



The USPTO is the “ruling” party

IP managers who do not adapt to the new USPTO rules will have budget and patent enforcement problems

The USPTO is in the final stages of approving three rule change packages that will, if enacted in their present form, have a dramatic effect on US patent prosecution strategy and portfolio development. However, the USPTO is planning to propose even further rule changes over the next 12 months aimed at shifting more of the examination burden from the USPTO to patent applicants. Under the banner of “improving US patent quality”, the USPTO’s main thrust is to reduce the backlog of unexamined applications. Improving quality and reducing backlog are worthy goals, but the proposed rules largely ignore other important considerations, namely budgets and patent enforceability.

The first two proposed rule changes will probably be finalised before year’s end, with an effective date 30 days thereafter. The effective date of the third package is less certain, but if implemented is likely to come on the heels of first two proposed rule changes.

The first package limits the number of continuing applications and Requests for Continuation Examination (RCE): as a matter of right, applicants may obtain only one RCE or one continuation. The USPTO fashions itself as a “patent factory”, with continuations and RCEs being “rework”, a production inefficiency to be eliminated. However, from the corporate perspective, the USPTO’s proposals are ill-conceived because they ignore the other half of the patent process: enforcement of patent rights. The CAFC recognises continuation applications as a viable option to the largely defunct doctrine of equivalents, when the company is uncertain its claims adequately cover the invention. The USPTO’s proposed rule change will therefore stifle this option of maintaining a continuation application while licensing and/or litigating the parent patent.

The problem is compounded for US applications of European origin with European-style claims. Applications with European-style claims are often misunderstood by US examiners, causing them to perform a misdirected patentability

search, and consequently, forcing European applicants to amend their claims and file an RCE to have the amended claims properly searched. Presently considered a cost of doing business, RCEs will soon be disfavoured because they exhaust applicants’ ability to file a continuation application as a matter of right. Without the continuation, the patentee has no efficient means of dealing with non-infringement arguments and newly found prior art discovered during licensing/litigation of the parent patent.

The proposed rules place divisional applications at risk. Under the proposed rules, if the USPTO restricts an application to one of three inventions (eg, A, B and C), divisional applications for both B and C must be filed before the application for A issues. Otherwise, if only B is filed before A issues, and then C is subsequently filed while B is pending, C is only entitled to the benefit of the filing date of B. For Europeans this almost guarantees that C is invalid based on the publication of the European counterpart application as being prior art. If this were not bad enough, the proposed rules will have a retroactive effect on presently pending applications.

The second rule-change package, which itself has a retroactive effect, limits the maximum number of fully examined claims to 10, unless applicants choose to first to examine the claims themselves. The second package entitles the USPTO to examine only the independent claims against the prior art; the USPTO will not examine all 10 claims unless the applicant designates which are to be examined. This has two negative consequences for patent applicants: first, applicants will not receive the examiner’s guidance on which dependent claims are allowable in spite of the independent claim being rejected; and second, future US patents will contain both examined and partially examined claims, and companies that do not designate dependent claims will obtain patents with only the independent claims having been fully examined. Why is this important? In litigation, if the independent claims are held invalid, there will be no record of the examiner having indicated that the dependent claim is patentably distinct, therefore lowering the

evidentiary support required to invalidate the dependent claims. IP managers who fail to designate all 10 claims will preside over a weakened patent portfolio.

The third proposed rule-change imposes a duty to provide an explanation of the differences between the claims and any cited prior art reference over 25 pages (including figures), as well as all prior art references when the applicant discloses more than 20 total references. Under this package, companies will not only have to pay the USPTO examination fee, but also pay their attorneys to review and distinguish each of the more than 20 references and any single reference over 25 pages. Given the typical high hourly billing rate of a US patent attorney, the cost of procuring US patents will rise. Still the USPTO remains undaunted in proposing further changes that will lessen the USPTO’s burdens and increase those of applicants. An additional proposed change is that every application must be filed with a pre-examination search report document, distinguishing the claims and results of a search performed by applicants.

To avoid being over budget and responsible for a weakened portfolio, IP managers should revise applications before filing to comply better with US drafting practice and hold personal interviews at the time of first office action, as this is the fastest and best way to get an application allowed, without having to rely on an RCE. It would also be prudent to feather litigation budgets, as patents procured under these new rules will undoubtedly lead to greater number of expensive inequitable conduct disputes. The USPTO is changing the rules of the game and IP managers who do not adapt will lose.

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He thanks his colleagues *Steve Kunin, Norman Oblon, Greg Maier, Philippe Signore, Ed Garlepp* and *Jeff Nase* for their input to this article