SOLUTIONS
for Reducing Patent Application Pendency

by Robert H. Resis


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Patent application pendency in the U.S. Patent and Trademark Office is on the rise. In certain arts, applicants can expect to wait more than four years until receiving a first office action from the PTO.[1] On January 3, 2006, the PTO proposed new rules to reduce the backlog of pending patent applications. The proposed rules are directed at: (1) limiting second and subsequent continuing applications and requests for continued examination (RCE), and (2) focusing initial examination on ten representative claims.[2]

The proposed rules directed at limiting second and subsequent continuing applications and RCEs **should not** be adopted because they will adversely impact innovation, and it does not appear that they will solve the pendency problems in the PTO. The proposed rules directed at focusing initial examination on ten representative claims **should** be adopted because they do not adversely impact innovation, and it appears that they are a fair compromise that will greatly reduce application backlog.

Proposed Rules for Second and Subsequent Continuing Applications and RCEs

The proposed rules for second and subsequent continuing applications and RCEs, if adopted, will require applicants to show why their 'amendment, argument, or evidence presented could not have been previously submitted.'[3] The PTO asserts that the 'current continued examination practice . . . [is] impairing the Office's ability to examine new applications without real certainty that these practices effectively advance prosecution, improve patent quality, or serve the typical applicant or the public.'[4] The PTO acknowledges, however, that its 'proposed requirements for seeking second and subsequent continuations will not have an effect on the vast majority of patent applications.'[5] Notably, the PTO does ***not*** make a showing that the pending backlog of applications is due to any increase in second and subsequent continuations.

The growing backlog of pending applications is not due to an increase in continuation applications. The 'commentator' article cited by the PTO in its Supplementary Information to the proposed rules noted that the percentage of patents issuing on continuation applications has been about the same as it was 30 years ago.[6] In addition, continuation applications are easier for examiners to review and act on since the examiners are already familiar with the disclosures in the corresponding parent applications. Further, continuation application fees generate revenue for the PTO, which, in the past, has been siphoned out of the PTO for other federal programs.

The backlog problem is due to the continued siphoning of funds from the PTO over the years, which has prevented the PTO from hiring, training, and retaining a sufficient number of examiners to process the increase in patent application filings. This problem is particularly acute in certain scientific fields, such as electrical engineering.

The proposed rules to limit second and subsequent continuing applications and RCEs ignore important benefits of our current laws and rules. Most importantly, current laws and rules allow patent applicants to build patent portfolios. An inventor who has made a valuable discovery will be more likely able to commercialize and/or license the invention if the inventor has the flexibility to build a patent portfolio based on and/or made possible by his/her valuable discovery. Investors demand patent portfolios. With one exception, the proposed rules on continued application practice will stifle inventors from building patent portfolios, stifle commercialization of inventions, and stifle innovation.[7]

'While continuations are filed in 23% of all patent applications, patents based on continuation applications represent 52% of all litigated patents.'[8] Since litigation is a strong indicator of patent value, continuation practice should not be curtailed.[9]

Examples of the type of innovations that are made possible under current continuation laws and rules, and which would not be possible under the proposed rules are:

Example 1

> Inventor A, a university researcher, makes a discovery. Inventor A files a parent application that discloses Species 1, 2, 3, and 4, and contains claims 1-20. Inventor

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A assigns all rights in the parent application to the university.

During prosecution, the PTO rejects claims 1–20 (all of which are drawn to a genus that includes Species 1, 2, 3, and 4) as being obvious in view of prior art, but states that if the claims are rewritten to claim only Species 1, the claims would be allowable.

Rather than delay issuance of claims to allowed subject matter, the university has Inventor A amend those claims to place them in condition for allowance, and file a first continuation application with new claims 1–20 (with new independent claim 1 drawn to the sub-genus covering Species 2, 3, and 4).

After the university pays the issue fee and the parent application issues as a patent, the PTO finally rejects claims 1–20 in the first continuation application. Rather than appeal the final rejection, Inventor A files a second continuation application, this time with claims 1–20 (with new independent claim 1 drawn to the genus drawn to Species 1, 2, 3, and 4, and including a new limitation). The claims of second continuation could have been previously submitted in the earlier applications. The first continuation application becomes abandoned.

Inventor A's research position with the university is being terminated, and Inventor A founds start-up Company Z upon the university's agreement to license the technology to Company Z. Company Z agrees to pay for continued prosecution and to pay royalties to the university upon commercialization of the technology, including any claimed invention that claims priority to the parent application or any continuation, divisional, or CIP applications claiming priority to the parent application. After the signing of the Licensing Agreement, Inventor A leaves the employ of the university and joins Company Z as its chief technology officer.

Company Z then raises money from investors to commercialize the technology. Investors make their investment in Company Z because they know that due to the pendency of the second continuation application, claims supported by the parent application are entitled to the effective filing date of the parent application. For example, investors know that due to the pendency of the second continuation application, Inventor A can seek additional patent claims for the subject matter disclosed in the parent application without the possibility that the published parent application or the parent patent can be used as prior art against those additional patent claims.

After the parent application issues as a patent and the first continuation application becomes abandoned, the PTO allows claims 1–20 in the second continuation application. Around the same time, Inventor A, while using the money raised by Company Z, conducts tests showing that Species 2 provides unexpected results over the cited prior art. The technology for these tests existed during and after the prosecution of the parent application.

Rather than delay the issuance of allowed claims 1–20 in the second continuation application, Company Z pays the issue fee.

Prior to issuance of the patent on the second continuation application, Inventor A files a CIP application and includes in the specification the tests showing the unexpected results of Species 2 over the prior art. Claims 1–20 of the CIP are drawn to Species 2.

The CIP application, which is supported by the disclosure in the parent application, issues with claims different from the claims presented in the parent application, the first continuation application, and the second continuation application.

The invention claimed in the patent issued from the CIP application proves to be a commercial success, and Company Z pays royalties to the university under their License Agreement. The claims issuing from the parent application and the second continuation application do not cover the commercially successful embodiment.

Under the PTO's proposed rules, Inventor A would not have been permitted to file the second continuation application because he could not show why his 'amendment, argument, or evidence presented could not have been previously submitted.' Under the PTO's proposed rules, investors would not have invested in Company Z because there would have been no pending application, and the published parent application and the patent issuing on the parent application would be prior art to any subsequent application of Inventor A. In this example, under the PTO's proposed rules, Company Z never would have been able to raise the money for the further research that enabled Inventor A to show in the prosecution of the CIP application that the invention drawn to Species 2 (which he disclosed in his parent application), provides unexpected results over the prior art.

Example 2

Same facts as Example 1.

While the patented Species 2 is a commercial success, sales are limited because Company Z does

not have low-cost, large-scale manufacturing facilities, and/or an experienced sales force and distribution network. The commercial success of patented Species 2 gets the attention of Company Y, a large-entity competitor that recently laid off workers and has several large-scale manufacturing plants sitting idle. Company Y's attempts to design around the claims drawn to Species 2 are unsuccessful. Company Y agrees to purchase Company Z so that (1) it can re-hire workers and use its idle plants to make patented Species 2; and (2) so that its Inventors B and C can work with Inventor A.

After the patent drawn to Species 2 issues, and after Company Y purchases Company Z, Inventors A, B, and C make a joint invention that involves Species 5, 6, and 7.

Inventors A, B, and C file a joint application, disclosing but not claiming a series of preferred amounts for Species 5, 6, and 7. Inventors A, B, and C assign their rights to Company Y.

The joint application issues as a patent, with claims drawn to Species 5, 6, and 7.

Company Y starts selling the invention drawn to Species 5. This patented invention proves to be an even greater commercial success than patented invention drawn to Species 2 (made by Inventor A in Example 1).

Under the PTO's proposed rules, Company Z would not have any patent covering the invention drawn to Species 2, Company Y would not have purchased Company Z, and Company Y's manufacturing plants and laid-off workers would have continued to sit idle. Under the PTO's proposed rules, since Company Y would not have purchased Company Z, Inventors A, B, and C would not have collaborated with each other to make the inventions disclosed in their joint application.

There are *real world* instances similar to the above examples wherein innovations were made possible only because of our current continuation laws and rules, and which would not be possible under the proposed rules.

Congress recognized that flexibility is warranted when it passed the governing patent statute on continuation practice, 35 U.S.C. § 120. That statute provides that ***any*** application meeting the requirements of § 112 and § 363 'shall have the same effect, as to such invention, as though filed on the date of the prior application, if filed before the patenting or abandonment of or termination of proceedings on the first application or on an application similarly entitled to the benefit of the filing date of the first application . . . .'

Congress did not encumber continuation applicants with the burdens that the proposed PTO rules would place on them.

Indeed, it can be argued that the proposed rules are inconsistent with the broad mandate of 35 U.S.C. § 120 and that the PTO does not have the authority to adopt them. *See Application of Henriksen,* 399 F.2d 253, 262 (C.C.P.A. 1968) ('it is for the Congress to decide, with the usual opportunity for public hearing and debate, whether such a restriction [on continuation applications] as sought by the board is to be imposed').

In addition to the loss of benefits provided under current law, it appears that the proposed rules will not alleviate the backlog problems they are purportedly designed to reduce. Second or subsequent continuing application and RCEs constitute less than 7% of total applications filed.

Moreover, it does not appear that the proposed rules will actually reduce the backlog of pending applications in the PTO. The proposed rules underestimate the corresponding increase in appeals of final rejections that are currently avoided under current continuation laws and rules. The proposed rules will give rise to new petitions that will require examiners to make subjective determinations and distract them from the objective determinations of patent claim validity they are trained and employed to make. The proposed rules underestimate the time the PTO will spend evaluating and resolving a new source of appeals—i.e., the denials of petitions under the proposed rules.

The proposed restriction on second and subsequent continuing applications and RCEs should not be adopted because, among other things, it will curtail the flexibility that inventors need to build patent portfolios. Any benefit from this proposed restriction, which is suspect for the reasons noted above, would be more than offset by the irreparable decreases in investment, innovation, and commercialization resulting from the proposed restriction.

Proposed Rule Focusing Initial Examination on Ten Representative Claims

The proposed rule directed at focusing initial examination on ten representative claims is a fair compromise that will greatly reduce application backlog. At the town hall meeting on February 1, 2006, the PTO provided a series of slides on actual and projected pendency of applications. The first slide shows a steady increase in

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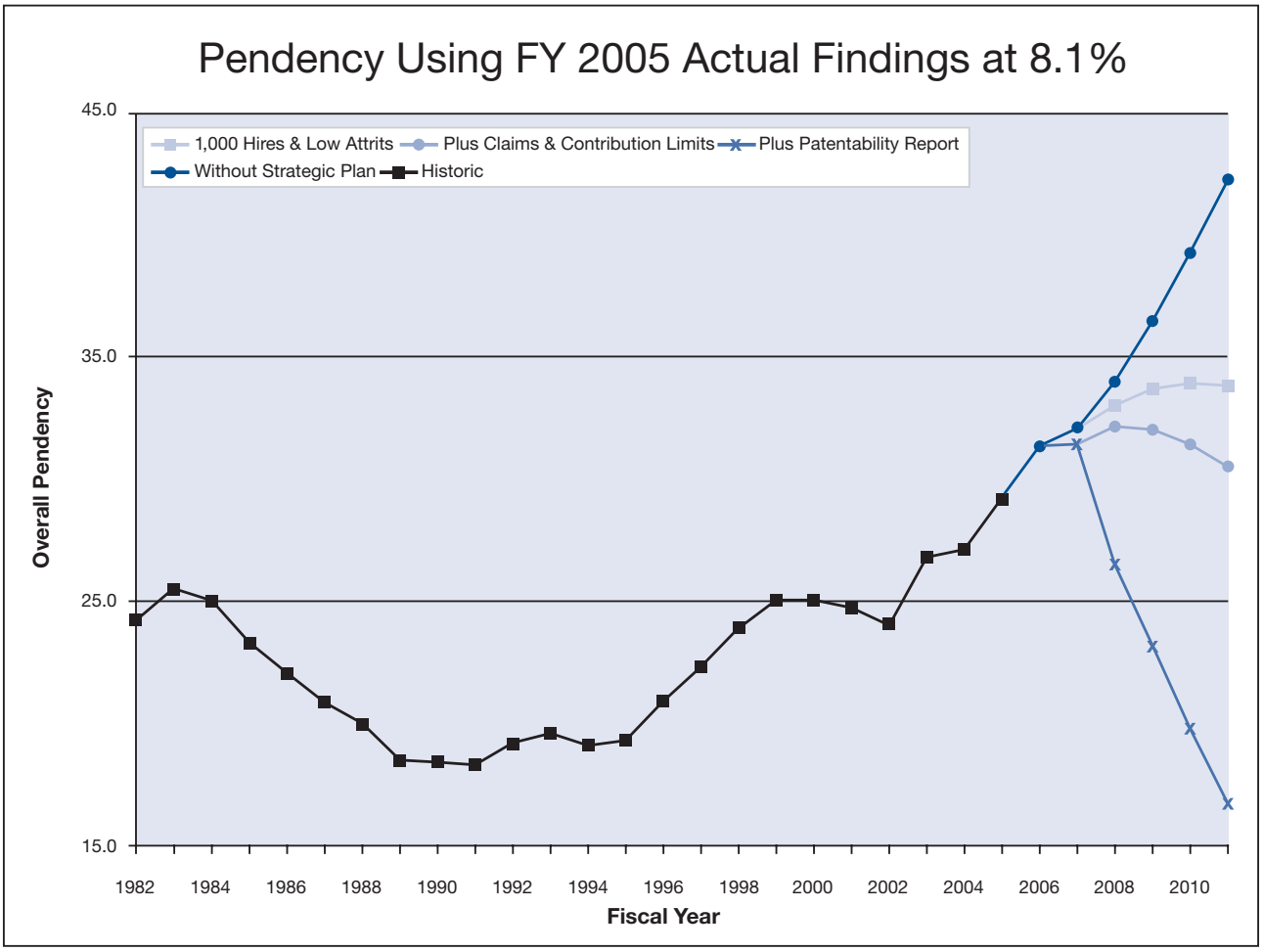

Source: Slide 53 from PTO Town Hall Meeting, February 1, 2006.

pendency before and after FY 2005 if no action is taken.

The only 'projection' slide that shows a substantial ***pendency decrease*** after FY 2005 is the one based on the proposed change to require a patentability report (also called an 'examination support document') when an applicant presents more than ten representative claims for initial examination (see slide above). The proposed examination support document is similar to a Petition to Make Special for accelerated examination under 37 CFR 1.102 and MPEP 708.02 (VIII).

This proposed rule provides flexibility and is an objective solution to the backlog problem. Moreover, it appears to provide a much greater reduction to the backlog problem than the proposed rules on second and subsequent continuing applications and RCEs.

Other Rules the PTO Should Consider to Reduce Pendency

Other ways the PTO can and should streamline the patent application process, reduce its backlog of applications, and bring more certainty to our patent system are as follows:

(1) require strict compliance with 35 U.S.C. § 112, ¶ 2 and 37 C.F.R. § 1.75(d)(1), *i.e.*, require that terms used in claims be ascertainable by reference to the description section of the specification;

(2) require applicants to identify which claim terms are 'means-plus-function' elements, identify the functions of those elements, and identify the corresponding structures, materials or acts for performing each specified function at the time the claims are presented to the patent examiner; and

(3) require applicants to provide the meaning of their key claim terms at the time each claim is presented to the patent examiner, and to place all alternative, synonymous language presented by the applicant just prior to claims in issued patents.

See Robert H. Resis, 'Reducing the Need for Markman Determinations,' 4 *John Marshall Review of Intellectual Property Law* 53 (2004).

Conclusion

The only changes proposed by the PTO that should be adopted are the ones dealing with patentably indistinct claims, requiring CIP applicants to declare which CIP claims are disclosed in a prior-filed application, and the focusing of initial examinations on ten representative claims in each application (with an applicant's option for examination of more claims upon submission of an examination support document). Other changes the PTO should consider making include requiring applicants to provide alternative, synonymous language for their key claim terms at the time of claim presentment. Any changes to our patent system to reduce pendency must not adversely impact innovation.

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Notes

1. Examples of First Action Pendency by Art Areas per PTO: 52.1 months in Art Unit 3628 (Finance & Banking, Accounting) and 50.4 months in Art Unit 2617 (Interactive Video Distribution). *See* presentation slides from PTO town hall meeting on February 1, 2006 in Chicago, Illinois. The commissioner of patents stated at this meeting that the presentation slides would be placed on the PTO's Web site in due course.

2. *See* Federal Register, Vol. 71, No. 1, January 3, 2006, pp. 48-61 and 61-69, which can be downloaded from the U.S. PTO Web site. Comments to the proposed rules are due May 3, 2006.

3. *See* Federal Register, Vol. 71, No. 1, January 3, 2006, pp. 48-61. The PTO also proposes rules that require all patentably indistinct claims be submitted in a single application where multiple applications have the same effective filing date, overlapping disclosure, a common inventor, and common assignee. The benefits to the PTO and the public resulting from the proposed rules on applications containing patentably indistinct claims appear to outweigh any increased burden on patent applicants.

4. *See* Federal Register, Vol. 71, No. 1, January 3, 2006, at p. 50, col. 1. The PTO also proposes rules so that when an applicant (or assignee) files multiple applications with the same effective filing date, a common inventor, and overlapping disclosures, the Office will presume that the applications contain patentably indistinct claims. Under the proposed rules, the applicant must rebut the presumption by explaining how the applications contain only patentably distinct claims, or submit appropriate terminal disclaimers and explain why two or more pending applications containing patentably indistinct claims should be maintained. *Id*. at p. 51, cols. 2-3. The benefits to the PTO and the public resulting from the proposed rules on applications containing patentably indistinct claims appear to outweigh any increased burden on patent applicants.

5. *See* Federal Register, Vol. 71, No. 1, January 3, 2006, at p. 50, col. 2. Indeed, according to PTO statistics for fiscal year 2005, less than 7% of applications would be affected by the proposed rules.

6. *See* Mark A. Lemley and Kimberly A. Moore, 'Ending Abuse of Patent Continuations', 84 *B. U. L. Rev.* 63, 69 (2004) (noting that for example, in 1976, the percentage of issued patents that were continuations was 23%, and that in recent years, continuation patents constitute about 25% of all issued patents).

7. The only proposed rule directed at continuing applications that should be adopted is the one that requires CIP applicants to identify which CIP claim or claims are disclosed in the prior-filed application, and thus are entitled to the prior-filed application date. *See* Federal Register, Vol. 71, No. 1, January 3, 2006, at p. 54, col. 2.

8. Mark A. Lemley and Kimberly A. Moore, 'Ending Abuse of Patent Continuations,' 84 *B.U.L. Rev.* 63, 70 (2004).

9. *See* John R. Allison, Mark A. Lemley, Kimberly A. Moore, and R. Derek Trunkey, 'Valuable Patents,' 92 *Georgetown Law Journal* 435, 439 (2004), reprinted in *Intellectual Property Law Review* (2005).