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To: AB94Comments

Subject: Comments regarding proposed changes in U.S. continuation application practice

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The Honorable Jon Dudas
Under Secretary of Commerce for Intellectual Property
And Director of the United States Patent and Trademark Office
Mail Stop Comments
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Dear Sirs:

The U.S. Patent and Trademark Office's proposals to limit continuation practice (71 Fed. Reg. 68, January 3, 2006) suffer from two fatal flaws. First, the practical problems the changes purportedly address will not be materially lessened if the changes are adopted (using the PTO's own statistics); and second, the legal and philosophical grounds for the proposed changes are anecdotal, unscientific, seriously flawed (and recognized to be so) and contrary to statute. The Office should not adopt these proposals without serious changes.

First, there are the PTO's own statistics:

Total number of utility-plant-reissue (UPR) applications:

FY2005 384,228 (2.6% over plan, 8.1% over FY2004)

Total "disposals" (abandonment, allowance, appeals):

FY2004 287,188

FY2005 279,345

Total pending applications:

FY2004 809,323

FY2005 932,300

Of the pending applications, the Federal Register cites the following numbers for all applications it designates as “continuations” (which includes Section 120 continuations, requests for continued prosecution applications, continuations-in-part, and divisionals):

Total continuing applications (FY2005):	63,000
“Straight” continuations + CIPs:	44,500
Second or subsequent continuations:	11,800
Requests for Continued Examination	52,000
Second or subsequent RCE’s	10,000

Thus, only 26% of all continuations + CIPs and only 19% of RCEs would be affected by the planned changes. The total number of “new” applications is, according to PTO statistics, 409,532 “new” applications were filed in FY2005. Thus, only 15% of all “new” filings were continuations, etc., meaning that only these applications accounted for only 1.2% of the 8% increase in application filing that occurred in FY2005.

Accordingly, if there were no change in patent application filings in FY2006 and beyond, and the Office implemented the proposed changes, the next five years would yield:

	With proposed changes	Without proposed changes	Difference
FY2006	437,380	442,295	4,914
FY2007	467,122	477,679	10,557
FY2008	498,886	515,893	17,007
FY2009	532,810	557,164	24,354
FY2010	569,041	601,737	32,696
<u>TOTAL</u>	<u>2,505,239</u>	<u>2,594,768</u>	<u>89,528</u>

This is a difference of less than 4% fewer “new” applications in five years, in the face of a 130% increase in the total number of “new” applications filed. Clearly, the problem (in the numbers) is not continuations, it is the number of new applications.

The reason for these increases is simple: we live in one of the most technologically-advanced, productive and inventive times in world history, and have in the U.S. a patent system that recognizes and rewards innovation. Unless the PTO

believes that this “golden goose” should be cooked, the spigot of invention arriving at its doorstep will not abate, and will certainly not be abated by the proposed changes.

There is one further problem with the PTO numerology on this issue, and that is that the Office has exaggerated the problem by double counting. This is illustrated by the following thought experiment. Assume that every day for 30 days ten “new” applications arrive at the Patent Office, and that at the end of every day 80% of these cases are disposals (either by allowance, abandonment or appeal) and the remaining two are filed as continuations. At the end of thirty days there would remain 60 cases of the 300 cases originally filed. Using the PTO logic, however, the number of “new” cases filed each day would have increased (12 on day 2, 14 on day 3, 16 on day 3, etc.) so that on day 30 the PTO statistics would have 68 “new” cases filed (the 58 continuations from previous days + the 10 genuinely “new” cases). This double counting makes the “problem” seem bigger than it is, but it does not gibe with the actual impact of continuations (as defined by the Office) on the system as a whole.

Thus, it is clear that the problems the Office seeks to solve in making its proposal to limit continuations will not in fact solve the problem, a fact acknowledged by the Office in its public presentations. Under these circumstances, it appears that the proposals are raised for more philosophical reasons.

The philosophical and political reasons for the proposals, insofar as the Office has enunciated them, can be summarized as follows:

1. Continuations are a burden to the Office
2. Continuations take time away from examination of new technology
3. Continuations reduce certainty in the patent system
4. Continuations are an improper means of competition
5. Continuations are used for “submarine” purposes
6. Continuations are used to “fix” hastily-filed applications
7. Continuations are used as a means of “wearing down” an Examiner to grant a patent when one is not deserved

The factual bases of these assertions stem, at least in part, from certain academic commentators. This comment is an inappropriate place to challenge the multitude of incorrect assertions made and improper conclusions drawn by these commentators. However, it is proper to address the disconnect between the assertions and reality.

As shown above, the amount of the burden that continuations place on the Office is minimal when compared with the “burden” that technological innovation, and the desire to protect it, has and will continue to have on the PTO. In addition, this assertion does not take into account the economies of the process: an Examiner is given no less time to examine a continuation application than a “new” case, and yet both logic and anecdotal evidence from Examiners tells us that continuations take much less time to examine. In a continuation, the Examiner has had the time in her previous examination to review the art and the disclosure and to understand the nature of the invention. All these processes take much longer on first blush than subsequently, and are a particularly acute problem for inventions the Office is putatively most interested in: the “true” innovation, the cutting edge technologies that, by their nature, are the most challenging to examine. After all, an incremental innovation in an established technology will not consume Office resources as much as a brand new technology, which may require much more thought and consideration for an Examiner to understand the invention. An example of this type of situation can be found in the earliest biotechnology patents, which were examined by a chemical examination corps to whom the subject matter was not immediately familiar, and such a circumstance may exist today in fields such as nanotechnology. The proposed rules changes can be expected, paradoxically, to injure just those technologies the Office asserts it is trying to protect.

(In this regard, the inclusion of continuation-in-part applications in the proposed rules changes is curious, since these applications contain “new” innovations not found in the originally-filed application, and are filed themselves in the face of a

reduced patent term (as discussed more fully below) than if they did not claim priority to an earlier-filed application.)

The objection that continuations reduce the certainty of the patent system neglects the requirement, under 35 U.S.C. §112, that claims be supported by the specification as filed. Since the majority of the applications that will be affected are straight continuations, the full disclosure of what the inventor believes is her invention is contained in the specification as filed. Moreover, the overwhelming majority of applications (> 80% of all applications filed) are published within 18 months of filing, putting the inventor's invention in public well in advance of her obtaining patent protection. Whatever claims an applicant finally obtains cannot by law extend outside the scope of the disclosure, and this is the basis for patent certainty. An applicant will obtain no greater patent protection than she has disclosed. After all, to have it otherwise would mean that the PTO's actions are the cause of any such uncertainty, since it is only by disagreeing with what the applicant believes is the proper scope of her claims that the granted claims differ from the claims as published at the 18 month date or less than the full scope of what is disclosed.

The limitation of the scope of any granted claim to what has been disclosed in the patent specification also addresses the allegation that continuations provide an improper means of competition. Crafting claims in a continuation application (or any other application, for that matter, including a reissue application) to encompass a competitor's technology will only be effective if the competitor has used the patentee's or applicant's specification as a template for copying her invention, and done a poor job of it at that. The legality of using continuation practice for this purpose has been upheld by the Federal Circuit, and the limitations of the practice also set forth, as in *Johnson & Johnston v. R.E. Service Co.* Limiting continuations as proposed by the Office does not properly address these concerns.

Although the problem of “submarine” patents is of major concern to academic commentators, it has substantially been eliminated by the patent term provision changes rendered by the GATT agreements over ten years ago. Any applicant who maintains a pending continuation does so at the peril of her patent term, which inexorably diminishes for each day prosecution is “delayed.” Even in a pure “submarine” context, where the application is not published and is not allowed to grant, the applicant must forego U.S. patent term and international patent rights, an unlikely combination. Moreover, recent court decisions further imperil this strategy, since it is a certainty that any behavior that can be characterized as prosecution laches will be used as an affirmative defense to patent infringement. Thus the submarine patent issue is merely a canard that is useful rhetorically when (in)famous examples are invoked, but is of little to no relevance as a motivating factor for applicants, and should not be used as a justification for changing practice little impacted thereby.

The final, behaviorally-based justifications do not bear up under scrutiny. There is no evidence, even anecdotal evidence, that applications are improperly or hastily prepared; indeed, under present practice there is little incentive to “rush to the Patent Office,” and unless Congress changes U.S. patent practice to a first-to-file system this should not change. The idea that Examiners are or can be “worn down” by applicant persistence to issue invalid patents would be laughable except that it is argued so vociferously, by commentators who evidence no experience with the patent application process. Examiners are not given any more points for an allowance than a final rejection, and abandonment means just as much, if not more than allowance. After all, abandonment in the face of a final rejection indicates that the applicant has not been able to overcome the Examiner’s grounds for rejection, and that the Examiner has performed her job properly by preventing an applicant from getting a patent she did not deserve. An allowance, on the other hand, implicates the Examiner’s job performance, since allowing a patent of proper scope is doing no more than a competent job, while allowing a patent that is invalid or has too broad a scope calls that competence into question. Moreover, if in fact the Patent Office is granting too many patents that are invalid or with claims having excessive scope

(again, a claim made anecdotally without any solid, scientific evidence), current Office practices, such as allowance conferences, increased supervisor oversight and more extensive training of new Examiners, are solutions that directly address and are more likely to solve any such allowance problems.

Indeed, one of the more draconian aspects of the proposed changes is that it changes the “balance of power” between applicants and Examiners. In view of the (understandable) tendency of an Examiner to be circumspect about allowing an application, an applicant can expect that an Examiner will be more likely to reject than to allow an application. Without the time permitted under current continuation practice to understand the Examiner’s position and address it, an applicant will be prejudiced in examination of patentable subject matter and forced either to take claims that encompass less than she is entitled to, or undergo the more expensive appeals process. Since appeal will be a likelihood rather than the exception, prudence will force all correspondence with the Office to be directed towards eventual appeal, further burdening the Examiner with as much evidence, art, amendment and argument supporting an applicant’s position as possible. In addition, while the Office is justifiably satisfied that it has reduced the excessive pendencies before the Board of Patent Appeals and Interferences, adoption of the proposed new rules will dramatically reverse this trend. Since time “wasted” on an appeal won by an applicant will be added to the patent term under the patent term adjustment provisions of the AIPA, applicants will have every incentive to pursue such appeals. This will lead to even greater protection of “old” technologies, longer effective patent terms for such technologies and a greater burden and commitment of Office resources to such “older” technologies than current continuation practice.

In short, the consequences of the proposed rules changes are very likely to have the opposite effect than that intended and used to promote their acceptance. The changes are based on flawed policies, both quantitatively and philosophically. The changes will not solve the problems facing the Patent Office, even using the Office’s own data and statistics. And the philosophical rationale(s) provided in the Federal

Register are either unsupported by scientific evidence, based on unsupported anecdotal evidence that is contradicted directly or indirectly by contrary anecdotal evidence from more reliable sources, unmindful of changes in patent law that render the purported problems moot, or motivated by political and philosophical animi that are not consistent with at best, or inimical at worst, to the U.S. patent system.

We urge you not to adopt these changes.

With warmest regards,

Kevin E. Noonan and Paul Reinfelds