

August 20, 2010

The Honorable David J. Kappos  
Under Secretary of Commerce for Intellectual Property and  
Director of the United States Patent and Trademark Office  
P.O. Box 1450  
Alexandria, VA 22313-1450

RE: Comments on “Enhanced Examination Timing Control Initiative”  
75 Fed. Reg. 31763 (June 4, 2010)

Dear Under Secretary Kappos:

The American Intellectual Property Law Association (AIPLA) appreciates the opportunity to offer comments on the Enhanced Examination Timing Control Initiative, as set out in 75 Fed. Reg. 31763 (“the Notice”). AIPLA made a separate presentation at the July 20, 2010, public meeting on this topic, and is supplementing and confirming the remarks already made.

AIPLA is a national bar association whose nearly 16,000 members are primarily lawyers and other patent practitioners 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.

AIPLA commends the U.S. Patent and Trademark Office (USPTO) for taking the initiative in developing ideas and programs that are intended to provide applicants with greater control over when their applications are examined, and to decrease the overall pendency of patent applications. AIPLA appreciates the opportunity to participate in this development process to achieve practices and procedures that will achieve the stated goals and serve the interests of the USPTO, applicants and the public.

The Notice identified several interdependent aspects of the Enhanced Examination Timing Control Initiative. In principle, the USPTO proposes a 3-Track option for certain applications filed in the USPTO that are not based on a prior foreign-filed applications (e.g., that do not claim foreign priority benefit): (1) prioritized examination for a fee (Track I); (2) for non-continuing applications, deferred examination for up to 30 months (Track III); and (3) processing under the current procedure (Track II) by not requesting either prioritized or deferred examination. As proposed, Tracks I and III would not be available for an application that claims the benefit of a

prior-filed foreign application, and such an application would not be docketed for examination in Track II until certain conditions are met.

Finally, the USPTO is considering negotiating with one or more intellectual property granting offices (IPGOs) to provide a supplemental search report for a fee. The Office also plans to establish rules to address patent term adjustment (PTA) under 35 U.S.C. § 154 for delays that will occur in Tracks II and III.

AIPLA agrees with the general approach of providing applicants with greater control over when their applications are examined within certain well-defined parameters. It also strongly supports the enhancement of work-sharing opportunities among intellectual property offices to both improve the quality and efficiency of examination and reduce the costs to applicants who develop and maintain an international patent portfolio. However, several aspects of the proposals raise significant concerns that will be discussed in detail.

As a preliminary observation, we point out that the Notice does not address how any aspect of the proposed initiative, if adopted, would be implemented. In particular, will all provisions be implemented prospectively, applying only to applications filed on or after the implementation date, or will prioritized examination, for example, be available in all pending and future applications? Clarification is requested.

Each aspect of the USPTO proposal is addressed below, and comments are provided on most of the questions relating to each aspect (starting at 75 Fed. Reg. 31767).

With respect to the first three general questions, which ask for the opinions of users on the overall proposal for multi-track options, AIPLA supports the USPTO's efforts to enhance applicants' control of the timing of examination, so long as certain constraints are observed. However, we believe that the options of prioritized examination and limited deferred examination are sufficient in themselves to meet the needs of a broad spectrum of applicants, and that they will do so without causing undue complexity and complications in the examination process. No additional options of which AIPLA is aware are considered necessary or desirable.

## **I. Applications Claiming Benefit of a Foreign Application**

As this proposal is understood, if a U.S. application claims priority to a foreign application, including a PCT application that designates a foreign country where benefit is not claimed under 35 U.S.C. § 365(c), the application will not be put in the examination queue, or even docketed, until certain conditions are met. This appears to apply to any foreign application priority claim, whether it is made before, after, or at the same time as a domestic application benefit claim, such as to a provisional application. This provision would apply to about half of the applications now filed in the USPTO.

Examination under the proposed 3-Track options would not be available to these applications, at least not until certain conditions are satisfied. The conditions for being placed in the examination queue are submission of: (1) a foreign search report, if any; (2) a first office action

from the foreign office of original filing; and (3) an appropriate reply to that foreign office action as if the foreign office action was made in the application filed in the USPTO. (An application filed in a foreign office that did not provide substantive examination could be treated, upon request, as if the application did not contain a claim to foreign priority.) Once the conditions were satisfied, the application would be eligible for Tracks I or II, but not for further deferred examination under Track III.

#### **A. USPTO Authority Concerns**

While AIPLA supports most efforts to enhance work-sharing among significant examining offices, the proposed mechanism to achieve this goal raises concerns about the USPTO's authority to implement this proposal, and the wisdom of proceeding with this initiative even if authority exists. The USPTO should carefully review and make public its rationale to support its authority for implementation of this proposal, if adopted, and particularly whether it complies with U.S. obligations under the Paris Convention and the TRIPs Agreement.

Specifically, it is not apparent that the proposed treatment of applications claiming foreign priority conforms to at least Paris Convention Article 2 (national treatment) and Article 4 bis (5) (duration of patents), as well as TRIPs Article 3.1 (according nationals of other members treatment no less favorable than it accords its own nationals with regard to the protection of intellectual property).

Even if authority exists, AIPLA questions the wisdom of placing foreign nationals at a distinct disadvantage in their pursuit of patent rights in the U.S., as it could trigger, among other things, the imposition of new barriers for U.S. inventors to obtain patent rights in foreign jurisdictions. Not only would this be detrimental to many U.S. business interests and to the innovation community generally, it would likely harm efforts and reverse progress already made for greater international harmonization and cooperation.

Although the Notice indicates that major patent filing jurisdictions like the Japan and European Patent Offices have already adopted office-driven systems in which they first address the applications originally filed in their jurisdictions, we are not aware of any other Office that holds foreign applications aside pending receipt of search and/or examination reports as a precondition to being placed in the examination queue.

It is recognized that some foreign inventors have the option of filing first in the United States, if that is not prohibited by foreign export control laws, but an applicant would be placed in a difficult position if each patent granting jurisdiction opted to discriminate against applications not filed first in that jurisdiction.

As presently understood and outlined, AIPLA does not support this aspect of the initiative. We have also previously suggested that a side-by-side comparison of the Trilateral Offices' approaches to this issue be prepared in order to confirm whether these approaches are identical, but to date we have not seen such a comparison.

## **B. USPTO Implementation Concerns**

There are other problematic provisions in this aspect of the proposal that could operate to the detriment of applicants. As presently stated, the applicant would be required to provide “an appropriate reply to the foreign office action as if the foreign office action was made in the application filed at the USPTO.” As understood, in cases where the foreign application was allowed, the applicant would only need to provide a notice to that effect. Where, however, the foreign application was not allowable, the applicant must submit an amendment, and would be required to include arguments as to why the claims, in original form or as amended, were patentable under U.S. law.

The requirement to submit arguments as to why foreign-rejected claims are patentable under U.S. law makes little sense for several reasons. First, there are likely to be differences in legal standards that would apply in foreign jurisdictions and in the U.S. Second, there is a reasonable possibility that the claims will differ, either due to translation, procedural requirements or substantive issues (e.g., with respect to means plus function limitations), and it is not clear whether the required amendments and arguments are applicable to the foreign claims or the U.S. claims. Third, there is also a possibility that a rejection in a foreign application would have no counterpart under U.S. law, but this may not be apparent to most practitioners, who are not comparative law experts. If the requirement is to submit arguments as to why the U.S. claims are patentable in view of rejections under foreign law, unnecessary hypothetical submissions would be made that would not advance prosecution in the U.S. case.

Thus, in addition to creating a significant additional cost for foreign-origin applicants, for the preparation of a “USPTO-style” response, as well as for translations where applicable, the requirement may also create unnecessary prosecution history estoppels when the applicant tries to interpret what a rejection means under foreign law, and whether or how it would be applied by a USPTO Examiner.

If the USPTO further considers adoption of this proposal, perhaps the required response should be limited to rejections based on prior art. If this provision is adopted, AIPLA would support implementation only for those offices that qualify as international search and examination authorities. Finally, it is anticipated that this proposal would give rise to unknown but potentially detrimental inequitable conduct consequences under current law.

The USPTO has suggested, and AIPLA agrees, that this proposal may provide incentives for some applicants to file first in the USPTO to avoid the mandatory delay occasioned by claiming foreign priority, which could lead to a possible increase in USPTO filings and additional workload. It is difficult to estimate the possible magnitude of those who would be motivated to change filing strategies, but it would be an attractive option for large foreign applicants to get expedited examination of their applications in the USPTO. Even if prioritized examination was not a motivating factor, some foreign applicants would have an

incentive to file first in the U.S. to avoid the additional costs associated with having to prepare a response to an office action as if it were mailed by the USPTO.

AIPLA is further concerned that postponing examination of applications claiming foreign priority may have the effect of creating a backlog of deferred examination applications over which the USPTO will have no control, regardless of its level of resources. Such unconstrained examination delays are potentially greater and less controlled than those created by proposed Track III, as discussed below, and are therefore not in the best interests of competitors or the public. There are also likely to be a number of unforeseen consequences, such as the possibility of Offices of other countries and regions performing superficial searches and examinations, so that applications originating there could be placed in the USPTO examination queue more quickly. This could have a detrimental effect on the quality of examination.

Most of Questions 13 and 15-20, which appear to be directed to this topic, have been addressed above. Question 17, as currently phrased, is not understood. If the application claims priority to a foreign application, under what circumstances would the counterpart U.S. application not be published? Question 20 asks whether the national stage of a PCT application should be treated as (1) a USPTO first-filed application, (2) a non-USPTO first filed application, or (3) a continuing application. The PCT should be treated as an important work-sharing vehicle, so that the national stage application should be considered as a U.S. first-filed application whether or not the international application was filed with the USPTO as the RO, but it should not be entitled to further deferral. In other words, the national stage application should be regarded as eligible for Tracks I and II, but not Track III. This should be the case even if there is a claim to foreign priority, since a search and examination would already have been provided in the international stage.

## **II. Prioritized Examination (Track I)**

AIPLA generally favors a cost-recovery, fee-based system of prioritizing applications in the examination queue, subject to certain conditions. As we understand the proposal, an eligible applicant could file a simple request for prioritized examination with the appropriate fee and be entitled to accelerated examination. The targets for prioritized examination would be 4 months to first action on the merits and 12 months to final disposition, each measured from the date of grant of prioritized status. It is not clear what “final disposition” is intended to cover—does this mean final rejection or allowance, or does it mean issuance or abandonment? Clarification is requested.

If the USPTO is not able to meet its obligations under the prioritized examination option, will at least a partial refund of the fee be available? The USPTO performance in recognizing and maintaining a special status for applications in the accelerated examination and petition to make special programs has not been reliable, so a better tracking and monitoring system is needed. AIPLA favors that a similar treatment and priority be given to all applications made special for accelerated/prioritized examination. AIPLA also suggests that the USPTO develop a system of

prioritized printing once a Notice of Allowance is mailed in any of these applications subject to special handling.

If prioritized examination can be purchased for a fee, i.e., one designed to provide additional resources to the USPTO to implement this program without delaying examination of Track II applications, it is critically important that such fees not be subject to fee diversion. In addition, unless the USPTO has the authority to make cost-recovery fee subject to small and micro-entity discounts, which authority it does not currently possess, there is a substantial concern among small and micro-entities that the availability of prioritized examination for a fee gives large entities and well-funded small entities an unfair advantage. This concern arises not only because of the cost factor, but also because of the uncertainty that the USPTO will be able to deliver on its intention to avoid consequential delays for Track II applications, and even Track III applications after the 30-month period has expired. It is not yet known whether a large number of applicants would seek prioritized examination, but if they do, how does the USPTO intend to measure whether the examination of Track II applications is adversely affected?

The magnitude of the fee charged for prioritized examination may discourage its use, together with other limitations, such as the number of claims permitted in a prioritized application. The USPTO has suggested up to 4 independent claims and 20 total claims, but the USPTO should consider higher numbers to accommodate the widest possible use of this option, e.g., up to 6 independent claims and 40 total claims. The USPTO should also consider different fees for applications of different sizes, e.g., 3/20, 4/30, and 6/40. The magnitude of the fee is also important because of its impact on those U.S. first filers who desire to use the benefits of the Patent Prosecution Highway (PPH) in prosecuting foreign counterpart applications. If the cost-recovery fee is too large, it will adversely affect U.S. applicants' ability to benefit from PPH in foreign countries and regions.

Prioritized examination should be available at any time during examination or appeal, particularly in view of the growing inventory of undecided appeals at the Board. However, the USPTO is cautioned to avoid imposing restrictions (such as limiting use of extensions of time or the number of RCEs) that would unduly complicate the process for both USPTO staff and practitioners alike. While we are not opposed to the USPTO publishing an application shortly after a request for prioritization is granted, there may be an adverse effect on quality if examination occurs before certain prior art becomes available (e.g., applications published at 18 months, or the 7% of U.S. applications that are currently not published before grant<sup>1</sup>). How will the USPTO ensure that potential prior art that is not yet available to the public, is taken into consideration?

For the reasons described above in Section I, AIPLA supports making any prioritized examination under Track I available for all applications, including those applications claiming foreign priority, without having to meet any other requirements not applicable to all applications, and including design and plant patents.

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<sup>1</sup> We would note with approval that this percentage would likely be reduced if the current proposal is adopted, since the "opt out" opportunity with respect to pre-grant publication would not be available under Tracks I and III.

### **III. Deferred Examination (Track III)**

AIPLA has traditionally opposed deferred examination, but would reconsider its opposition if certain issues were addressed to protect third-party competitors and the public. As we understand the current proposal for Track III, an applicant who does not claim priority to a prior-filed foreign application or prior non-provisional application could elect to delay being placed in the examination queue for up to 30 months from the filing date. An application subject to this option would be required to be published at 18-months. (We presume, if a Track III application is converted to Track II, it would still be required to be published at 18 months.)

An applicant electing Track III would be permitted to defer payment of the examination fee (and surcharge for late payment) until the 30-month period expired. It is not clear from the proposal whether payment of the search fee could also be deferred. Failure to request examination within the 30-month period would result in abandonment of the application, but if the examination fee (and surcharge) were timely paid, the application would be placed in the examination queue using the receipt date of the examination request as if it was the application's actual filing date.

AIPLA's position on deferred examination is set forth in our letter of February 26, 2009, responding to a request for comments on deferred examination, a copy of which is attached. The current proposal addresses few of our concerns raised in that letter. Further, it is not clear that the USPTO has taken into account the possibility that the opportunity to file applications that will not be examined for 4 or 5 years will result in an increase in the number of filings. Will there be a net gain in reducing the USPTO workload?

Applicants now have an opportunity to obtain a refund of the search and excess claims fees paid in an application if that application is expressly abandoned before an examination is made in that application. 37 C.F.R. § 1.138(d). Do the statistics under this provision suggest that applicants are likely to abandon applications within 30 months before substantive examination in numbers that are likely to have a positive impact on reducing the USPTO workload? In addition, there currently exists a deferral of examination under 37 CFR 1.103(d), which requires up-front payments. However, we are not aware that this option is very frequently used, if at all. Thus, to date, we are not persuaded that the potential benefits outweigh the risks, uncertainties and delays that are associated with deferred examination.

Since the USPTO would place an application in the examination queue as of the date of the examination request, this (like national stage processing) could result in delays in examination of 4.5 years from filing where the normal pendency to first action is 2 years. Unlike practice under the PCT, which provides at least a search report during the 30-month pendency, the proposed deferred examination initiative would not provide that search information to the public, and would therefore increase the uncertainty associated with delayed determination of patent rights. While the proposal has been analogized to PCT in several respects, such as its length of term, it will nevertheless increase the uncertainty associated with delayed determination of patent rights without some of the safeguards provided under the PCT, such as a search report. Would the current proposal contemplate conducting a search and issuing a search report for Track III applications? The USPTO should consider additional safeguards if deferred examination is

adopted, in order to avoid greater uncertainty and reduce the risk that innovation and investment will be discouraged.

We also have a number of unaddressed questions regarding 3rd party interventions in Track III. Would a 3rd party be able to initiate examination before the applicant's preferred date by paying a fee? Would it be the entire fee? Would the 3rd party be able to apply for Track I acceleration? What rights would the applicant have under these scenarios?

If the USPTO does go forward with implementation of Track III, with modifications as referred to above, we would request at a minimum that it include a sunset provision so that it would only be utilized to address the current backlog situation. Thus, it could be reevaluated after a certain period of time, for example three years, and would not become a permanent feature of the U.S. patent system before all of the consequences are known.

#### **IV. Traditional Timing (Track II)**

Applications for which neither prioritized nor deferred examination is requested, and that do not claim priority to a foreign application, will be processed according to the oldest actual filing date. This is not "traditional" for about half of applicants for a U.S. patent that claim the benefit of a foreign application. Our concerns over this discriminatory aspect of the proposal are set forth in Section I, above. We understand that the current pendency to first action will not be adversely affected by other aspects of the proposal, particularly prioritized examination under Track I, and support Track II as presently understood.

#### **V. Patent Term Adjustment (PTA)**

The USPTO is considering rules to offset any positive PTA that occurs in a Track III (deferred) application when applicant requests that the application be examined after the so-called "aggregate average period" to issue a first Office action on the merits. Although AIPLA agrees that reducing PTA for delayed examination via Track III is appropriate, it is unclear how the USPTO intends to calculate an "aggregate average period." If the date of requesting examination is to be regarded as the actual filing date for purposes of being placed in the examination queue, it is not clear why that date should not also be regarded as the actual filing date for PTA determination purposes. Clarification and examples of how the USPTO would implement its proposal are requested.

The USPTO is also considering a rule to offset positive PTA in an application that claims foreign priority when an applicant files the required documents after the "aggregate average period" to issue a first action on the merits. Under this proposal, delays by foreign offices beyond the aggregate average time for the USPTO to issue a first action on the merits would be an offsetting reduction against any positive PTA that occurred by the delay in issuing a first Office action. Again, it is uncertain how the USPTO intends to determine the "aggregate average period." There is often such a wide range of pendencies to first action in different technology centers, groups and art units that it would be difficult to ascertain a fair determination of the delays in examination caused by the USPTO or USPTO requirements. Discriminating either for or against



foreign origin applications regarding patent term raises serious concerns about compliance with the letter and spirit of Paris Convention Article 4 bis (5) (duration of patents). Clarification and examples of how the USPTO would implement its proposal are requested.

## **VI. Supplemental Search**

The USPTO is considering negotiating with one or more IP granting offices to provide an optional service for applicants to request that the USPTO obtain a supplemental search report from one or more of those offices. The Notice indicates that the supplemental search report will be considered in preparation of the first action on the merits by the examiner. While AIPLA has no objection to this proposal in principle, there are a number of issues that have not been addressed.

First, if a supplemental search system is institutionalized, is it in recognition of deficiencies in searches performed by USPTO Examiners? Second, if a supplemental search system is desirable, what are the additional costs associated with the USPTO organizing and maintaining such a system? Third, what inferences are likely to be drawn about the strength/reliability of patents issued with/without a supplemental search? Fourth, if the USPTO obtains commitments from other offices to conduct a supplemental search, will there necessarily be a reciprocal commitment by the USPTO to perform such services, thereby increasing its workload? Fifth, if a USPTO Examiner will conduct his/her own search on the same application, the supplemental search report should be available to the Examiner before searching begins to avoid duplication of effort. Sixth, what is the pricing likely to be for these supplemental searches? Seventh, if the USPTO coordinates the acquisition of a supplemental search, will it take responsibility for the scope/quality of the search? These and other issues identified by the USPTO in questions 21–31 and 33 make the USPTO involvement in coordinating supplemental searches problematic at this point in time.

It may be better to gain more experience with work-sharing efforts like PPH, and the supplementary international search (SIS) service existing under the PCT, before seriously considering a supplemental search system. One alternative may be to rely on private search vendors that exist in most countries and are capable of responding to requests for search services.

We appreciate the opportunity to provide these comments, and would be pleased to answer any questions our comments may raise. We look forward to participation in the continuing development of rules applicable to USPTO patent practice.

Respectfully submitted,



Alan J. Kasper  
President

Attachment follows



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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  
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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