

AIPLA

AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION

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April 24, 2006

The Honorable Jon 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
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Attn: Robert W. Bahr
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Office of the Deputy Commissioner
for Patent Examination Policy

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:

The American Intellectual Property Law Association (AIPLA) appreciates the opportunity to offer comments regarding the U.S. Patent and Trademark Office ("PTO") proposed rules directed to changes to practice for continuing applications, requests for continued examination practice, and applications containing patentably indistinct claims published at 71 Fed. Reg. 48 (January 3, 2006).

AIPLA is a national bar association whose 16,000 members are primarily lawyers in private and corporate practice, in government service, and in the academic community. AIPLA represents a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both patent owners and users of intellectual property.

The PTO has proposed dramatic and complex changes to the continued examination practice now available to applicants in an attempt to better focus the examination process, make it more efficient, and improve the quality of issued patents. At the same time, it has proposed changes to the claim examination process (discussed by AIPLA in a separate letter) to focus the initial examination on claims designated by the applicant as representative claims.

These proposed changes, taken individually or together, are troubling. In one instance, the Office proposes to severely limit the number of claims it would accept in an application for initial examination. We believe that this would tend to limit the ability of an applicant to obtain claims for an invention that are commensurate with the full scope of the contribution by the inventor(s). In the other instance, the Office proposes to severely limit the opportunity for continued presentation of claims by means of continuation and continued examination practice. Standing alone, this proposal would disadvantage applicants by prematurely truncating prosecution of their applications; however, it would further disadvantage applicants when combined with the limited number of claims proposed to be accepted for initial examination. As a practical matter, these proposals would place great pressure on applicants (1) to reduce the scope of the claims pursued (whether in a single application or in unrelated applications) and (2) to accept more narrow claims as a result of the more limited opportunity for continued presentation of claims.¹ Inventors would be far less able to adequately protect their property.

AIPLA fully supports the PTO in undertaking reasonable efforts to improve both the efficiency of the examination process and the quality of issued patents. We have considerable concern, however, that the changes being proposed would not lead to greater efficiency in the examination process, would not reduce the pendency of patent applications, and would not improve the quality of issued patents. More likely, the proposed changes would protract the examination process and divert scarce resources from examining activity to administrative tasks.

Continuations Change Will Not Remedy the Backlog

The Federal Register notice announcing the proposed changes to the continued examination practice seeks to justify the changes, in large measure, on the need to reduce the PTO's backlog of pending patent applications. For the reasons that are offered below, AIPLA believes that the proposed changes in continued application practice (and also, to the extent motivated by the same goal, the proposed rule limiting the number of claims to be examined) are the wrong way to attack this problem.

¹ The Office argues that neither proposal is "absolute" in the sense that applicants are not absolutely precluded from filing a second continuation application or a second request for continuing examination, nor are they absolutely precluded from presenting more than ten claims for examination. In a practical sense, however, these alternatives will be of little comfort to applicants, who will have to pay the higher costs of performing the initial search and examination themselves and pursuing continued claim presentation opportunities through the more costly administrative route of petition and/or appeal and a much higher potential for subsequent inequitable conduct allegations.

In testimony before the House Judiciary Subcommittee on Courts, the Internet and Intellectual Property on April 3, 2003, then Under Secretary James Rogan made the following statement in respect to the PTO's 21st Century Strategic Plan:

The 21st Century Strategic Plan is targeted toward timeliness, e-Government, employee development and competitive sourcing—all with a central quality focus. Assuming the needed changes to our fee structure are passed by Congress, the Plan will boost productivity and substantially cut the size of our inventory.

AIPLA supported the fee increase, which was said to be necessary “to substantially cut the size of [the PTO's] inventory,” because we believed that it would allow the PTO to both improve quality of the patents it granted and reduce the pendency of its backlog of patent applications. Congress did increase patent fees beginning in fiscal year 2005, and the PTO is now in the second year of that increase. It hired approximately 1,000 new patent examiners in FY 2005 and plans to hire 1,000 more for each of the next four years. We understand that the Office has experienced some difficulties in training and retaining these new examiners. We also understand that the Office has developed a new approach to training examiners and is targeting new hires that will be more likely to make their career in the PTO.

On the other hand, the Office has repeatedly stated, without providing any justification, that it “cannot hire its way out” of the backlog situation in which it finds itself. Absent some compelling evidence to back up this claim, AIPLA cannot accept this mere statement as justification for the proposed rule changes.

While it is true that hiring additional examiners would not instantly reduce the backlog of pending applications, any search for a remedy to this problem must consider the PTO's current situation and how it got there. Congress essentially starved the PTO of the resources it needed to keep pace with the increase in patent application filings from roughly FY 1992 through FY 2003, diverting nearly \$800 million in fees generated by this increase. Hundreds of examiners, who would be fully trained and experienced today, were not hired. Many of the examiners in the PTO at that time have aged and are retiring. Now the Office must find and train the needed examiners, and must provide an attractive workplace and appealing working conditions in order to retain them. This solution will take time; it will not happen overnight. But neither did the crisis in which the Office finds itself arise overnight.

Thus, AIPLA urges the PTO not to adopt ill-considered rules in an effort to achieve an instant over-night fix for a problem that has been a decade in the making—rules which we are convinced would not alleviate the problems, but instead would make them worse. The PTO should stay the course—hire and train the examiners needed to improve quality and reduce the backlog. If it is necessary to increase examiner salaries to find the right people and to keep them, the PTO should request the authority to do what is necessary, including changing Title 5 of the United States Code. AIPLA will support such steps, which we believe are far more appropriate than the “quick fixes” the proposed rules are intended to provide.

Deliberate Prosecution is Not an Abuse

The other justification advanced for changing continuation practice is the misuse of the process by applicants who file multiple applications to delay the conclusion of examination while targeting new technology as it is introduced in the marketplace.

Responsible practitioners adopt a cautious and deliberate strategy in the prosecution of a patent application. While practitioners recognize the value of a patent granted over the best available prior art, they also seek a patent with the fewest number of limitations in the claims, the least number of arguments made in support of patentability, and, when possible, no amendments or new data at all. These strategies—adopted to obtain the broadest possible protection, to avoid prosecution history estoppel, and to preserve doctrine of equivalents protection—necessarily tend to extend the prosecution process.

This process has long been used productively to develop the best prior art, sometimes through the assistance of other Patent Offices, through the work of a new examiner, or even through a discovery of new prior art by the same examiner. Some of our members report that it may take several exchanges between the Office and the applicant before the examiner appears to understand the invention—a process often aggravated by an examiner’s lack of experience and/or difficulty using the English-language. Practitioners performing prosecution before the PTO often have the impression, particularly when it applies to practice after a final rejection, that examiners force applicants into a continued examination filing to obtain an additional “count” that will benefit them when it comes time for performance evaluation and awards.

Most practitioners who engage in these strategies are not trying to game the system, but are simply trying to protect the interests of the creative people who make and disclose inventions to the public, and of the entities that convert ideas to reality and bring tangible benefits to the public. While there is little doubt that continuing prosecution abuses occur, we believe that most continuing prosecution applications are filed for legitimate reasons, not simply to delay prosecution. The more likely explanations for any change in continuing prosecution trends are the quality of the examination process and the developing case law on the doctrine of equivalents and prosecution history estoppel, particularly Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., 535 U.S. 722 (2002), and the Federal Circuit’s decision in that case on remand at 344 F.3d 1359 (Fed. Cir. 2003) (en banc).

Public Notice and Delay

The Federal Register notice expresses the PTO’s apparent concern that the possible issuance of multiple patents arising from a process of multiple continued examination filings “tends to defeat the public notice function of patent claims in the initial examination.” 71 Fed. Reg. at 48. Whatever the validity of this general observation, it is less a concern today, now that about 90% of patent applications are published and the prosecution of those applications is transparent to the public. The

PTO itself could assist in eliminating the remaining 10% of applications that are not published by supporting the proposals to accomplish this end in the pending patent reform legislation. Even under the proposed rules, the final patent to issue on any one application could be delayed for ten years and even longer when the Patent Cooperation Treaty and normal PTO delays are taken into account. It is predictable that appeals to the Board would increase.² Petition practice will become more robust under the proposed rules. The PTO would be forced to expend its scarce resources in handling these activities (which it is not under current practice).

The Office estimates in the Federal Register notice that the proposed change would reduce continued examination filings only by about 22,000. That estimation does not take into account, however, alternative strategies that practitioners doubtless would develop to best protect an inventor's interests under the new practices, if adopted. For example, AIPLA foresees that practitioners would file many more divisional applications and would make greater use of reissue and reexamination to reshape and reinforce patent protection. They would draft applications in a different manner to avoid some of the limiting aspects of the proposed rules. The proposed rules simply would remove a few options for prosecutors who tend to prosper by delayed issuance of patents; they would not seriously reduce the occurrence of significant delays.

To the extent the public is prejudiced by the conduct of a few practitioners who intentionally delay the conclusion of examination and "game" the system, the Office admits in the Federal Register notice that this involves "a small minority of applicants," whereas the proposed changes would affect every applicant in every industry. Moreover, there are other controls on such conduct, including the reduction of patent term while the application remains pending and the penalty of unenforceability for prosecution laches. Curbing the unproductive refiling or "churning" of patent applications to simply buy time is a laudable goal, but it may be better achieved by addressing this problem directly, perhaps through some form of intervening rights legislation. Short of that, the PTO could exercise better control over its restriction and lack of unity practices. Over the last two years, restriction requirements have comprised almost 15 percent of all first actions.

Statutory Authority To Adopt Proposed Changes

In the proposed § 1.78(d)(1), the PTO would limit applicants to a single continued examination opportunity unless an applicant can show, to the satisfaction of the PTO, why any amendment, argument, or evidence to be presented in a second or subsequent continued examination filing could not have been previously submitted. These restrictions would effectively limit the rights provided in §§ 120, 121, and 365(c) of Title 35 to claim the benefit of an earlier-filed application in the United States and to make use of the continued examination opportunities under § 132(b).

² Facing the prospect of having only one continuing application as a matter of right, applicants will resort increasingly to appeals to convince examiners of the patentability of their claims.

It is by no means certain that the PTO has statutory authority under 35 U.S.C. § 2(b)(2) to adopt these aspects of the proposed rules. The statutory language in §§ 120, 121, and 365(c) is clear and unqualified: when certain conditions are satisfied, a continuing application “shall have the same effect” or “shall be entitled” to the benefit of the earlier filing date of a parent application. These statutory provisions are unqualified by any authority of the PTO to modify or add to the requirements for obtaining the benefit of the earlier filing date.

The PTO acknowledges the judicial precedent suggesting that it has no authority to place an absolute limit on the number of co-pending continuing applications originating from an original application. In re Henriksen, 399 F.2d 253, 262 158 U.S.P.Q. 224, 231 (C.C.P.A. 1968); In re Hogan, 559 F.2d 595, 603-05, 194 U.S.P.Q. 527, 535-36 (C.C.P.A. 1977). The Office contends that its proposal is authorized because it does not place an absolute limit on the number of continuing applications. Notwithstanding this assertion, the statute and judicial precedent strongly suggest that the PTO does not have the right to impose conditions that would have the practical effect of limiting the number of continuing applications and denying applicants this right granted by statute.

Elimination of access to §120 benefits. As we understand the proposed rules, the PTO proposes not only to limit the number of continuing applications that are filed, but also to eliminate a possibility of filing even a single continuing application in certain circumstances. Specifically, we understand that, under proposed § 1.78(d)(1)(i), an applicant could not file even a single continuing application that is based on an application containing a request for continued examination under § 1.114 in the prior-filed application. Under this proposal, the effect of the PTO proposal is to eliminate any access to the benefits of § 120.

Double patenting presumption without considering claims. Under proposed § 1.78(f)(2), the PTO proposes to create a rebuttable presumption of patentably indistinct claims in two or more applications that: (1) are filed on the same date; (2) name at least one inventor in common; (3) are owned by the same person; and (4) contain substantially overlapping disclosures. This rebuttable presumption arises without consideration of the claims in the respective applications.

Again, the PTO’s statutory authority to promulgate this rule is not at all clear. The PTO has an obligation under 35 U.S.C. §§ 131 and 132 to cause an examination of a patent application to be made, and whenever (on examination) a claim for a patent is rejected, to notify applicant of the reasons for that rejection. This statutory scheme suggests that the PTO always has the initial burden of establishing a prima facie case of unpatentability, even one based on double patenting. To establish a rebuttable presumption of unpatentability based on double patenting without a consideration of the claims in two or more applications may ultimately prove to be beyond the statutory authority of the PTO.

We believe the patent system and the PTO can ill-afford creating additional uncertainty about PTO examining practices for a substantial period of time until the matter can be resolved either judicially or legislatively. For this additional reason, AIPLA urges that the PTO not adopt the proposed rules in their present form.

Flawed Assumptions of Proposed Rules

In its commentary providing supplemental information on the proposed rules, the PTO makes several statements that lack foundation and that simply do not justify the proposals made by the PTO at this time. Consider the following statements:

1. **“The revised rules are expected to make the exchange between examiners and applicants more efficient and effective, and improve the quality of issued patents.”**

71 Fed. Reg. at 50.

The efficiency of the exchange between examiners and applicants is often dependent on whether the search and examination are complete and thorough. None of the proposed rules appear to focus on obtaining any improvement in the typical PTO action. Claims that may issue as a result of second or subsequent continuing examination procedures are not likely to issue faster unless the quality of the initial search and examination is improved and unless an applicant has a genuine interest in obtaining a patent faster.

If the quality of an issued patent is measured by whether it adequately protects the invention, whether it is respected by competitors, and whether it is likely to be found valid and enforceable by the courts, it is difficult to understand how these proposed rules would promote that goal.

2. **“The revised rules would also ease the burden of examining multiple applications that have the same effective filing date, overlapping disclosure, a common inventor, and common assignee by requiring that all patentably indistinct claims in such applications be submitted in a single application absent good and sufficient reason.”**

71 Fed. Reg. at 50.

First, the revised rules do not contain such a provision. True, there would be a rebuttable presumption pursuant to proposed § 1.78(f)(2) that patentably indistinct claims exist in two or more applications having these common features. There is also a provision in proposed § 1.78(f)(3) that the Office “may” require elimination of patentably indistinct claims from all but one of the applications in the absence of good and sufficient reason. There is, however, no requirement in the proposed rules that all patentably indistinct claims in such applications be submitted in a single application absent good and sufficient reason.

Second, the provisions in proposed § 1.78(f)(3) essentially duplicate the provisions in present § 1.78(b) that have existed for over 35 years in PTO practice. That section, which is referenced in M.P.E.P. § 822.01, 8th Ed., Rev. 3 (August 2005), addresses the issue of overlapping applications with patentably indistinct claims as a double patenting issue. Since the existing provision has not eased the burden of examining multiple applications directed to similar subject matter, it is doubtful that the revised rules would provide any greater assistance.

Third, it is not clear that these multiple applications present any real burden to the PTO. In lieu of this rule, the PTO could simply assign all related applications to a single examiner who could more effectively handle multiple applications that could be searched and examined together. The present USPTO data base of applications is certainly searchable in a timely and cost-effective manner that can effectively identify related applications for combined search and examination.

Finally, for those applicants who desire multiple applications with the same effective filing date and overlapping disclosures, separate applications can easily be maintained by preparing claims that are uniquely supported only in the application in which they appear. PTO procedures to address patentably indistinct claims in more than one application, beyond applying a double patenting rejection, would add to the burden of both the PTO and applicants and would detract from efficiently determining patentability over the prior art.

3. “Marginal value vis-a-vis the patent examination process as a whole of exchanges between an applicant and the examiner during the examination process tends to decrease after the first continued examination filing.”

71 Fed. Reg. at 51.

While no doubt true in some cases, this observation does not appear to be supported by any investigation or analysis of the frequency with which the value of exchanges between an applicant and the examiner decrease after the first continued examination filing. In fact, the experience of AIPLA’s members suggests that the marginal value of exchanges between applicant and examiner tends to increase after the first continued examination filing.

Although the PTO has stated that 22,000 continued examination filings could potentially be affected by its proposed rules, how many of the 22,000 will be eliminated due to the need for continued examination because some new prior art is applied or because some evidence is introduced that could not have been earlier presented? If resources are actually saved, will those resources be available to examine new applications, or will they instead be used for other divisional and continuing application filings necessitated by the proposed rules? The PTO has not identified any evidence that it has attempted to assess the repercussions of adopting the proposed rules to determine whether even modest gains are achievable.

4. **“For an applicant faced with a rejection that he or she feels is improper from a seemingly stubborn examiner, the appeal process offers a more effective resolution than seeking further examination before the examiner.”**

71 Fed. Reg. at 51.

One reason that applicants pursued continuations in the face of a stubborn examiner was the fact that it took several years for an appeal to be heard. The PTO has recently made significant strides in reducing the backlog of undecided cases appealed to the Board of Patent Appeals and Interferences. Improvements in the appeal process have also been achieved through mandatory appeal conferences and pre-appeal brief reviews. If the PTO were to give applicants sufficient time to appreciate these changes, there is a reasonable possibility that many more would resort to appeals as opposed to continuations. Thus, one strategy for the Office would be to wait and see what effect a quicker appeals process has on the backlog.

Even with the current pendency of appeals at the Board being at an historical low, however, the proposed rules most certainly would increase the activity at the Board and reliance on the appeal process. No doubt applicants would continue to find “stubborn examiners” who make the appeal process a more effective alternative than further examination. The prosecution experiences of most practitioners strongly suggest that resolving differences before even a “stubborn examiner” is generally more efficient and cost effective than resolving an issue after the factual record is fixed. In this regard, one firm conducted a survey of recent appeals from January 1, 2004 through March 23, 2006 in which it prepared and filed an appeal brief. It found that, out of 121 appeal briefs it filed, the examiners filed only 9 answers. In the other cases the application was either allowed or returned to the examiner for further and more focused prosecution. This represents an enormous waste of time and applicants’ money, and it would only be made worse by adoption of the proposed rules.

5. **“The applicant (or the owner of the application) is in a far better position than the Office to determine whether there are one or more other applications or patents containing patentably indistinct claims.”**

71 Fed. Reg. at 51.

It is already the duty of an applicant to inform the PTO of another patent or pending application that may be material to patentability. 37 C.F.R. § 1.56 It is the PTO, however, not the applicant, that has the statutory obligation to examine the application and determine patentability. Applicants are in a far better position to know of related applications that they have filed, but not to determine whether claims are patentably distinct. This uniquely governmental function under the patent statute should not be delegated to applicants. Further, this statement suggests that the PTO has little or no concern about the later allegations of inequitable conduct that applicants would

face if they were forced to perform the PTO's duty of determining patentability. Finally, as previously noted, the Office should have the ability to easily search its database for related applications and assign them to a single examiner.

Comments on Specific Provisions

In addition to the general concerns and suggestions that are described above, the following comments are offered on the specific provisions of the proposed rules.

§ 1.78(a) Definitions

The PTO is proposing to adopt mutually exclusive definitions of a continuation, divisional, and continuation-in-part applications. Under the new definitions, a continuation application would no longer have to claim the same invention claimed in a prior nonprovisional application. Compare M.P.E.P. 201.07, 8th Ed. Rev. 3 (August 2005). A divisional application, according to the new definition, would be a continuing application that discloses and claims only an invention(s) disclosed and claimed in the prior-filed application, but that was subject to a restriction requirement or holding of lack of unity of invention and not elected for examination in the prior-filed application.

Under current practice, the subject matter in a divisional application does not have to be claimed or be subject to a restriction requirement in the parent application. See M.P.E.P. 201.06, 8th Ed. Rev. 3 (August 2005). These changes in the definition of relationships that affect a large proportion of applications filed in the United States are likely to confuse patent examiners, practitioners, and the public for years to come. The PTO has not identified any perceived value that would result from these changes.

§ 1.78(d)(1) Conditions for Claiming Benefit

The PTO proposes four alternative conditions that must be satisfied for a nonprovisional application to claim the priority benefit of one or more earlier-filed copending nonprovisional applications or international applications designating the United States under the conditions set forth in 35 U.S.C. §§ 120, 121 and 365(c).

Each of these conditions is in addition to the statutory requirements necessary to claiming benefit. The proposal makes clear that the second or subsequent application must satisfy at least one of these four conditions to obtain the priority benefit. It also states that the Office will refuse to enter, or will delete if present, any specific reference to a prior-filed application that is not permitted by one of these conditions. Proposed § 1.78(d)(3). These four conditions are discussed below.

§ 1.78(d)(1)(i) Continuation or Continuation-in-Part (CIP)

The first condition provides that a nonprovisional application that is a continuation application or a CIP may only claim the benefit of a single prior-filed application if: (1) the benefit of such prior-filed application is not claimed in any other nonprovisional application other than a divisional application; and (2) no request for continued examination (RCE) under § 1.114 has been filed in the prior-filed application. This proposed condition not only would limit the number of parent applications to one, but would also limit the number of continuations or CIPs that could be based on a single parent application to one.

As noted above, if the parent application contained an RCE, no continuation or CIP would be authorized, and access to the benefits of §§ 120 and 365(c) would be denied. The limit to a single continuation or CIP is not justified in the absence of more compelling arguments or data that would confirm the advisability of such a limit. The PTO has not identified any study showing that restricting applicants to a single continued examination opportunity will satisfactorily address its problems without causing substantial harm to the protection of innovation or the patent examining process. Nor would this condition permit the consolidation of two applications into a continuation-in-part application or the filing of more than one continuation or CIP based on a single application. Such a restriction appears counterproductive to the PTO effort to reduce the number of applications by placing an unreasonable burden on some applicants in obtaining appropriate protection for their inventions.

For example, an applicant could not file a continuation and a voluntary divisional application (a new type of continuation application under the proposed rules) after the proposed rules went into effect. This condition would not permit a continuation or CIP to be filed based on a nonprovisional application that contained an RCE, yet the proposed rules would appear to sanction the filing of an RCE in that parent application after a continuation or CIP was filed based on the same parent application.

The first condition could work a hardship on applicants who use the Patent Cooperation Treaty (PCT). If a continuation application is filed on a PCT application before entry into the U.S. national stage, this condition would permit only one complete examination of the subject matter of those applications. A continuation or CIP of the international application may be preferable to entry into the national stage. For example, the use of a continuation application makes it easier to incorporate amendments that do not add new matter or correct inventorship when filing the application. If adopted, the proposed condition should be amended to ensure that a PCT international application is counted as an examination filing only if it enters the U.S. national stage under § 371.

§ 1.78(d)(1)(ii) Divisional Applications

This proposed condition, which provides that a nonprovisional application that is a divisional application may claim the benefit of only a single prior-filed application,

alters present divisional application practice in several ways. It limits the number of parent applications to only a single prior-filed application so that all divisional applications would be required to be filed before the patenting or abandonment of the application in which the restriction requirement or holding of lack of unity of invention was made.

In this respect, the proposed condition would be counterproductive to the PTO's effort to focus its patent examining resources on new patent applications because applicants will file more divisional applications sooner to preserve the opportunity to obtain patent protection. The PTO statistics over the last couple of decades have demonstrated that there are many more inventions identified in applications subject to a restriction requirement or holding of lack of unity of invention than there are divisional applications filed in the PTO. Present practice permits an applicant to file a divisional only when there is a need or desire to seek protection on one of the inventions identified by the PTO so long as copendency among applications is maintained. Experience has shown that applicants do not pursue the protection of all restricted inventions when provided with sufficient time and information to determine the value of obtaining protection on those separate inventions.

The proposed change would encourage applicants to file more divisionals merely to preserve the opportunity to protect the restricted invention, and would encourage and increase the number of petitions challenging restriction requirements. This is due to applicants' need to determine early in the prosecution cycle (i.e., during the pendency of the first application in which the restriction requirement was made) the number of divisional applications that must be filed to preserve potentially valuable patent rights.

The more limited definition of a divisional application and the proposed limitation in condition (i) to a single continuing examination opportunity would also encourage the filing of additional continuation applications. These would be based not only on the original application in which the restriction or holding of lack of unity of invention was made, but also based on divisional applications deemed necessary to preserve the opportunity for stronger and more focused patent protection as commercial products are developed. Condition (i) contains an exception to the general principle of only one continuing application, i.e., where the application serves as the basis for both a divisional and a continuation or a CIP.

Among the principal reasons that the PTO is unlikely to achieve its goal of reducing the number and pendency of applications is the proposed revision to divisional application practice. Over the past two fiscal years, the PTO has issued a restriction requirement in about 15% of the applications examined (up from about 10% ten years ago)—or 45,000 restriction requirements annually. The PTO notice states that 18,500 divisional applications were filed last year.

How many additional divisional applications are likely to be filed under the proposed rules? Unless the amount of work saved each year (which will not be 22,000 continued examination filings unless the PTO grants no petitions) at least exceeds the

additional work created by the proposed rules in the aggregate, the proposed changes would simply add to the existing problems. Most applicants and the PTO cannot afford these efforts to control continued prosecution practice. The proposed divisional application practice is not only counterproductive, it would create an incentive for examiners to impose restriction requirements leading to an increased number of applications and greater pendency.

§ 1.78(d)(1)(iii) Continuation or CIP of a Divisional

Condition (iii) provides that a nonprovisional application that is either a continuation or CIP application may claim the benefit of only a single divisional application in which no request for continued examination under § 1.114 has been filed in such prior-filed divisional application. This condition is similar to condition (i), which addresses a continuation or CIP of an original application. Accordingly, AIPLA makes the same observations with respect to proposed condition (iii) as made with respect to proposed condition (i).

§ 1.78(d)(1)(iv) Could Not Have Been Submitted Earlier Standard

Condition (iv) provides that the filing of a nonprovisional application as any type of continuing application to obtain consideration of an amendment, argument, or evidence that could not have been submitted during the prosecution of the prior-filed application must be accompanied by a petition. The petition must be filed within four months of the filing date of the continuing application or within four months of a date on which the national stage commenced in the U.S. if the continuing application is a PCT application. The petition must contain a showing satisfactory to the PTO that the amendment, argument, or evidence could not have been submitted during the prosecution of the prior-filed application. Although not discussed in the notice, the apparent result of a denial of this petition would be a loss of rights to the subject matter claimed in this continuing application.

In its public presentations, the PTO has described three examples where a petition pursuant to condition (iv) would receive favorable consideration. The first is where an administrative patent judge in an interference proceeding suggests that claims not corresponding to a count in an interference be filed in a continuing application. While appropriate, this surely must be a rare circumstance.

In the second example, where the applicant could show that data necessary to support a showing of unexpected results just became available to overcome a final rejection in a continuation application, the petition would be granted if the applicant could further show that the data is a result of a lengthy experimentation that was started after applicant received the rejection for the first time. While it is appropriate to grant relief under these circumstances, it is unrealistic and inappropriate to require that experimentation be started after the applicant received the rejection for the first time. Experiments are typically ongoing from the date of invention in order to perfect the

invention. Thus, if the rules are to go into effect, the granting of the petition should only depend on when the information becomes available, not when the tests begin.

The third example is where the final rejection contains a new ground of rejection that could not have been anticipated by the applicant and the applicant files a petition to submit evidence which could not have been submitted earlier in order to overcome this new rejection. While relief to the applicant again is appropriate, the applicant should have more latitude in addressing the new ground of rejection unless the PTO could show that any prior art relied on could not have been found earlier in the examination of this invention.

Although the proposed standard and examples for implementation suggest that in all cases the standard will be difficult to meet, the PTO has not indicated who will have responsibility to decide these petitions. There is a danger that the standard will be applied differently in different technology centers. Because of the significant risks associated with the denial of such a petition and the prospects of loss of patent rights and potential charges of malpractice, any denial is likely to be vigorously contested both within the PTO and in the courts. This can only increase the workload for the PTO and have a negative impact on access to legal representation for independent inventors and small businesses.

In order to avoid the unnecessary loss of patent rights, AIPLA suggests that, if the PTO adopts this proposal, it should also set up an adequately staffed office to decide these petitions promptly, and in any event before the close of prosecution for the parent application so that the applicant is advised of its prosecution options. Such a petition should be granted if it is not decided before the close of prosecution.

§ 1.78(d)(3) Continuation-In-part applications (CIP)

This proposal would introduce the new requirement that, if an application is identified as a CIP application, the applicant must identify which claim or claims in the CIP application are disclosed in a manner provided by the first paragraph of § 112 in the prior-filed application. AIPLA opposes this new requirement.

The responsibility for determining whether a claim is supported in an application in compliance with § 112 is ultimately a legal determination that should remain with the examiner and not be imposed on the applicant. We believe that the most that should be asked of an applicant is to identify the differences between the CIP application and the parent application. To require an applicant to offer a legal conclusion regarding compliance with § 112 will simply further increase the applicant's risk of subsequent allegations of inequitable conduct.

§ 1.78(d)(3) Unsatisfied Conditions

This proposal provides that the PTO would refuse to enter, or would delete if present, any specific reference to a prior-filed application that is not permitted by

paragraph (d)(1) of § 1.78. This proposed section also provides that the entry of or failure to delete a specific reference to a prior-filed application that is not permitted by paragraph (d)(1) would not constitute a waiver of the provisions of this section.

This section would place a heavy burden on both the PTO and applicants to avoid continued examination filings not authorized by conditions (i) through (iii). If this proposal were adopted, AIPLA urges the PTO to include in Office Actions in any application where a continued examination filing is not available under any one of the first three conditions, a notice to that effect. Although the failure to provide such a notice need not act as a waiver of these benefit conditions, it would assist applicants, practitioners and probably the PTO in preparing for the close of prosecution of claims directed to that invention.

§ 1.78(f)(1) Applications Having At Least One Common Inventor

This proposed paragraph requires that an applicant identify separate applications that have the same filing date or filing dates within two months, that name at least one inventor in common, and that are owned by the same person. This identification is required to be submitted within four months from the actual filing date of a nonprovisional application or within four months from the date on which the national stage commenced for an application that entered the national stage from a PCT international application.

The proposed requirement is both unnecessary and misguided. To the extent that another application contains relevant disclosure or is a possible basis for a double patenting rejection, applicants are already under a duty to disclose this information to the PTO. See Dayco Products, Inc. v. Total Containment, Inc., 329 F.3d 1358, 1367-68, 66 U.S.P.Q. 2d 1801, 1808 (Fed. Cir. 2003). To the extent that there is no relevant disclosure and the application is not a possible candidate for a double-patenting rejection, it is not clear why the PTO needs or desires this information.

The proposed four-month deadline for submitting this information to the PTO would be unnecessary and impractical in many cases. Given the PTO's current delays in processing applications, an applicant may not be able to identify another application by application number because that number has not been provided by the PTO within that time frame.

Finally, the PTO has not made clear whether there are any consequences for failure to meet either the time deadline or the requirement to identify a separate application meeting the requirements of this proposed paragraph. Would the application be regarded as abandoned for failure to meet this requirement of the regulations? Would the requirement be deemed to have been waived if examination proceeds without addressing the question of abandonment? Would this be regarded as a failure to comply with a duty of candor and good faith even though the application that meets the requirements of this proposed paragraph would not otherwise be considered information material to patentability? Would a practitioner be subject to a disciplinary

action by the Office of Enrollment and Discipline for failure to satisfy this requirement, whether or not the information is regarded as material to patentability? The PTO should withdraw this paragraph from the proposed rules.

§ 1.78(f)(2) Rebuttable Presumption-Patentably Indistinct Claims

This proposed paragraph would create a rebuttable presumption of patentably indistinct claims in two or more applications that: (1) are filed on the same date; (2) name at least one inventor in common; (3) are owned by the same person; and (4) contain substantially overlapping disclosures. To address this presumption, and apparently before any action by the examiner, the applicant must either rebut this presumption or submit a terminal disclaimer and explain to the satisfaction of the Director why there are two or more pending nonprovisional applications containing patentably indistinct claims.

This proposed paragraph appears to be a solution looking for a problem. According to the PTO database, there were over 150,000 patents granted in Fiscal Year 2005, yet only 4,474 contained a terminal disclaimer—less than 3% of the patents granted. These patents containing terminal disclaimers included more than those having the same filing date and at least one inventor in common. But even at less than 3%, where is the problem that requires a rebuttable presumption?

As noted above, arguably applicants already have a duty to identify applications containing patentably indistinct subject matter to an examiner, and any reasonably competent examiner should be able to evaluate whether or not a double patenting rejection should be applied. A requirement to eliminate patentably indistinct claims from all but one application absent a good and sufficient reason for having two or more applications is a hollow gesture since this provision has been in the regulations for the last 35 years and addressed as a double-patenting issue. M.P.E.P. 822.01, 8th Ed., Rev. 3 (August 2005). A good and sufficient reason is typically provided merely by defining the invention in terms which are unique to each application. Accordingly, the PTO should withdraw this paragraph from the proposed rules.

§ 1.114 Request for Continued Examination (RCE)

According to this proposal, an applicant may not file more than a single RCE in any application, and may not file any request for continued examination in any continuing application other than a divisional application unless they could make a showing in conformance with condition (iv) above that the amendment, argument, or evidence could not have been submitted prior to the close of prosecution in the application. This proposed paragraph indicates that an improper RCE filed before a notice of appeal will be treated as a reply after final, and an improper RCE filed after appeal will be treated only as a request to withdraw the appeal.

As this proposed section essentially adopts the proposed limits and requirements of proposed § 1.78(d)(1), the comments made above apply here as well. AIPLA

strongly urges the PTO not to adopt these proposed rules to address the problems identified in the background section of the Federal Register notice. It is highly questionable that the proposals will achieve the stated goals, and likely that they will unnecessarily increase the Office's workload. They will provide no significant deterrent for applicants seeking to extend the prosecution, and will create additional administrative burdens for both PTO and applicants, while contributing nothing to the efficiency or effectiveness of the patent examination process. The alternative of the Office adopting policies that encourage a conclusion of prosecution in an original filing and discourage use of RCE's to continue prosecution for credit would be preferred and less onerous for users.

The PTO has indicated that it will no longer authorize a first action final rejection in any continuing examination filing if the proposed changes are adopted. AIPLA urges that the PTO consider adopting this change in practice, whether the proposed changes are adopted or not. There will be cases where a "First Action Final" may be appropriate, such as where no effort has been made to advance prosecution by altering the factual record with additional evidence or amendments to the claims. A Final Rejection, however, should not be appropriate on the first Office Action where the factual record is changed before the first Office Action in a continued examination filing.

Effective Date of Proposed Rules

The proposed changes to § 1.78, according to the Federal Register notice, would apply to any application filed on or after the effective date of the final rule. 71 Fed. Reg. at 56. This statement, however, obscures the fact that the rules would retroactively affect the prosecution of many pending applications, particularly those that are continued examination filings (continuations or RCE's), precluding any further opportunity for a continued examination filing.

Any applicant working on a continuing application in which a restriction requirement was made somewhere in the prosecution history would have to file a divisional application before these rules go into effect for any non-elected invention on which protection may be desirable. Failing to do so would risk the possibility that the Office would find that such an application could have been presented earlier and is now foreclosed under the proposed rules as implemented.

This activity is likely to ensure that the Office would receive a deluge or spike of at least new divisional applications that far exceeds any predicted reduction in the filing of continuing applications for several years to come. Not only is the proposed implementation retroactive, but it would create an incentive for significant additional application filings before the effective date; it also would create a significant potential for the loss of patent rights on valuable inventions where a timely filing is not made.

If adopted, the AIPLA recommends that the proposed rules be applicable only to claiming the benefit of applications filed on or after the effective date of the new rules.

Need for Analysis of Continuation Application Problems

AIPLA does and will support reasonable PTO efforts to improve the efficiency of the examination process and improve the quality of issued patents. If these efforts are to be focused on continued examination filings, however, an analysis needs to be made of the reasons and root causes of those filings.

Depending on the findings of that evaluation, the PTO should consider ways to reduce or eliminate the incentives (both internal and external) for continued examination filings. One interim measure could be providing examiners with additional time to consider responses after final rejection and to provide a new full evaluation of the content of those responses. Another could be the creation of a special team of examiners to address applications in which unique problems arise, and the development of a prosecution laches argument in cases less obvious than those addressed, for example, in In re Bogese, 303 F.3d 1362, 64 USPQ2d 1448 (Fed. Cir. 2002).

AIPLA supports the PTO's general objectives of seeking ways to make the examination process more efficient and to improve the quality of issued patents. We further support the PTO's efforts to reduce the average pendency of applications, particularly its aggressive hiring program, so that the PTO could focus its patent examining resources on new applications. AIPLA doubts, however, that these efforts alone can contribute significantly to the PTO's objectives unless Congress and the patent community provide the agency the necessary resources to train and retain new examiners. AIPLA would support a PTO request for an improved compensation structure for examiners toward that end, and is prepared to assist the PTO in its training challenges by making available experienced practitioners willing to assist the PTO in this effort.

Suggested Changes

Other areas that the PTO should consider in addressing the objectives it has identified are addressed below.

Management of PTO Workload. Applicants today are under an obligation to identify related applications. The PTO should use this information to do a better job in assigning related applications to a single or a small number of examiners. This would permit the PTO to focus both search and examination of related applications in a single area and obtain obvious efficiencies in the search and examination process, and also provide the applicant with a more uniform treatment of related applications.

Focused Review. The PTO has apparently adopted a corps-wide, second-pair-of-eyes review process rather than focusing its efforts in areas of demonstrated need. The need for such review can be identified in the annual review of an examiner's work product, the results of appeal conferences or Board decisions, and complaints lodged by applicants. The PTO should also focus on applications and continued examination

filings for individual examiners to determine whether the examiner's work is the principal cause of failing to bring examination to a close.

PCT Searches. The PTO should rely more heavily on search results and analyses from qualified international search authorities, especially those from the United States Receiving Office for PCT applications.

Restriction/Unity of Invention. We understand that the PTO's study of restriction and unity of invention practice is likely to be completed in the near future. Pending any significant changes that will be proposed, the PTO should take steps to better manage and supervise restriction and unity of invention practices in all technology centers. Experience has shown that when increased supervisory vigilance is applied, the number of complaints and restriction requirements decreases.

Multiple Dependent Claims. The PTO should explore the possibility of examining multiple dependent claims dependent on other multiple dependent claims as a mechanism to reduce the examination burden and to better focus the examination process on limitations being added to an independent claim. We believe this will reduce the total number of claims presented for examination.

Third-Party Submissions. The PTO should explore expanding the opportunity under 37 C.F.R. § 1.99 for third parties to submit prior art patents and printed publications in applications up to a first Office action, and permit the third party to identify or point out the relevance of any document (e.g., by citation only of column and lines and the relevant claims), while prohibiting any narrative explanation or argument associated with the submission. While 37 C.F.R. §1.99(d) limits the explanation of the relevance of the documents, it is not clear that this is required by the authorizing legislation.

We appreciate the opportunity to provide comments on the proposed rules and are available to assist the PTO in further developing patent practice and procedures.

Sincerely,

A handwritten signature in black ink that reads "Michael K. Kirk". The signature is written in a cursive, flowing style.

Michael K. Kirk
Executive Director