [that] inefficiently shifts the burden of obtaining information that the applicant is in the best position to most cheaply provide onto the

23 *Merck & Co., Inc. v. Kessler*, 80 F.3d 1543, 1550 (Fed. Cir. 1996) (noting that "Congress has not vested the Commissioner with any general substantive rulemaking power").

24 *See Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426-27 (Fed. Cir. 1988) (holding that the Commissioner's stay of reexaminations pursuant to § 2 was invalid because the actions conflicted with the statute governing reexaminations).

25 35 U.S.C. § 111(a)(1)-(3) (2000).

26 *Id.* § 131.

27 *In re Oetiker*, 977 F.2d 1443, 1445 (Fed. Cir. 1992).

28 *See FMC Corp. v. Manitowoc Co.*, 835 F.2d 1411, 1415 (Fed. Cir. 1987).

29 37 C.F.R. § 1.105 (2006).

30 *Star Fruits S.N.C. v. United States*, 393 F.3d 1277, 1284 (Fed. Cir. 2005).

shoulders of the Office and risks the systemic inefficiencies that attend the issue of invalid patents.”³¹ This concern does not shift the burden of initial examination to the applicant. Furthermore, Rule 105 applies only to matters pending before the Office and not to conditions for initiating examination.

C. The Patent Reform Act of 2006 Correctly Indicates that the Office's Authority to Set Broad Public Policy is Limited

On August 3, 2006, Senators Hatch and Leahy introduce the Patent Reform Act of 2006 (“the Act”).³² Section 6 of the Act proposes to expand rulemaking authority for the Office. From this proposal, it is clear that Congress considers it necessary to explicitly grant the Office rulemaking authority for specific areas of policy. Congress therefore recognizes that the Office lacks the authority to regulate broad policy areas, including shifting the burden of examination to applicants.

VIII. Courts May Not Recognize the Office's “Safe Harbor,” Which Would Leave Applicants Without Protection

The Office is attempting to create a safe-harbor for applicants under proposed 37 C.F.R. § 1.56(f). The Office is commended for recognizing the problems associated with inequitable conduct charges. However, it is questionable whether courts will recognize the “hope” of the Office that a safe harbor exists for applicants. Inequitable conduct at the Federal Circuit has been expanding, leading to greater probability that this hope of the Office will not be recognized. The Office could better protect applicants by revising the proposed rules and removing the requirements for explanation, non-cumulative description, and patentability report.

IX. The Office Should Implement Alternatives to Achieve its Goals and Make the Proposed Rules More Equitable

The Office is urged to reconsider the Changes before implementation and consider alternatives. The Office should implement rules that encourage applicants to submit more relevant information, which would increase the quality of patent examination and resultant issued patents. Efficiency and quality of examination is maintained through interviews between applicants and examiners regarding submitted information, and if necessary, citations that distinguish claims from the submitted information.

The Office should implement a fee structure to recover the costs of considering large documents and large submissions. The fee structure would impose minimal or no fees for small submissions and those submissions made early in prosecution. As prosecution progresses, or as the submissions become larger, the requisite fees would increase. Current law allows the Office to recover fees based on services provided. The Office could generate more fees, because larger submissions require greater Office resources to process. In addition, the escalating fee structure would create incentives for applicants to submit information early.

³¹ *Id.*

³² Patent Reform Act of 2006, S. 3818, 109th Cong. (2006).

Examiners should be given more time to examine cases that have large Information Disclosure Statements. Examining applications in areas with crowded art requires more time, and the Office should create internal policies that reflect this reality.

Intellectual Venture believes strongly that the submission of greater than some limited number of prior art references should be allowed by requiring fees from the applicants and allowing greater time for review by examiners, *without the encumbrances to prosecution* proposed by the Office.

Exceptions for related application documents and litigation-related documents should be created such that no explanation would be necessary. The relevance of these documents is self-evident, and no explanation should be required.

Other specific revisions to the language of the rules are suggested below. The revisions would make the proposed rules more equitable.

- In § 1.97(i), “will not be considered” should be changed to “may not consider”. Examiners should be given discretion to review the art if desired.
- In § 1.98(b)(5), “must” should be changed to “should”, and “if available” should be inserted. Publisher information is not always available and the information should not be disregarded for such administrative issues.
- In § 1.98(c), “must” should be changed to “should.” Applicants should be allowed to submit cumulative information and have the Office, a neutral arbiter, determine its relevance.

The Office should strongly encourage filing text-searchable information via electronic IDSs. Text searchable information allows easy Boolean-style searching by examiners. U.S. patents and patent publications and electronically filed documents should be exempt from the 25-page limit since they are easily searched electronically by examiners.

Finally, the Office should support an effort to change the law on inequitable conduct. The current Hatch-Leahy bill pending before the U.S. Senate proposes changes to the law. The Office is in a unique position to advocate for concrete and substantial reform that will remove the plague of inequitable conduct charges from patent litigation.

X. Conclusions

Intellectual Ventures believes that the Changes to Information Disclosure Statement practice are overly complex and burdensome for both applicants and the Office. The Changes are not necessary, and they will not further the Office’s goal of reducing backlog and increasing patent quality. The Changes are most likely to result in examiners spending more time on administrative compliance, rather than on substantive examination. The Changes also create incentives for applicants to purposefully avoid searching the art because the costs of submitting any discovered art are so great.

Intellectual Ventures submits that the Changes should not become effective as described in the Notice. Amendments should be made to the proposed Changes, with input from and dialog with the U.S. patent community of patent owners, attorneys, and agents. Candid input from all members of the patent community will facilitate rulemaking solutions

that will achieve the Office's goals (which should benefit all U.S. patent owners), while reflecting the needs of patent holders in a manner consistent with the patent statute.

Consideration of the above comments is respectfully requested.

Respectfully submitted,

Intellectual Ventures, LLC


Matt Rainey, Esq.
Vice President/Patent Counsel

Date: September 8, 2006

1756 114th Avenue SE, Suite 110
Bellevue, Washington 98004

581124_1.DOC