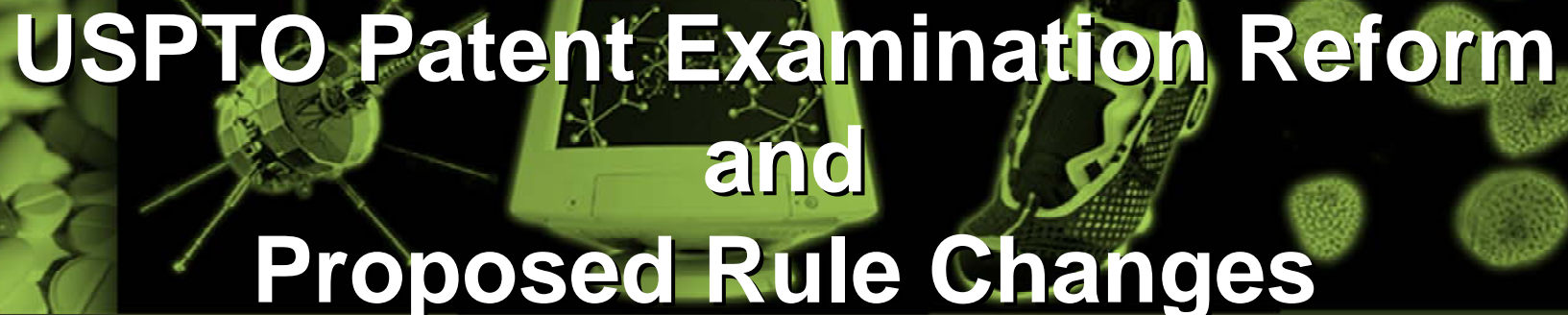


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# USPTO Patent Examination Reform and Proposed Rule Changes

**Michael Messinger, Esq.**

February 27, 2006

- Overview
  - Backdrop at the USPTO
  - Proposed Rules Changes
  - Other Initiatives

- Changes on the Ground Already
  - New Building
  - Hired 1000 new Examiners in 2005
  - Central Re-exam Unit Formed July 2005
  - Second-Layer Review – extended Office wide
  - Software Prior Art
  - Patent Academy Changes
  - Examiner re-certification
  - Telecommuting/Remote Sites/Regional Offices

- Changes on the Ground Already
  - Reduced Allowance rate
    - 58.7% Allowance rate Office Wide (down from traditional 80%+ rate)
    - 11% Allowance rate in business methods
  - Reduced Patent Allowance error rate
    - In FY 2005, 4.55% error rate
  - Increased Pendency
    - But dramatic reduction in pendency for cases on appeal

# Problems from PTO Perspective:

- **Pendency**
- **Keeping Up with Growth**
- **Quality**
- **Past Solutions Failed**

# First Action Pendency by Art Areas

High Pendency Art Areas	Pendency <sup>1</sup> (months)	Low Pendency Art Areas	Pendency <sup>1</sup> (months)
1640 – Immunology, Receptor/ Ligands, Cytokines, Recombinant Hormones, and Molecular Biology	27.7	1620 – Heterocyclic Compounds and Uses	16.9
1743 – Analytic Chemistry & Wave Energy	30.8	1752 – Radiation Imagery	12.1
2123 – Simulation and Modeling, Emulation of Computer Components	39.7	2125 – Manufacturing Control Systems and Chemical/ Mechanical/Electrical Control	20.0
2617 – Interactive Video Distribution	50.4	2651 – Dynamic Information Storage & Retrieval	16.1
2836 – Control Circuits	24.3	2833 – Electrical Connectors	8.8
3628 – Finance & Banking, Accounting	52.1	3612 – Land Vehicles	12.0
3731 – Surgery: Cutting, Clamping, Suturing	30.9	3723 – Tools & Metal Working	10.9

<sup>1</sup> "Average 1<sup>st</sup> action pendency" is the average age from filing to first action for a newly filed application, completed during October-December 2005.

# Inventory by Art Examples

High Inventory Art Areas	Months of Inventory*	Low Inventory Art Areas	Months of Inventory*
1614, 1615, and 1617 – Drugs, Bio-affecting and Body Treatment	38-51	1620 – Organic Chemistry	15
1753 – Radiation Imagery	34	1734 – Adhesive Bonding and Coating Apparatus	10
2127 – Computer Task Management	46	2125 – Manufacturing Control Systems and Chemical/Mechanical/Electrical Control	10
2611 – Interactive Video Distribution	111	2651, 2653 – Information Storage and Retrieval	12
2836 – Control Circuits	22	2831 – Electrical Conductors	8
3620 – Business Methods	25-130	3651 – Conveying	12
3731 and 3737 – Medical Instruments, Diagnostic Equipment	38-47	3742 – Thermal and Combustion Technology	8

\*The number of months it would take to reach a first action on the merits (e.g., an action addressing patentability issues) on a new application filed in July 2005 at today's production rate. Today's production rate means that there are no changes in production due to hiring, attrition, changes to examination processing or examination efficiencies, and that applications are taken up in the order of filing in the given art unit/area. Of course, USPTO is taking aggressive steps to ensure changes that will significantly lower the inventory rates in high-inventory art areas.

# TC Application Inventory

	1600	1700	2100	2600	2800	3600	3700	Total*	Design
New Applications <sup>1</sup> 9/30/2004	55,402	63,923	71,778	97,380	77,651	56,738	65,005	508,878	18,451
New Applications <sup>1</sup> 9/30/2005	62,644	72,697	76,529	115,585	94,425	70,354	83,225	586,580	24,534
Overall Pending Applications <sup>2</sup> 9/30/2004	95,006	105,447	102,440	138,822	137,458	101,097	108,039	809,323	27,599
Overall Pending Applications <sup>2</sup> 9/30/2005	107,647	120,767	117,728	167,721	159,687	117,045	130,168	932,300	38,104

<sup>1</sup> "New Application inventory" is the number of new applications designated or assigned to a technology center awaiting a first action.

<sup>2</sup> "Overall Pending Application inventory" is the total number of applications designated or assigned to a technology center in an active status. Includes new applications; rejected awaiting response; amended; under appeal or interference; suspended; reexams and allowed applications awaiting grant publication.

\*Total inventory includes applications not assigned to a particular TC, awaiting processing either pre- or post-examination.



# Technology Centers Rework\* Statistics

	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
<b>TC Summary</b>	<b>% FAOM Rework</b>	<b>% FAOM Rework</b>	<b>% FAOM Rework</b>	<b>% FAOM Rework</b>
1600	36.4%	39.7%	40.3%	42.4%
1700	25.2%	26.9%	27.1%	28.0%
2100	23.9%	24.0%	24.6%	28.2%
2600	24.8%	24.2%	24.3%	25.4%
2800	19.1%	22.0%	24.9%	24.1%
3600	17.7%	21.2%	23.2%	28.5%
3700	22.2%	25.1%	24.0%	28.1%
<b>UPR</b>	<b>23.2%</b>	<b>25.3%</b>	<b>26.1%</b>	<b>28.3%</b>

\* Rework first actions are those actions that are in a Continuing (CONs and CIPs), RCE, CPA or 129(a) applications (excludes Divisionals).

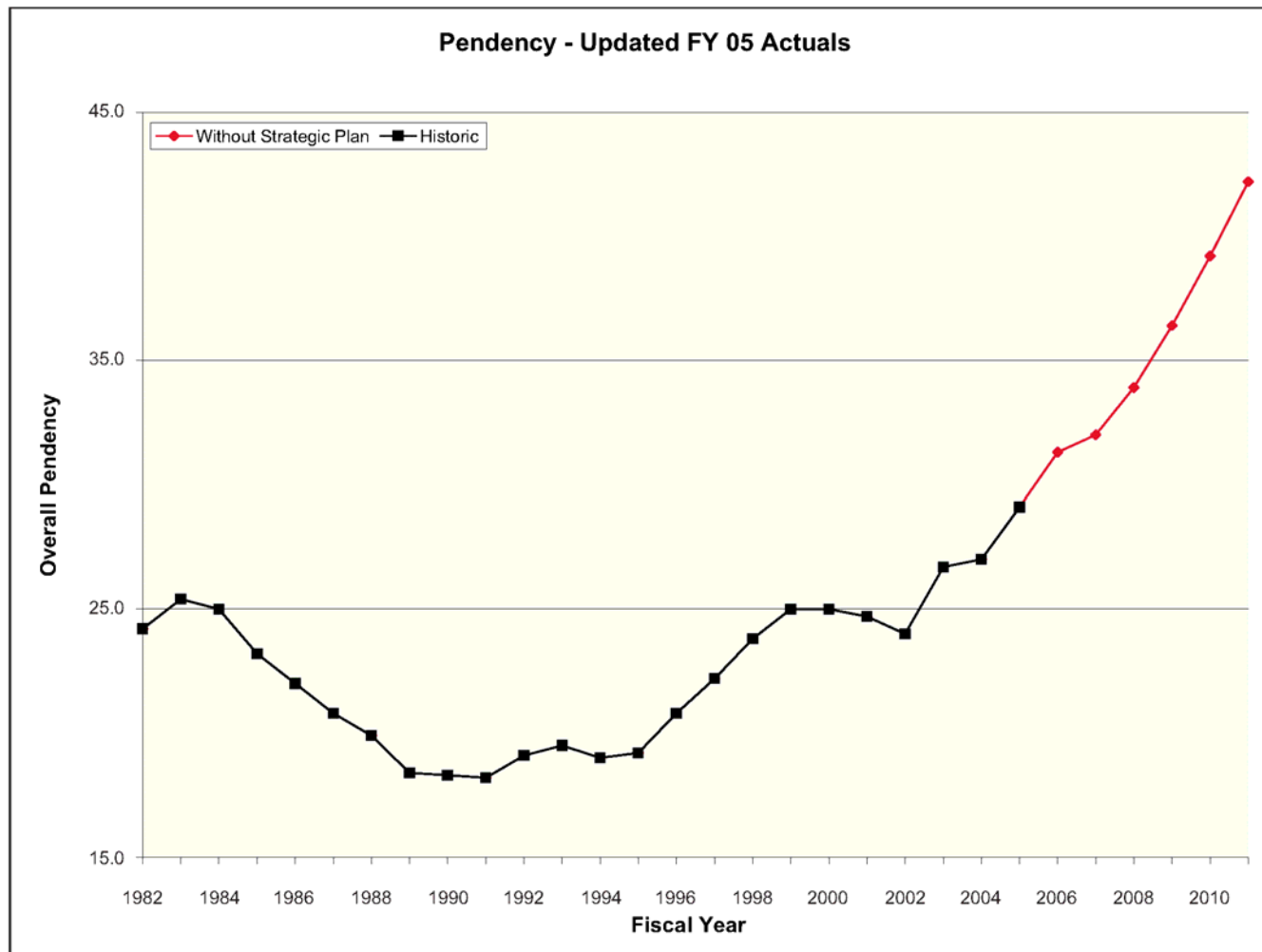
# Hires and Attritions

	1600	1700	2100	2600	2800	3600	3700	Corps	Design
FY 04 Hires	75	35	115	116	31	26	45	443	15
FY 04 Attritions	30	26	58	82	58	43	39	336	4
FY 05 BOY Examiner Staff	417	440	563	658	742	422	439	3681	72
FY 05 Hiring	101	58	225	169	184	91	131	959	19
FY 05 Attrits	42	39	93	92	54	55	50	425	10
FY 06 Hiring Goal	75	35	256	256	178	100	100	1000	20
FY 06 hires (1/25/06)	30	19	75	62	40	22	21	269	0
FY05 Hires as a Percent of Examiner Staffing in the TC	24%	13%	40%	26%	25%	22%	30%	26%	26%

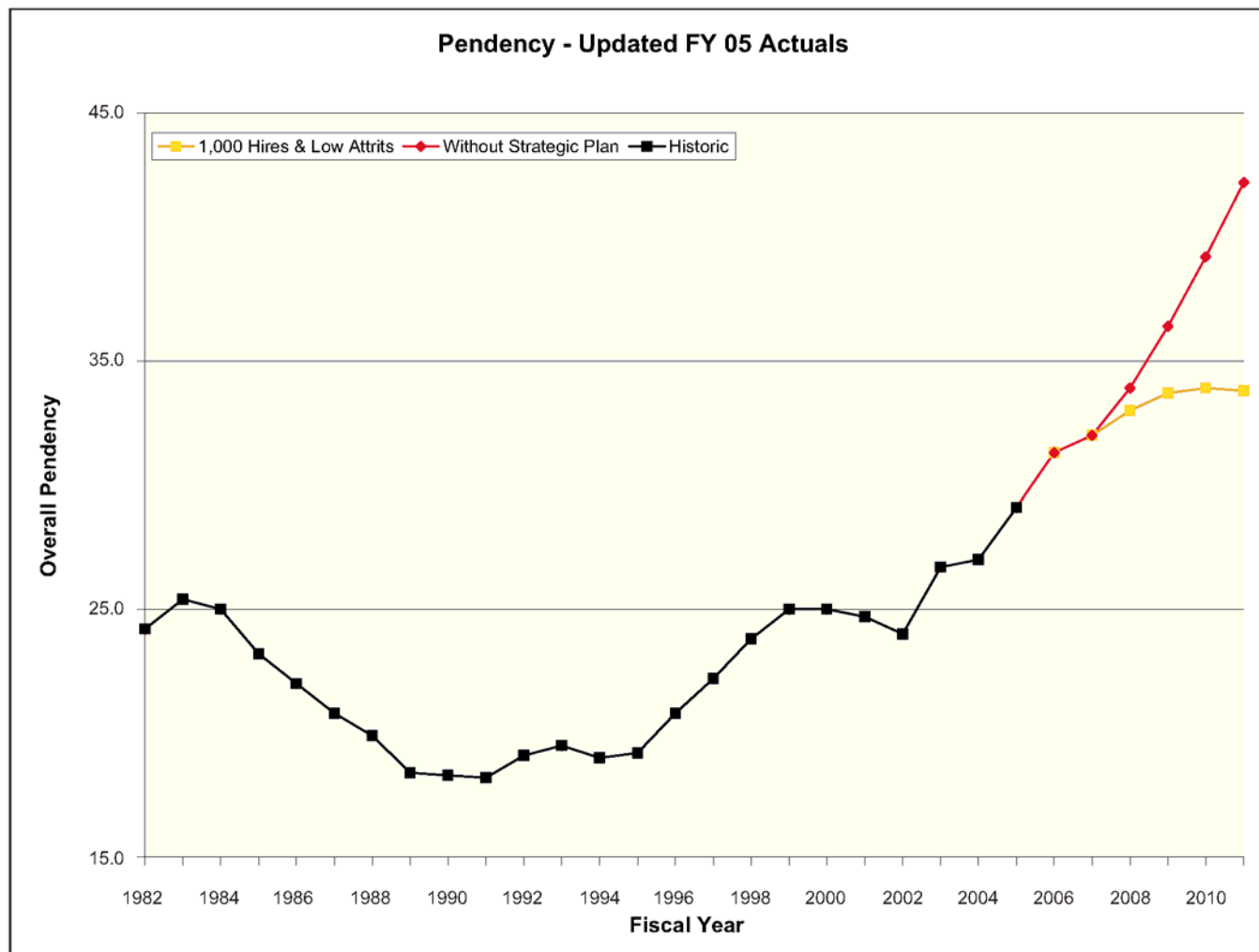
# Pendency Projections

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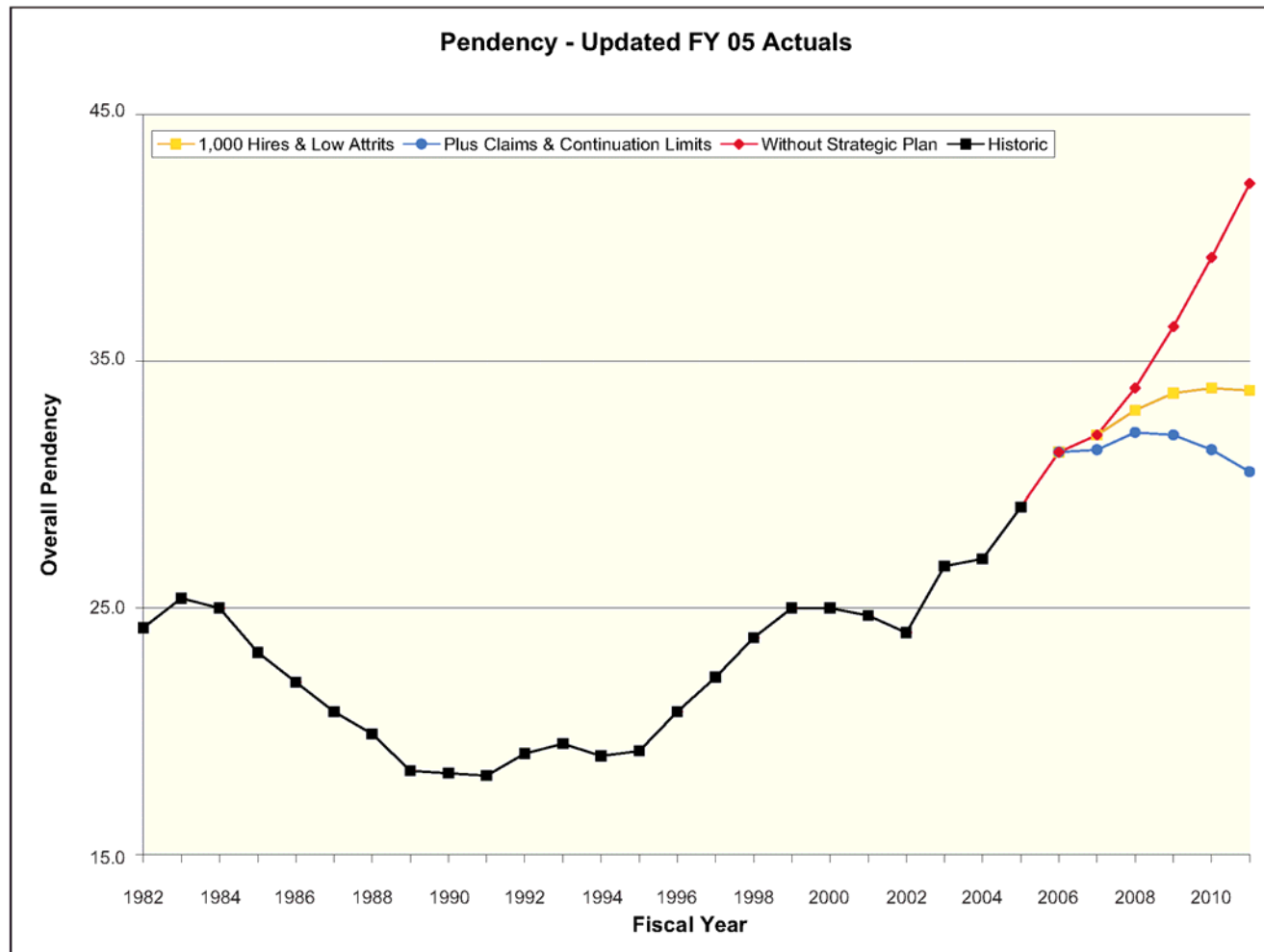
# Pendency Using FY 2005 Actual Filings at 8.1%



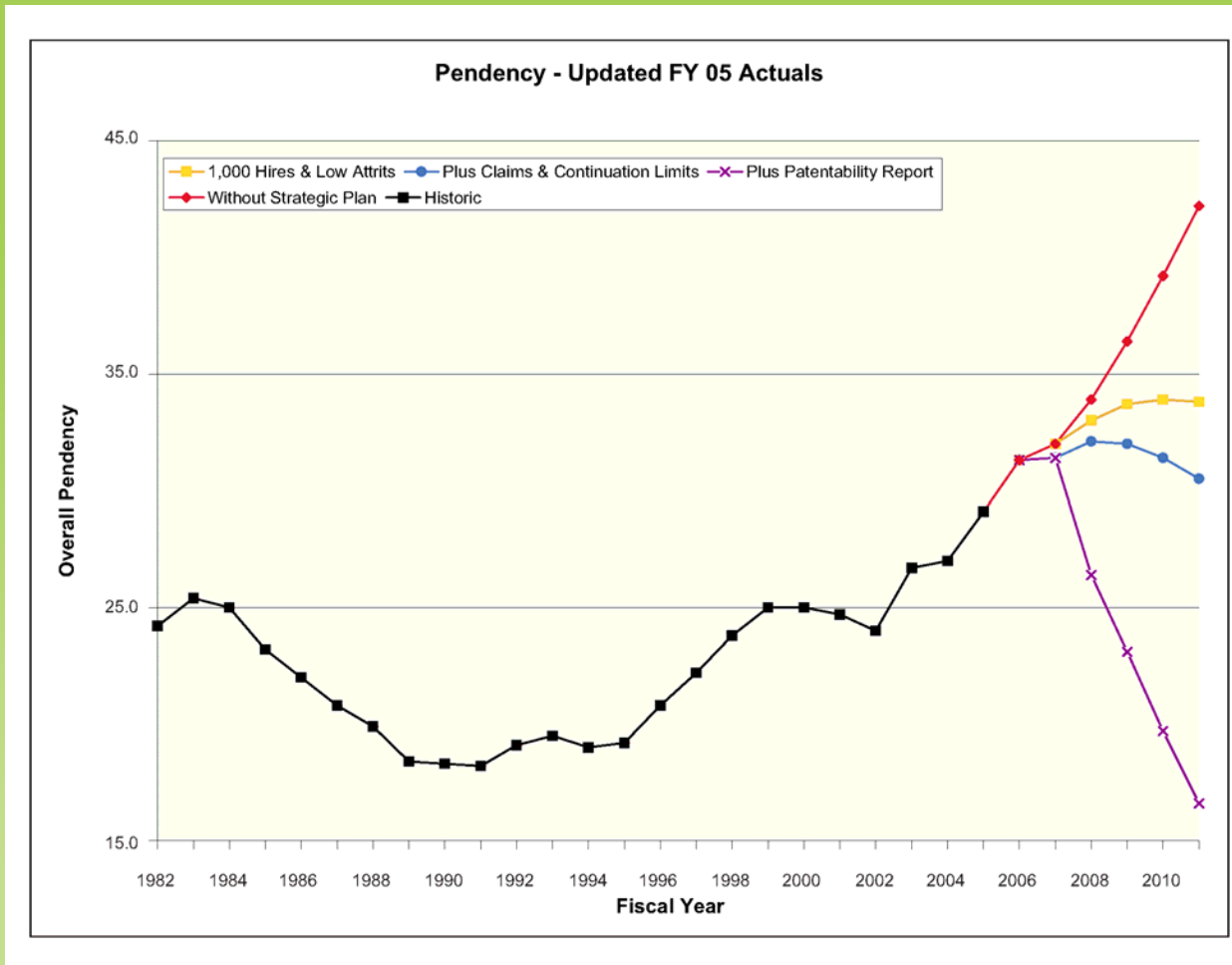
# Pendency Using FY 2005 Actual Filings at 8.1%



# Pendency Using FY 2005 Actual Filings at 8.1%



# Pendency Using FY 2005 Actual Filings at 8.1%



# Production

**We Can Not Hire Our Way Out !!!**



- Rule Making Proposals
  - Limits to Continuation Practice (comments due May 3, 2006)
  - Limits to Claim Examination (comments due May 3, 2006)

# Goal of Proposed Rule Changes

- Proposed Rule Changes aim to free up Examiner resources now spent on re-work and initial claims so more time can be spent on initial examination of first time cases in backlog.

- The key provisions in the proposed change to limit continuations/RCEs are:
  - Only one continuation or RCE as a matter of right allowed.
  - Additional continuations or RCE available only if special showing is made. This showing is expected to be fairly strict. Applicant must show that amendment, argument or evidence “could not have been” presented earlier.

# Special rules for Divisionals/CIPs include

- No voluntary divisionals allowed.
- Divisional can be filed only when Examiner has made a restriction requirement.
- Divisional may only claim benefit of a single prior-filed non-provisional application.

# Special rules for Divisionals/CIPs (cont'd)

- CIPs have an identification requirement:
  - Applicants must identify what claims are supported by parent disclosure
  - Claims not identified are only given filing date of CIP
  - Continuation of CIP permitted but only entitled to benefit of CIP
- Practical result is only claims drawn to “new matter” of CIP will be pursued in continuation of CIP.

# Limits to Double Patenting

- Key provisions are:
  - Identification requirement. Applicants must identify other applications or patents having common inventor, common assignee, and filed within two months of each other (taking into account priority/benefit claims).
  - Rebuttable presumption of double patenting is created if identified applications/patents have same effective filing date and substantially overlapping disclosure.
  - Applicant can overcome presumption by showing claims are patentably distinct; or filing a terminal disclaimer AND explaining why patentably indistinct claims in different applications should be maintained.
  - USPTO can require merger or cancellation of patentably indistinct claims in one application or across multiple applications where at least one common inventor and commonly-owned, unless applicant can provide a good and sufficient reason.

# Representative Claim Examination

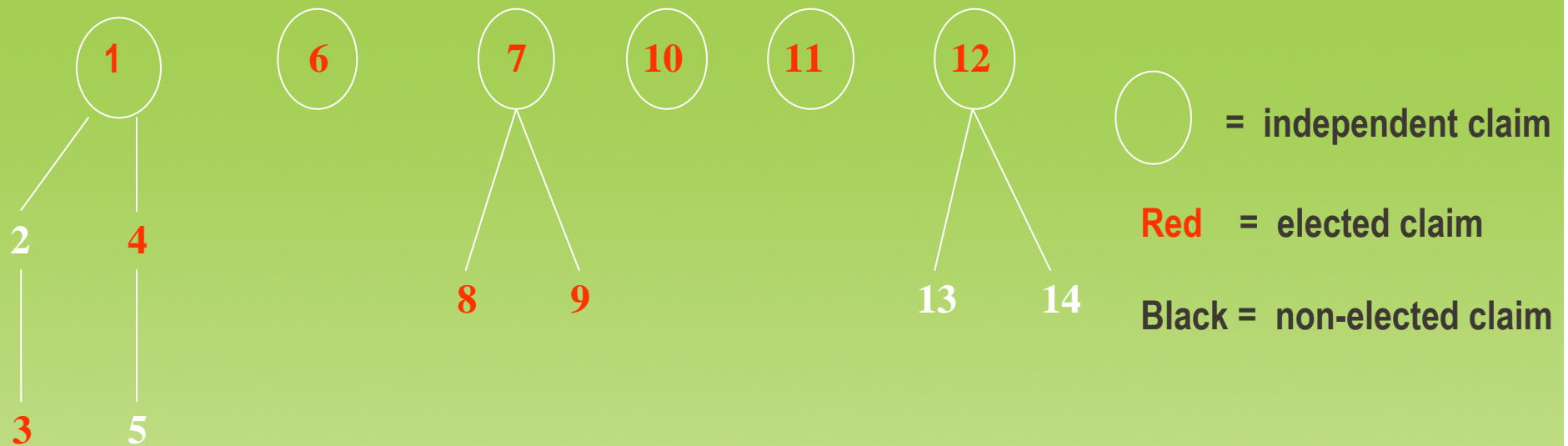
- Key provisions are:
  - Representative Claim Designation. Applicant must designate up to 10 claims for initial examination. Full initial examination conducted for designated representative claims only. Only when representative claims are allowed are remaining dependent claims examined for 35 U.S.C. §101 and §112 compliance.
  - Examination Support Document. Designation of more than 10 claims is only possible if Applicant also provides an Examination Support document. Examination Support document must: identify scope of search conducted by Applicant (including US and Intl patents, non-patent literature), identify all limitations of representative claims that are disclosed by cited references, explain how all representative claims are patentable over the cited references, show support in specification for each representative claim, and identify utility for each independent claim.
  - Retroactivity. Will apply to pending applications that have not yet received first action on merits.

# Representative Claim Examination (cont'd)

- Normal pattern will be – Applicant identifies up to 10 representative claims for initial examination:
  - must include all independent claims
  - if less than 10 independent claims, then can designate dependent claims up to a total of 10 (indep and dep.)



# Election of Claims – Example 1



- All independent claims must be elected.
- The election of claim 3 is improper. An elected dependent claim must depend from another elected claim. Applicant can choose to re-write claim 3 to depend from 1, or also elect claim 2 to be examined.

## Election of Claims – Example 10

An applicant files an application with claims to 3 distinct inventions. The application is filed with 30 claims: 3 independent claims and 27 dependent claims.

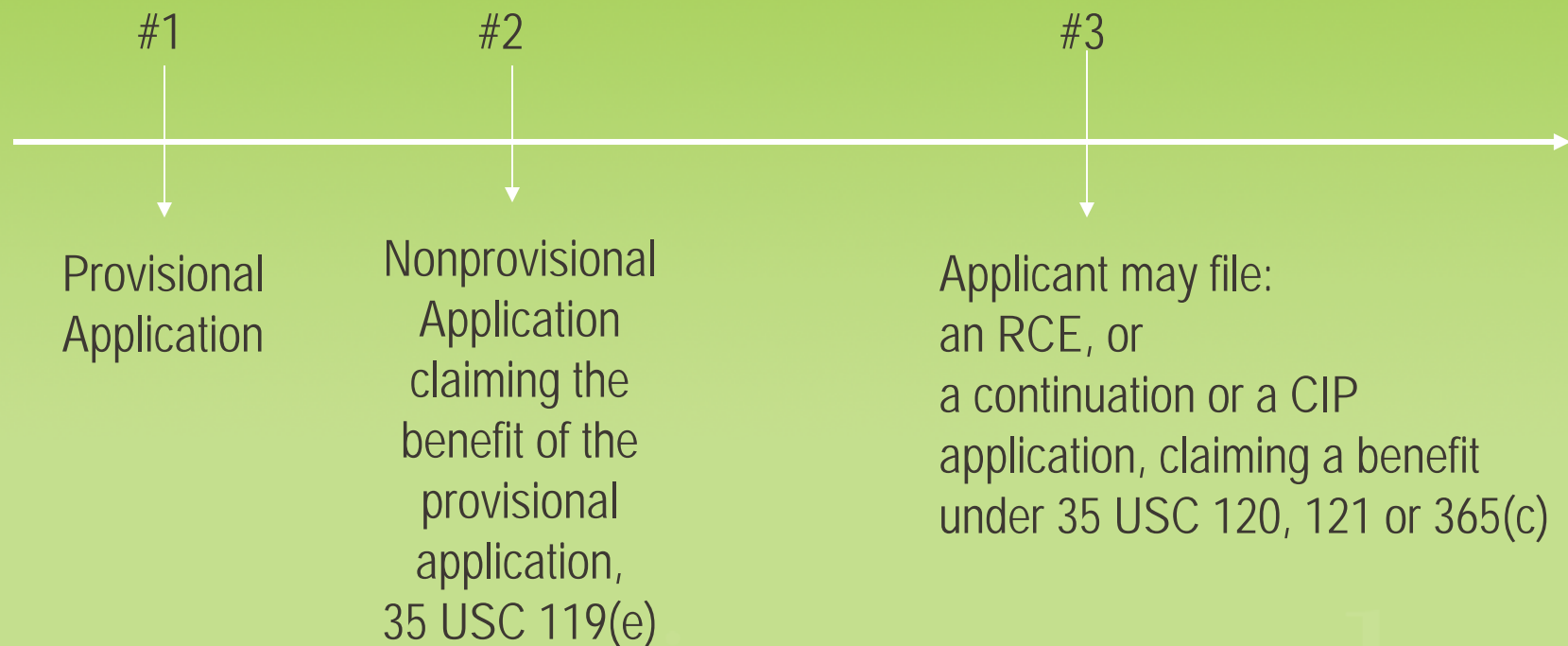
If applicant designates all 27 dependent claims for initial examination, the application will have 30 representative claims. The applicant must:

- submit an examination support document covering the 30 representative claims;
- reduce the number of representative claims to 10 or fewer by canceling independent claims, rescinding the designating of dependent claims for initial examination, or a combination thereof; and/or
- reduce the number of representative claims to 10 or fewer by suggesting a requirement for restriction and election w/out traverse of such representative claims.

# Continuations

*Benefit Claims under 35 USC 120, 121, or 365(c)*

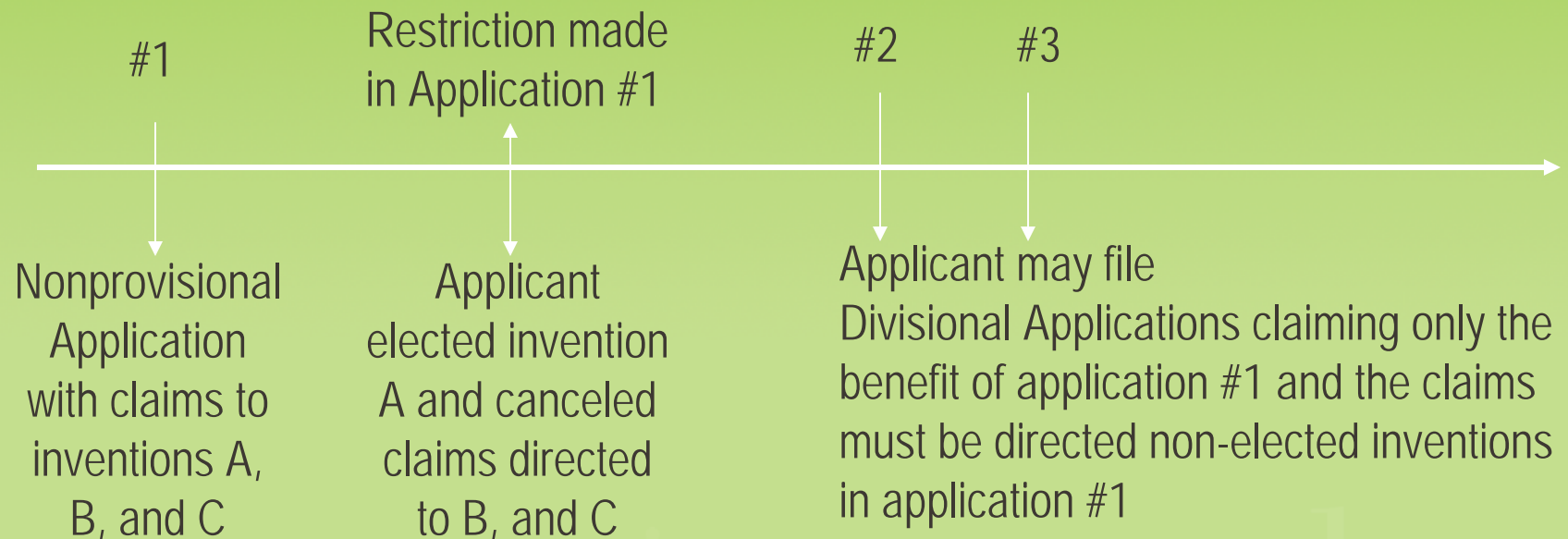
## *One RCE, Continuation, or CIP Permitted*



# Continuations

*Benefit Claims under 35 USC 120, 121, or 365(c)*

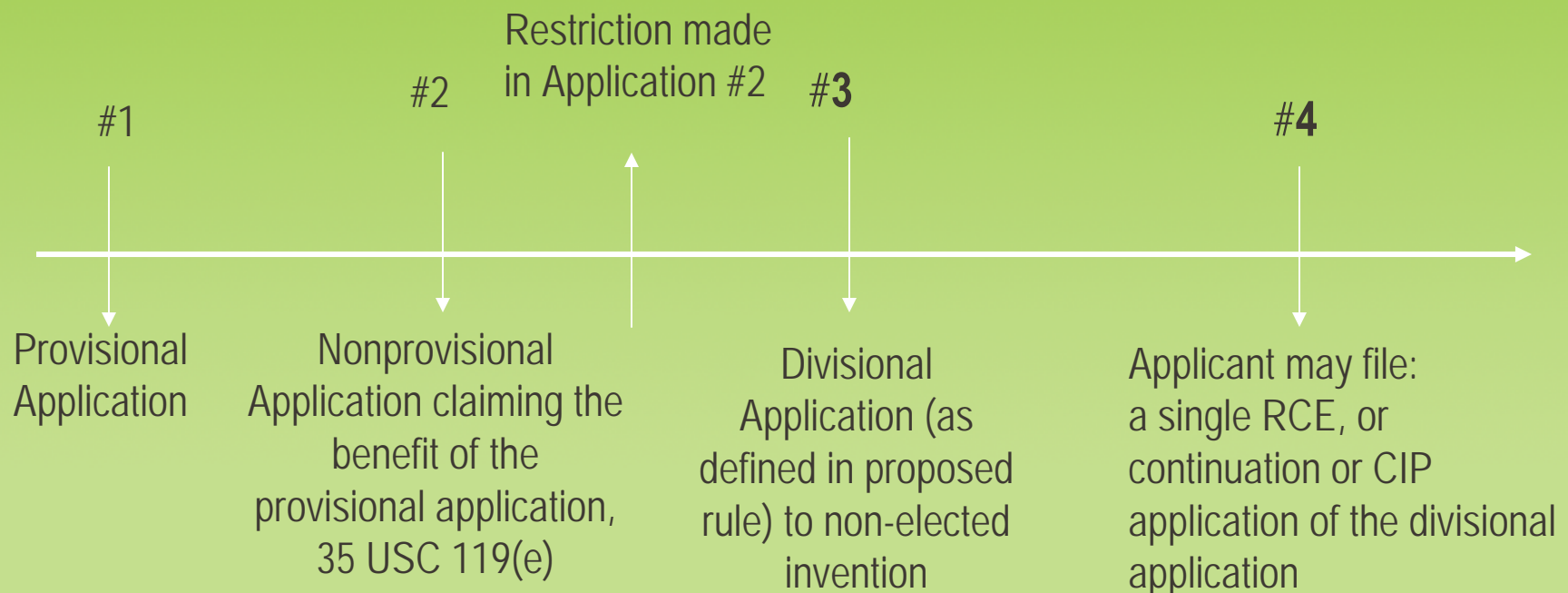
*Divisional Applications Can Only Claim Benefit of One Prior Nonprovisional Application That Was Subject to a Restriction or Unity of Invention Requirement*



# Continuations

*Benefit Claims under 35 USC 120, 121, or 365(c)*

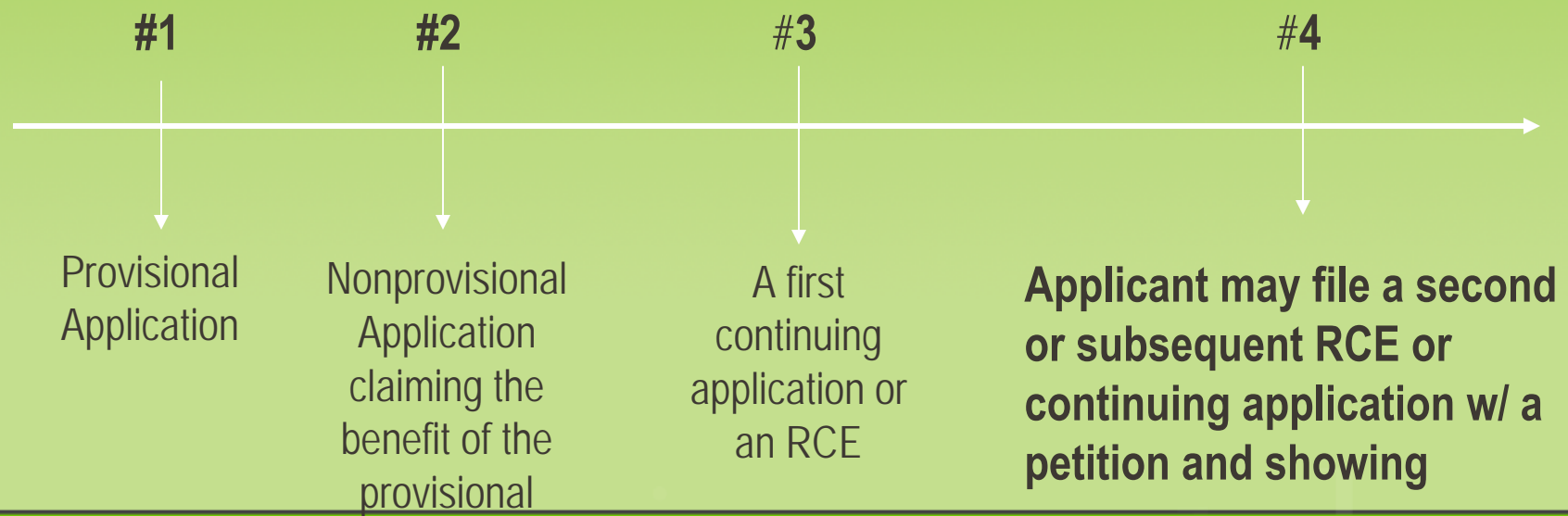
## *One Continuing Filing after a Divisional Permitted*



# Continuations

*Benefit Claims under 35 USC 120, 121, or 365(c)*

## *Second Continuing Filing Requires Petition & Showing That the Amendment, Argument, or Evidence Could Not Have Been Earlier Submitted*



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# Continuations – Example 1

**Scenario: Applicant files application #1 with 65 claims. The USPTO requires restriction between the following groups:**

- I. Invention 1 - 15 claims; 3 independent + 12 dependent claims**
- II. Invention 2 - 30 claims; 5 independent + 25 dependent claims**
- III. Invention 3 - 20 claims; 1 independent + 19 dependent claims**

**Applicant may file two divisional applications, one each for inventions 2 and 3.**

- But, both will need to be filed during the pendency of application #1 in order to be entitled to claim the benefit of application #1's filing date. If divisional #3 is filed during the pendency of divisional #2, but not during pendency of application #1, it will only be entitled to the filing date of divisional #2.**

# Continuations – Example 2

**Scenario:** Applicant files application #1 claiming only 1 invention. Later, applicant files application #2 with the same disclosure but claims direction to a different invention. In application #2, the applicant claims the priority of application #1's filing date.

This is permitted, but application #2 will be treated as the one continuation of application #1 allowed as a matter of right.

- Therefore, neither applications #1 or #2 can have any additional RCEs or continuations absent a petition.
- Also, as both applications have the same effective filing date, there will be rebuttable presumption of double patenting. The applicant will need to file a terminal disclaimer or argue persuasively that the claims are patentably distinct.



## Examples of a Showing for Filing a Second Continuing Application

Example 1: In a continuation application,

- An interference is declared in an application containing both claims corresponding to the count(s) and claims not corresponding to the count(s), and
- The APJ suggests that the claims not corresponding to the count(s) be canceled from the application in interference and pursued in a separate application.

## Examples of a Showing for Filing a Second Continuing Application

Example 2: In a continuation application,

- Data necessary to support a showing of unexpected results just became available to overcome a final rejection under 35 U.S.C. 103, and
- The data is the result of a lengthy experimentation that was started after applicant received the rejection for the first time.

# Examples of a Showing for Filing a Second Continuing Application

Example 3: In a continuation application,

- The final rejection contains a new ground of rejection that could not have been anticipated by the applicant, and
- The applicant seeks to submit evidence which could not have been submitted earlier to overcome this new rejection.

## Examples of Unacceptable Showing for Filing a Second Continuing Application

### Example 1:

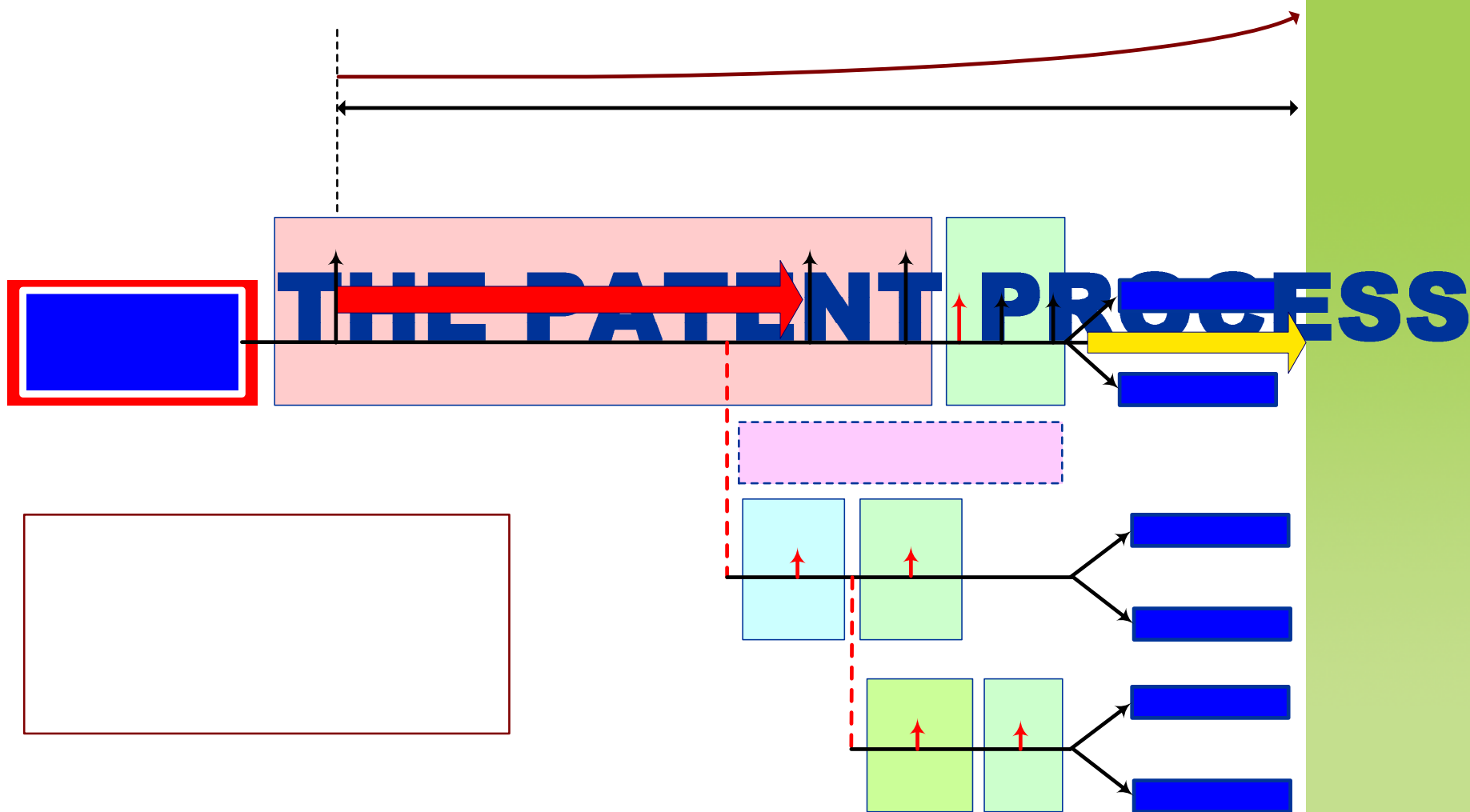
- An argument that a final rejection in one of the prior applications was premature.
- Applicant should address the propriety of the final rejection during prosecution of the prior application, and not collaterally in a petition for a continuation application.

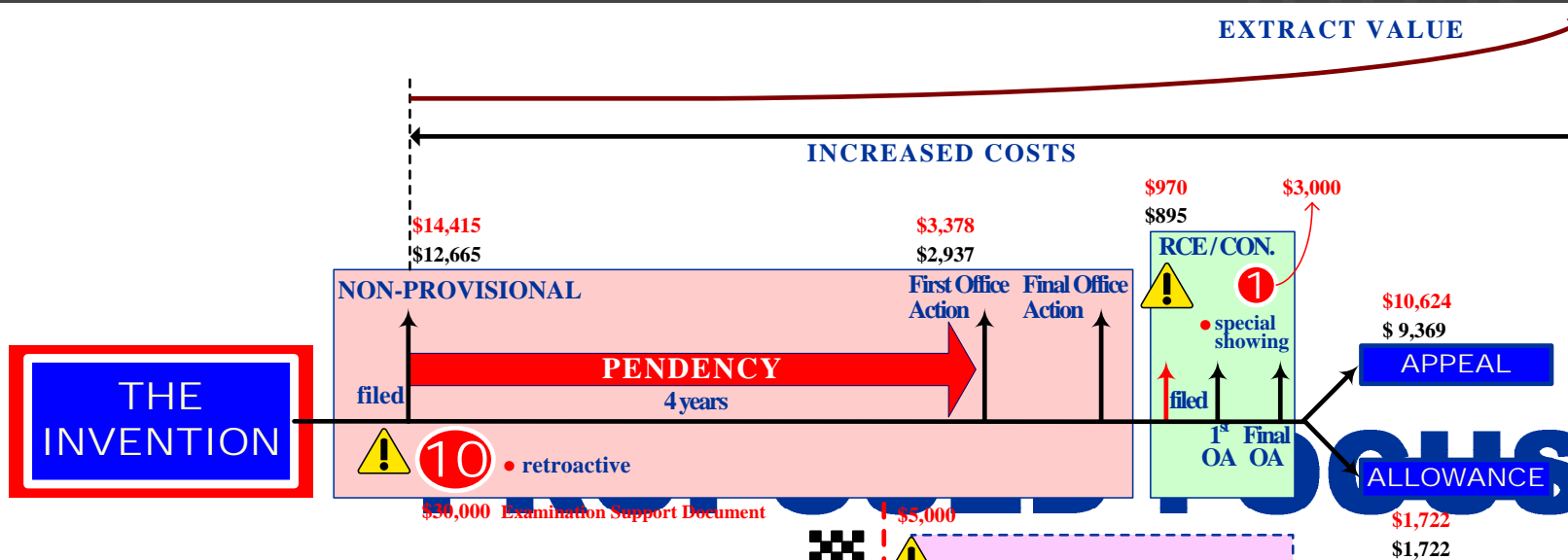
## Examples of Unacceptable Showing for Filing a Second Continuing Application

### Example 2:

- An argument that an amendment after final rejection should have been entered in the prior application.
- Applicant should address the non-entry in the prior application, and not collaterally in a petition for a continuation application.

# IMPACT OF PROPOSED RULE CHANGES ON SMALL BUSINESSES

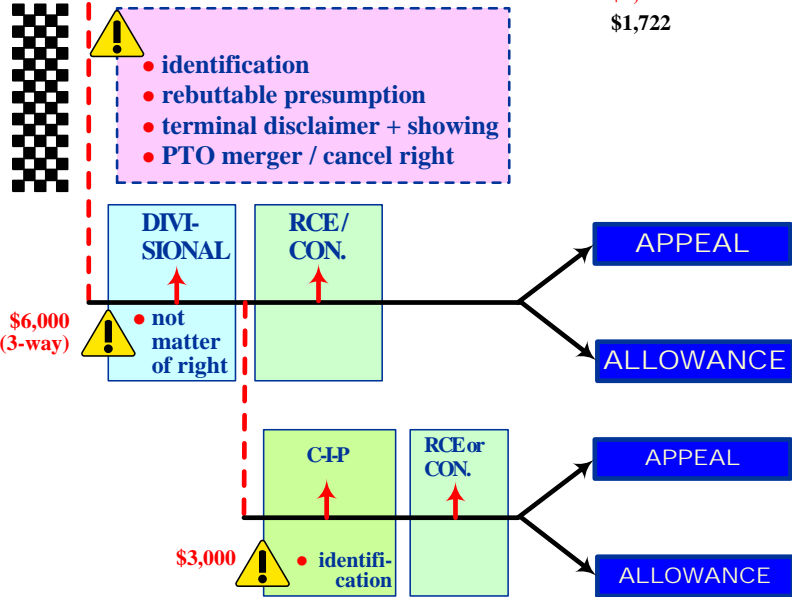




**THE INVENTION**

- Rigid
- Loss of Rights
- Increase Work
- Undercut Value
- More Contentious win-lose predicaments

- Continuation / RCE limit: 1 absent special showing
- Divisional: not a matter of right
- CIP: identification, continuation limited to new matter
- Double Patenting: identification, rebuttable presumption, terminal disclaimer plus showing, PTO merger / cancel right
- Claims: 10, retroactive



**FOCUSED EX**



# Problems from PTO Perspective:

- **Pendency:** Time to first Office Action – e.g., 50 months in Interactive Video.
- **Keeping Up: Growth in Filings** – 8.1% overall FY 2005, 21% wireless communication; Avg. number of claims at filing rose from 15 to 23 between 1990-2005; 28% of First Office Actions issued were re-work after one or more RCE/CON, but 83% of CON were a first CON.
- **Quality:** Rise in claims and re-work – burdensome – reduces examination quality.
- **Past Solutions Failed:** Hiring alone not enough, Backlog grows.

# Goal of Proposed Rule Changes

- Proposed Rule Changes aim to free up Examiner resources now spent on re-work and initial claims so more time can be spent on initial examination of first time cases in backlog.

# Small Business Perspective

- Proposed Rule changes-
  - Disproportionately impact individual inventors, start-ups, emerging growth companies, and pioneering or active innovators.
  - Provide less protection when most needed by small businesses
  - Create more contentious process, more complex.
  - Drive up cost of application preparation and prosecution throughout process.
  - Increase risk and reduce value of patent portfolios - more vulnerable to latecomer, free riders.
  - Reward lawyering not innovation.
  - Exacerbate PTO pendency problem – shifts Examiner resources to address procedural impediments not merits of claims sought

# Small Business Perspective (cont'd)

- Time to Patent Issuance is the relevant pendency metric.
- Approximately 22 percent of all U.S. origin patents in 2000 claimed small entity status including 15% individual inventor, 6% small business and 1% non-profit organization.
- Pendency needs vary - one size fit all makes no sense -
  - Inventions in basic R&D or with long development cycle (bio) can wait longer.
  - Inventions by small businesses need shorter time to patent.
  - Fast moving technologies (Internet/wireless) need shorter time to patent for some matters.
  - For leading inventions short time to patent matters. For follow-on improvements and continuations longer pendency is often tolerable, but ability to introduce new claims critical.

# Small Business Perspective (cont'd)

- Burden sharing – well-defined search burden can be accommodated, but written comments burdensome for small businesses, drive up cost, and risk to portfolio.
- Quality – PTO is right - a quality issued patent is key, quality first office action important; Examiner as lone wolf unworkable model. Need to leverage interview and negotiation time better - not written record of prosecution. Written reasons for allowance are better use of Examiners' time than Office Action remarks.
- Examiner skills: More technical industry experience needed.

# Limits on Continuation Practice

## One RCE/Continuation absent special showing

- Direct Impact:
  - more contentious examination process, all innovation cannot be claimed, drives up cost at each stage of prosecution, reduces ability of patent system to promote useful arts – outnumbered innovator cannot thwart free riding, Monday morning quarterbacking, and wordsmith design arounds by latecomers up and down value chain.
- Unintended Consequence:
  - reduces Examiner morale – reduces large territory of deal making, increases work of Examiner - length and # interviews , traversals to final rejection, time spent reviewing special showing, and re-opening prosecution from Board of Appeals (BPAI).

# Limits on Double Patenting Practice

## Identification requirement and special showing

- Direct Impact:
  - Increases cost and complexity.
- Unintended Consequence:
  - Hurts pioneering inventors and start-ups most. Works against continued investment and development of most important inventions – identified as patentable. More work for examiners to review identification requirement, special showing on patentably distinct, and contentions over merger/cancellation, attempts to solve a problem that does not exist, current system with duty of disclosure and Terminal Disclaimer practice works.

# Limits on Claims Practice

Only 10 claims initially examined absent submission of examination support documentation, retroactive to pending cases

- Direct Impact: Increases complexity identifying/ tracking designated claims at each stage of examination; leaves innovation unprotected – ten sentences too little, retroactivity unfair since currently pending claims drafted without consideration of ten claim designation, requires immediate expense to review claim strategy of all pending matters (600,000 cases).
- Unintended Consequence: More work for Examiner, undercuts efficiency of a complete first office Action, increases likelihood of new work after first action when different designated claims are selected or considered for first time at allowance; impact compounded by limits on continuation to make it likely that all innovation cannot be claimed, reduces ability of patent system to promote useful arts x



# Limits on Divisional Practice

- No divisionals allowed as a matter of right – only in response to Examiner initiated restriction, must be co-pending with first filed parent.
  - Direct Impact:
    - Applicants more vulnerable to inappropriate Examiner multi-way restrictions, increased cost to file multiple divisional during life of parent.
  - Unintended Consequence
    - More work for Examiner to consider traversals to restriction requirements, more work to consider Applicants' requests for restrictions to create opportunities not provided under proposed limits to continuation practice.

# Limits on CIP (continuation-in-part) Practice

**Continuation of CIPs limited to claim new subject matter in CIP, and CIP claims must identify support in parent.**

- **Direct Impact:** Increases cost and complexity of CIP filing and examination
- **Unintended Consequence:** More work for Examiner to ensure support identification requirement met and new claims directed to new subject matter only in continuing CIPs.

# Solutions with Better Aim, Better Results

- Applicants select level of pendency service – deferred examination, regular examination, or accelerated examination.
- Remove 2-year limitation on broadening reissue.
- Permit wider interview practice and negotiation.
- Encourage more written analysis by Examiner at Allowance less during active examination/ negotiation.
- Shifting search burden workable for Applicants and Examiner – require only that Applicants describe scope of search not comments on particular references.
- Increase fees for successive continuations/RCEs.
- Automatic deferred examination for successive continuations/RCEs absent special fee or request.
- Reduce credit given to Examiner for work on successive continuations/RCEs.
- Increase credit given to Examiner for interviews.
- Increase credit given to Examiner for successful focused Examination

- Other Initiatives

- Web-based electronic filing (EFS-web) – in beta – to be released March 17, 2006
- New 5-yr Strategic plan for 2007-2012 underway
- Interim Guidelines on Eligible Subject Matter (comments due June 2006)
- Accelerated 12 month Examination
- IDS Practice/Rule 1.56
- Limits on Markush practice
- Interviews before first Office Action
- Community Patent Review

# The End

Credits: Several slides and statistical data taken from presentations by John Doll and James Toupin of USPTO and made available to public in February 2006.