

NEW USPTO RULES WILL SIGNIFICANTLY AFFECT PATENT STRATEGY

Several New Rules Create Sweeping Change in Patent Office Procedure

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On August 21, 2007, the United States Patent and Trademark Office (USPTO) released several new rules regarding the prosecution of patent applications. These rules, which go into effect November 1, 2007, represent a significant change to many current USPTO policies, and will drastically affect patenting filing and prosecution strategies.

The most notable of these rule changes are new limits on the number of claims that an applicant may present in a patent application and restrictions on filing continuation applications. The USPTO has dictated that new patent applications may only contain 5 independent claims and 25 total claims, unless significant (and risky and expensive) further documentation is filed. Further, patent applicants will only be entitled, as of right, to two continuation applications and one request for continued examination (RCE) springing from the original application. These new rules, among others, will have a dramatic impact on how patent rights are obtained in the future.

The USPTO has stated that its reasons for the new rule changes are “to improve quality and enhance efficiency in the patent examination process.” The USPTO believes that many applicants are abusing the current examination process by filing too many applications with related inventions, keeping prosecution of applications alive by filing numerous and repetitive continuation applications, and presenting applications with inordinate numbers of claims. Thus, the USPTO is hoping its new rule changes will counteract these perceived abuses and streamline the examination process.

Many patent practitioners, however, believe that the practical effect of the new rule changes will make the USPTO’s job easier by shifting more of the time and expense burden on the patent applicant. This may result in fewer applications being filed or allowed, with narrower patent coverage on any patents ultimately awarded. Because of this, now more than ever, it is important effectively to plan your patent strategy and adequately protect your rights going into the future.

While the new rules technically go into effect November 1, 2007, there are some provisions that are retroactive and some rules have nonextendable deadlines. If you or your company recently filed a patent application, or if you have any applications in preparation or currently pending, you will need to give careful consideration to your current and future patenting strategies, as the options for pursuing protection of valuable inventions have been severely curtailed.

Limits on Number of Claims to 5 Independent / 25 Total

Before the new rule changes, there was essentially no limit on the number of claims a patent applicant could submit in an application. There were some general limitations, mainly relating to a requirement to pay additional fees for claims more than a certain number. Aside from the possibility of annoying the patent examiner with a large number of claims (more work for the examiner), that was basically it. This allowed applicants to submit multiple variations of his or her invention within a single patent application, knowing that if some of the variations were not allowed by the patent examiner, others might be.

Furthermore, patent applicants often presented claim sets of varying scope in order to protect valuable technology. These claim sets typically varied from the very broad, testing the limits of allowability, to claims of medium scope, to narrow or “picture” claims directed to very specific implementations (“embodiments”) of an invention. In this manner, patent owners had greater assurance of fallback positions for patent claims during negotiations with the USPTO examiner or in the event that some claims were invalidated due to later-discovered prior art.

Under the new rules, however, a patent application is limited to 5 independent claims and 25 total claims (the “5/25 rule”). This limitation will force the patent applicant to distill coverage of the full scope of his or her invention into a small number of claims, and thereby possibly lose the ability to claim all potential embodiments or variations of the invention. This rule greatly enhances the need for effective claim drafting and makes a quality, well-written patent application a must. This rule seems to signal an end to strategies involving submission of broad, encompassing type patents in the hope that the USPTO will allow *something* even if eventually narrowed during prosecution. Instead, the rule may usher in an era requiring focused, thorough, higher quality, better planned patent applications.

The long-established patent strategy of presenting claim sets of varying scope may no longer be available. Another effect of the new rules may be that patent applicants and owners will be effectively precluded from patent protection for potentially valuable inventions and technologies.

Examination Support Document

Perhaps to divert criticism from the new rules, the USPTO *will* allow a patent applicant to go above the 5/25 claim limitation if he or she files an “examination support document” (ESD) with his or her application. This ESD is a problematic document. To file an ESD, it is first necessary to conduct a pre-examination search of not only U.S. and foreign patent databases, but any related non-patent literature as well. The applicant must identify the fields of search, search logic and terms used, names of all files and databases searched, etc.

Additionally, for each reference an applicant must identify in the ESD all of the limitations disclosed for every independent and dependent claim, as well as a detailed explanation of how each independent claim is patentable. This ESD must also identify the specific location of support for each and every claim limitation in the specification of the patent application as well as each and every prior patent or application upon which priority is based.

It is apparent that an ESD will be a time-consuming document to generate. To make matters worse, the new rules put non-extendable deadlines on such filings in certain cases.

There are other implications as well, such as the search and legal costs this type of document will impose. Additionally, there is a risk of a determination of inequitable conduct (which could invalidate a patent many years after it has issued) should the applicant or patent attorney mistakenly interpret or fail to cite something of relevance that should have been included in the ESD. There are potential litigation issues as well because everything disclosed in the ESD will likely be asserted as an admission, and could preclude the applicant from enforcing his or her patent down the road.

Because of these costs and dangers, it is anticipated that many companies and inventors will avoid filing ESDs. That seems to be a major USPTO objective. The risks and costs associated with preparing and filing an ESD should be considered heavily before a decision is made to file one. As a practical matter, the downsides of filing an ESD heavily outweigh any potential benefits – at least to the applicants. The net result of the new ESD procedure, although “optional” in theory, will likely be to force patent applicants to stay under the 5/25 claim number limit, unless an invention is so potentially valuable as to be worth the risk of later problems in litigation arising from the ESD.

For the USPTO to claim that an ESD will “improve examination quality” seems disingenuous – the improvement in quality will likely result not from any greater scrutiny or effort by the patent examiner, but from patent applicants providing the examiner with the ammunition to reject the application. The ESD will give examiners the information and reasoning needed to deny a patent, and/or force the applicant to fill the file history with information that helps infringers avoid liability in later litigation.

New Way to Divide Out Patentably Indistinct Claims

A thoughtful and clever patent applicant may think he or she can avoid the 5/25 claim limitation by filing separate patent applications covering somewhat different variations of an invention. The USPTO has counteracted this notion, however, by including a “patentably indistinct claims” provision into the new rules. This provision allows the examiner to take the position that the 5/25 claim number rule has been violated due to filing of multiple but separate patent applications.

The “patentably indistinct claims” provision requires all patent applicants to disclose and identify to the USPTO all related applications with a filing or priority date within 2 months of an application that is commonly owned and has at least one inventor in common. The burden to disclose this information is on the applicant. If such applications exist, and the examiner determines that the applications have “substantially overlapping disclosures,” the examiner will presume the claims are not “patentably distinct” and will apply the 5/25 claim limitation to the total number of claims in all applications.

Further, the USPTO has “cautioned” applicants from attempting to avoid the rule by filing separate applications outside the two month window, and has reiterated that the duty to disclose any information that is “material to patentability” still exists.

What do all these restrictions on claim filings mean? Because of the onerous requirements and risks associated with filing an ESD, and because the patent applicant has a duty to identify any applications with potentially indistinct claims, the USPTO has effectively required compliance with the 5/25 claim limitation and is forcing voluntary election by applicants of which claims and inventions to pursue and which to abandon. Technologies that involve multiple inventors working on different but related aspects (e.g. complex integrated circuits, software, telecommunications systems, drugs, just to name a few), which historically have been protected by “fences” of patents surrounding the technology, may be much more difficult to protect – if they can be protected at all.

As stated previously, this will result in a need for better claim drafting and well-thought-out patent applications. This will also likely result in patent applicants being forced to give up on seeking patent protection for related embodiments by staying under the 5/25 limit, and practically prevented from seeking claims with varying scope and fall-back positions as a safety measure. This is a radical change in thinking about patent protection.

Restrictions on Continuation Applications

If the USPTO had quit here, that would have been enough to cause major changes in patent strategies. But the USPTO did not quit with these changes – there are still more radical and restrictive changes in “continuation” practice.

Traditionally, an applicant could keep a troubled patent application “alive” in the USPTO by filing a continuation application. These applications are typically filed to continue to seek a patent after its claims have been finally rejected, or to pursue broader protection after the patent examiner has allowed only limited subject matter, or to pursue different combinations and/or subcombinations of elements, or for a number of other reasons.

As many patent professionals will admit, a few patent owners abused the continuation process by filing continuation after continuation after continuation (some of which were called “submarine” patents), hoping to surface after a long pendency and fire a patent torpedo at an unsuspecting victim. These abuses, often promulgated by so-called “patent trolls,” and even though few in number, received widespread negative publicity and contributed significantly to imposition of the new rules.

Prior to these rule changes, the number of continuation applications that a patent applicant could file was virtually unlimited. A patent applicant could also continue prosecuting an application by filing a “request for continued examination” (RCE), which has the same specification as the continuation or parent application, or a continuation-in-part application (CIP), which adds some additional subject matter to the original application.

However, the new USPTO rules limit the number of continuations (including CIPs) and RCEs that may be filed from an original patent application. Now, an applicant may only file 2 continuation applications plus one RCE in an “application family.” An application family is essentially defined as the original application and the continuations arising therefrom. In other words, a new patent application is entitled only to a first and second continuation application and one RCE per original application.

To exceed the two continuations plus one RCE limit for an application family, a petition must be filed with an amendment, argument or evidence and a showing that the amendment, argument or evidence could not have been previously submitted. This showing will be almost impossible to make. And, the USPTO has confirmed that permission to file additional applications or RCEs will be hard to obtain.

The USPTO has indicated that there are no situations that will result in an automatic grant of a petition for an additional continuation or RCE. Further, the USPTO has commented that a petition will not be granted, for example, merely because the examiner found the applicant’s original arguments or amendments unpersuasive, the examiner adopted an unusual interpretation of the claims, or even if the applicant recently discovered that the examiner is under some misunderstanding.

Some patent professionals believe that these restrictions will be manifestly unfair to patent applicants who experience difficult or obstinate examiners, unless the USPTO takes aggressive action to improve the quality of the examiners and of the substantive internal examination process. The new rules are procedural in nature, not substantive, but have many potential substantive aftereffects.

Apparently, these petitions for additional continuations will only be granted in certain very special circumstances, but it is unclear at this point just what those circumstances are. Thus, the perceived difficulty in obtaining any grant of petition effectively limits the number of continuations per application family at two, plus one RCE.

As with the claim number limitation rules, the new continuation rules will require more strategic thinking during initial preparation of a patent application, drafting of claims, and during prosecution. In the future, continuation applications will need to be used more judiciously, and they will require more planning and strategy. It is not clear at this stage what patent applicants can do in the event of problems with difficult or obstinate examiners, short of going straight to appeal.

Divisional Applications

The USPTO has afforded a minor reprieve from the continuation and claim examination rules by treating “divisional” applications as the start of a new application family. This is a welcome relief, but its availability is likely to be limited – in the spirit of the new restrictive environment designed to “improve patent examination quality.”

A “divisional” application may result when an examiner decides that a patent application contains more than one distinct invention. The examiner will issue a “restriction requirement,” which requires the applicant to select one invention to prosecute in the current application, and allows the applicant to pursue the other invention(s) in separate divisional filings. Under the new rules, each of these divisionals will also be entitled to two continuations and one RCE, and the divisionals themselves will not count towards the two continuation limit in the parent application.

As might be expected, the divisional rules are not without limitations themselves, however. To count as a separate application family, the applicant may not “traverse” (argue against) the examiner’s restriction requirement. Historically, arguments with examiners about the propriety of restriction requirements have seldom been successful or even made – many patent applicants have been happy to receive additional divisional patents covering the area of technology. Now, however, applicants are actually penalized for traversing a restriction requirement, removing a tool to keep inventions separate (and valid) if close prior art is discovered that might affect the validity of one patent but hopefully not a “patentably distinct” divisional.

An applicant can choose to be proactive about filing divisional applications, and can make a “suggested requirement for restriction” (SRR) in a new patent application. This will allow the applicant to exceed the 5/25 claim limitation or avoid filing an ESD by suggesting that the application contains more than one distinct invention and asking the examiner to issue a proper restriction requirement. If the examiner agrees, this will allow the applicant to avoid a possible patentably indistinct claims rejection and allow greater coverage for variations of the invention. However, there is no guarantee that the examiner will agree with the SRR, and if not, the applicant will be forced to amend the claims quickly (within a 2-month non-extendable window) to comply with the 5/25 rule, or file an ESD.

Until it is seen how stringent the USPTO will be in processing SRRs, filing an SRR may be a viable option if an invention cannot readily be reduced to 5/25 claims.

Dates of Effectiveness

Although the new rules do not technically become effective until **November 1, 2007**, many of the provisions are retroactive. The 5/25 claim limitation and ESD requirements affect not only applications filed on or after November 1, but also any application filed before that date that has not yet received a first office action on the merits. Thus, if you have filed a patent application in the last 2-4 years and have not received a first office action before November 1, these rules will apply to your still-pending application!

If your pending and yet unexamined patent application (or family of related applications) exceeds the 5/25 limit, you should begin reviewing and evaluating your options now. In some cases, filing preliminary amendments to claims will be appropriate, filing a suggested restriction requirement may be appropriate, or identifying claims that can be abandoned may be appropriate. The USPTO has stated that it will begin sending out notices after November 1, letting applicants know that they are not in compliance with the 5/25 limits. Acting now to evaluate your existing and planned patent portfolio will allow you to be proactive and intentional about protecting and presenting your inventions to the USPTO under the new restrictions that are being imposed.

Further, the patentably indistinct claims provision applies to all applications pending as of November 1. These applications must be identified by February 1, 2008, or within four months from the actual filing date or two months from the mailing date of the filing receipt, whichever is later.

As these rules affect all patent applications now in process (literally hundreds of thousands), and the implications of these rules are not yet fully understood, patent applicants should anticipate and expect rush deadlines on patent projects over the next 2-6 months.

The continuation application rules are somewhat retroactive as well. If an applicant has already filed multiple continuations from a parent application as of August 21, 2007, then the applicant will be entitled to just “one more” continuation filing. This includes any continuations filed before November 1. Therefore, if your application is still pending, and any previous continuations have been filed, you may need to reconsider your application strategy going into the future as you will only be allotted “one more” continuation.

What Do These New Rules Really Mean?

The new rules will have and are already having a drastic impact on patent filing and prosecution strategy. Patent filing and claim drafting strategy and how applications are prosecuted will be greatly affected. Alternative solutions may need to be considered, such as filing an international Patent Cooperation Treaty (PCT) application instead of an initial U.S. application, or protecting priority rights through additional provisional applications.

The long-term effects on the patent system from these rules as a whole remain unclear. The ostensible purpose – “improve the quality of patent examination” – is laudable, but the changes are so drastic that the effects may be more negative than intended. To some, the changes are outright disingenuous and tantamount to abdication by the USPTO of its responsibility for protecting the country’s valuable innovations.

The new rules are not the only recent major change in patent law. The patent system was recently jolted by the Supreme Court's decision on April 30, 2007, in the *KSR International Co. v. Teleflex Inc.* case, requiring the stricter application of "obviousness" to patentability determination. When coupled with the implications of this new "obviousness" ruling, the rule changes seem likely to create an environment in which fewer patents and claims will (and can be) filed, and even those claims will be subject to much stricter scrutiny in the USPTO and in the courts.

Even though the new rules may make obtaining patent protection more difficult, if you can obtain a patent, it will more likely be a strong one and of more potential value. Any patent that survives the stricter USPTO procedural examination and obviousness considerations has a greater potential to be valuable and enforceable in the courts. The new rules will create more work for patent applicants and their attorneys, but they also may improve examination efficiency and cut down on the time involved to obtain a patent.

Whatever the effects of the new USPTO rules, now more than ever it is important to take steps to effectively plan your patent strategy and protect your rights going into the future.

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