



AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION
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February 26, 2009

The Honorable John Doll
Acting Under Secretary of Commerce for Intellectual Property and
Acting Director of the United States Patent and Trademark Office
Mail Stop Comments - Patents
P.O. Box 1450
Alexandria, VA 22313-1450

Comments on Deferred Examination for Patent Applications
74 Federal Register 4946 (January 28, 2009)

Dear Acting Under Secretary Doll:

The American Intellectual Property Law Association (AIPLA) appreciates the opportunity to offer comments in response to the Notice of the U.S. Patent and Trademark Office (PTO) regarding Deferred Examination for Patent Applications.

AIPLA is a national bar association whose more than 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 owners and users of intellectual property.

According to the Notice, the PTO frequently receives suggestions that it adopt a deferral of examination procedure for patent applications. The PTO Notice solicits comments from the public to determine whether the support expressed for deferral of examination is isolated or whether there is support in the patent community and/or the public sector generally for the adoption of some type of deferral of examination.

AIPLA has traditionally been opposed to deferred examination due to concerns over delayed determination of the scope and content of patent rights and over the uncertainty that such delay creates for the public in general and for competitors in particular who may be adversely affected by abusive practices. Such practices could use the uncertainty and delay that may be attendant in a deferred examination procedure to unfairly retard innovation and investment. Given these reasons for AIPLA's historic opposition on this issue, AIPLA remains concerned about the overall higher costs and limited benefits of deferred examination that would result.

We commend the PTO for seeking the views of the public and the patent community before introducing any proposed rule. Recent Supreme Court decisions and the status of the global economy are having an impact on the patent community. The more stringent application of the obviousness standard as pronounced by the Supreme Court in *KSR v. Teleflex*, combined with the current economic downturn, has tended to stem the rate of application filings, and the current economic conditions have assisted the PTO in its retention rate of experienced examiners. Further, given the significant progress that the PTO has made in hiring new examiners to address the workload and in other initiatives to improve the quality of the examination, AIPLA believes that the Office should very carefully assess the likely effects of any deferred examination procedures before any proposal is made. The PTO should determine what safeguards should be in place to guard against permitting deferred examination to create undue uncertainty or opportunities to unfairly disadvantage the public or those in industry through inappropriate delay tactics.

AIPLA is willing to take a fresh look at the issue given the PTO's continuing struggle with pendency. We recognize, for example, that one potential benefit could exist for the PTO in addressing the pendency problem if examination in other patent offices preceded the U.S. examination and thereby allowed for enhanced worksharing. AIPLA thus offers the following comments on some of the important choices that will have to be made if the PTO considers it

appropriate to continue its exploration of a deferred examination option beyond what is already available under 37 C.F.R. § 1.103(d). We welcome the opportunity to participate in any further discussions and would suggest that the PTO adopt a practice it has used in the past of publishing for comment an advanced notice of proposed rulemaking to obtain comments and suggestions from the public before making any proposal for a new deferred examination procedure.

Applications Eligible

The PTO will need to address a variety of questions. Which applications are eligible for deferred examination? Would such a system be applicable to applications for utility inventions, designs, and plant inventions? What impact, if any, would such a system have on provisional applications? Should deferred examination be available to applicants using the Patent Cooperation Treaty who already have the ability to defer entrance into the U.S. National Stage for 30 months after the initial filing date? Could one then defer the examination of the U.S. National stage application?

If deferred examination is adopted, the PTO should also consider whether it would be available in continuing applications - continuations, continuations-in-part (CIP), and divisional applications. To the extent that deferred examination is justified at all, there seems to be little justification for making this practice available in continuing applications.

Period To Defer

To the extent that deferred examination is viewed as a mechanism to reduce the number of applications requiring examination by the PTO, the longer the permitted period of deferral, the more applications would be expected to drop out. On the other hand, the longer the period of deferral, the greater the uncertainty introduced into the patent system and investment community, which poses a significant potential for adversely affecting both innovation and investment. For

example, an applicant who has a product marked "patent pending" during the deferred examination period creates uncertainty and may unfairly delay the entry of a competitor into the marketplace. If the PTO considers adoption of a deferred examination system, there appears to be little justification for a deferral period exceeding what seems to be an international norm of three years.

If examination of a deferred application is requested at the end of the deferral period, the PTO must address where such an application will be placed in the examination queue relative to other applications on the examiner's docket. Should they be placed ahead of applications with an earlier filing date, or a later filing date? What about their relationship to continuing applications on an examiner's docket? It seems appropriate that such applications should neither be advantaged nor disadvantaged for deferring examination, but policies and practices should be adopted to avoid tandem periods of deferral for whatever cause. If the PTO decides to study this issue further, pendency modeling should be made public so that these impacts of deferred examination are available to potential users of the system.

Publication

If an applicant is permitted to intentionally defer examination of an application, there should be no opportunity for opting out of publication in order to ensure that the public will have an opportunity to evaluate the scope and content of the deferred application to mitigate against any abusive "submarine" practices. This could be accomplished by requiring publication at 18 months or a laying open of such deferred applications, much like a reissue application, which is open to the public once it is filed. If an applicant is permitted to delay the PTO determination of patent rights, then third parties should at least have access to the content of these applications so that they can make such determinations for themselves.

The concept of laying open applications would have the potential benefits of avoiding the cost of publication, of denying provisional rights under § 154(d) while an application sits on the shelf, and of opening the door to third parties to file protests before the application is published. While APLA favors the publication of all applications at 18 months, public access is particularly important for applications where examination by the PTO is intentionally delayed.

Fee Implications

APLA wants to ensure that the Office is properly funded in order to carry out its mission and achieve its goals. The PTO should carefully study the possible fee implications of deferred examination as they may affect the income stream for future PTO operations. The risk to this income will largely depend on the fees established for participating in deferred examination, on the assumed drop-out rate and loss of income from other fees (such as extension of time fees and issue fees from applications that would otherwise have been prosecuted in the absence of deferred examination) and perhaps on third maintenance fees that may be due later in the 20-year period.

At least some of the support for deferred examination can be traced to the expectation that fees due at about the time of filing would be reduced, and that search and examination fees could be deferred until examination is requested. If the PCT model is adopted for U.S. utility applications, however, where applicants who defer pay for filing, a search of the prior art, and publication of the application at the time of filing, this would cost \$1170 (\$330 + \$540 + \$300), and exceed the current filing, search and examination fees and no doubt deter participation. At a minimum, applicants who wish to defer examination should pay the basic filing fee and publication fee (if these applications are to be published) at or about the time of filing. Any further consideration by the PTO should include a detailed funding analysis so that the public is aware of the fee implications of a deferred examination system.

Response of Applicants

The PTO should carefully analyze applicants' behavior and the anticipated alteration in filing and prosecution strategies if applications are eligible for deferred examination. This could lead to an increase in filings. A fixed budget for new applications at a lower cost per application may lead to more filings on the same budget even though government fees are typically a minor part of the overall cost of a new application. Consider also when applicants for a U.S. patent typically abandon that effort. For example, how many applications are abandoned before a first action? How many are abandoned after a first Office action that is not followed by some type of continuing application? When do those abandonments occur? For the approximately 20% of patentees who do not pay the first maintenance fee, how many years lapse after the first U.S. filing date that was not a provisional application?

We recognize that deferred examination is available in other countries and that the data following adoption of such systems should be evaluated. However, the PTO should be cautious about relying too heavily on the experience in other offices in estimating the expectations in the United States. Not only are other systems different, but the value of patents is also different. Do companies, both domestic and foreign, give up on U.S. patent rights before, after, or at the same time as they do on rights in other countries and regions - particularly on the procurement end before a patent is granted? Unless the anticipated benefits clearly outweigh the costs of introducing deferred examination, it would be a disservice to the patent system and the public to adopt such a system in the hopes of avoiding the expenditure of scarce resources on a modest number of applications.

Protection of Third Parties

One of the principal disadvantages of deferred examination is that it often shifts the burden for determining patent scope to the public and competitors while the patent application sits on the shelf waiting for a decision to initiate examination. Arguably, this is not much different from situations where the PTO inventory of applications creates a de facto deferred examination. A principal difference is that, although inventories tend to rise and fall over time, the creation of a deferred examination system would institutionalize a delay option in examination and may create further uncertainty in the system. However, this potential effect should be weighed against the possibility of accelerating examination for those applications which will receive an earlier examination due to the deferral of other applications. This kind of weighing of accelerating examination of some applications versus deferring examination of others should also attempt to take into account the technology sectors that may be impacted. For example, will deferred examination of pharmaceutical or biotech applications result in helping the Office reallocate resources to help speed up examination in other technology areas, whereas deferral may not be as desirable in other arts, such as in the networking and computer arts or in medical device technologies?

We also are aware of the uncertainty created by the ability of applicants to file continuing applications and requests for continued examination. Here again, however, the patent system should provide for greater certainty rather than taking steps that lead in the opposite direction. Unlike a deferred application, with continuation applications the PTO has typically done a search and completed some examination of the parent application, thus providing an indication of the PTO's evaluation of the claims, their scope, and patentability. Accordingly, the PTO should consider whether it may be possible to establish some minimum period of time by which a search

would be conducted for deferred applications. This would seem to help decrease uncertainty for all, including the owners of such deferred applications.

Another alternative, consistent with the foregoing and to protect the interests of third parties, might allow a third party to request the examination of deferred patent application after a given minimum period where the costs of both search and examination of that application are allocated in some measure between both the applicant and the requesting party. Consideration also should be given to the possibility of imposing intervening rights for those who implemented or made serious preparations for implementation of a product or process prior to the drafting of a claim in the deferred application. Consideration also should be given to the possibility of providing an expanded opportunity under 37 C.F.R. § 1.99 to third parties who are forced into a situation of requesting examination of an application under deferred examination.

Conclusion

While on the one hand AIPLA has historically opposed deferred examination in principle and is skeptical whether deferred examination can be implemented in a way that fairly balances the benefits to the Office versus the costs of creating increased uncertainty to applicants and the public, AIPLA is willing to re-visit the issue and welcomes the opportunity to engage in this dialogue. If the PTO decides to study this matter further, we look forward to taking a fresh look at what the modeling shows about the implications of whatever system is proposed, including the effects that it is likely to have on various facets of PTO operations, the rest of the patent community and the public.

We appreciate the opportunity to provide these comments in response to the request for views on deferred examination, and would be pleased to answer any questions our comments may raise.

Sincerely,

A handwritten signature in black ink, appearing to read "Q. Todd Dickinson", with a long horizontal flourish extending to the right.

Q. Todd Dickinson
Executive Director
On Behalf of AIPLA