

LEGAL UPDATE

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NEW US PATENT OFFICE RULES MAKE SWEEPING CHANGES TO CONTINUATION AND BASIC PATENT DRAFTING PRACTICE

On August 21, 2007, the United States Patent and Trademark Office (“PTO”) published sweeping rules changes that affect the basic nature of filing multiple patent applications or even single applications having many claims related to the same basic technology. The rules are technically effective November 1, 2007, however some of their import actually began *upon publication* and already affect how applications are to be treated. The new rules affect fundamental aspects of patent law such as: how many claims one can file in a single application; how many claims may be present in a family of related applications; the number of related applications one may file; and the substantial burden now placed on Applicants if their inventions need to exceed any of these new limitations.

Few in industry or the patent bar are pleased with these new rules, which place considerable (and potentially onerous) limitations on the breadth of newly filed, related, and commonly owned (whether related or not) patent applications. Whether the new rules withstand constitutional and statutory scrutiny is currently unclear; indeed, a lawsuit challenging the rules on both grounds was filed the day after their publication (although the Patent Reform Act of 2007 that recently passed in the House expressly gives the PTO the power to enact these changes). However, barring an injunction, all patent owners, applicants, and practitioners must immediately begin altering their mindsets and practices to accommodate the new rules. Failure to do so will result in delayed and more expensive prosecution and, in the worst case, loss of patent rights.

Highlights of the most pressing changes, along with recommendations on how to best to cope with these changes, follow.

PATENT LAW 101: WHAT IS A CLAIM, AND HOW PATENT APPLICATIONS HAVE RELATIVES

The claims of a patent, the numbered paragraphs appearing at the end of the document, define exactly what the inventor is asserting as his or her novel and unobvious idea; the claims are what afford the inventor/owner protection, not the rest of the description known as the specification. The claims of an issued patent define the owner’s right to exclude others from making, using, selling, offering to sell, and importing the claimed invention. The claims are the most crucial part of the application and, of course, the issued patent.

Traditionally, for a basic filing fee, an Applicant is entitled to have three stand-alone or “independent” claims and up to 20 claims total, which includes additional “dependent” claims that refer to and include the limitations of broader independent claims. (Example: Claim 1 may recite elements A, B, and C; if Claim 2 recites only element D but depends from Claim 1, Claim 2 is said to recite elements A, B, C, and D.) For a per-claim fee, the applicant has always been able to file as many claims as desired/needed above the basic 3/20 claim package to describe the invention more comprehensively.

A patent application must be limited, however, to a single invention no matter how many claims are included. Should it be determined by the PTO that a single application has claims directed to more than one patentably distinct invention (e.g., two different versions of the same general type of device or process), then the Applicant is meant to be restricted to one of the inventions in the initial application, with the provision that the other inventions that were not currently elected may be prosecuted in subsequent continuation or divisional applications. Continuation and divisional applications are given the benefit of the earlier application’s filing date; if application A were filed in 2005, and application B (a continuation) were filed in 2006, application B would enjoy the benefit of the earlier 2005 filing date of application A. This can be crucial to determining what is and what is not “prior art” to the

invention for purposes of patentability. If the Applicant developed a new wrinkle on the invention, one that was not disclosed at all in the initial application, a continuation-in-part (“CIP”) application could be filed adding the new subject matter and also claiming the benefit of the earlier application’s filing date for the common subject matter. Traditionally, an Applicant could file as many continuations, divisionals, or CIPs as believed needed.

There is no affirmative obligation on a patent Applicant to search to see if the invention for which protection is being sought is new. Applicants must disclose to the PTO every relevant published document that they already know about, but a pre-examination search by the Applicant is not required.

Once an application is filed, it is assigned to an Examiner for review. The overwhelming majority of applications are initially rejected in an “Office Action”, a written report of the Examiner’s review of the merits of the application. The first Office Action is generally “non-final”, meaning the Applicant has a right to respond to the Examiner’s rejections and objections with either amendments to the claims or specification (without adding new subject matter to the application), arguments against the rejections/objections, or both amendments and arguments. Should the Examiner not be convinced by the applicant’s response to the first Office Action, a second Office Action is issued, often deemed a “final” Office Action. Applicants do not have a right to respond to a final Office Action (or, rather, the PTO is not required to review an after-final response); if an after-final response is filed but refused to be reviewed by the PTO, the Applicant must either appeal the final rejection to the Board of Patent Appeals and Interferences or file a Request for Continued Examination (RCE).

An RCE essentially resets the examination clock to a pre-final state, as though the application were being first filed again, similar to getting another first down in football. If a response to a previous final Office Action had been refused to be reviewed by the PTO, an RCE forces entry and review of the after-final response. If amendments to the claims were made, then the Office Action following the RCE is likely to be non-final again. Until recently, one could file as many new responses and RCE’s as needed to prosecute an application fully and effectively.

In an attempt to streamline prosecution and reduce the flow of work coming into the PTO, the new rules affect three main areas of prosecution: the number of claims in

an application (or in a set of related applications), the number of related applications an entity may file, and the reporting requirements for owning multiple patent applications, regardless of whether they are related.

NEW RULE: THE 5/25 LIMIT AND THE EXAMINATION SUPPORT DOCUMENT

Instead of allowing an Applicant essentially as many claims as it needs or wants, under the new rules, the PTO will limit applications to five independent claims and 25 claims total (known as the 5/25 limit). (37 CFR § 1.75(b)). If more than 5/25 claims are required/desired by the Applicant, in addition to the excess claim filing fees, a new time consuming and extremely expensive procedure must be followed: an Examination Support Document (ESD) must be prepared and filed. (37 CFR § 1.265.)

New § 1.265(a) describe the content of an ESD as having five main components: 1) a pre-examination prior art search that covers the subject matter of *all* of the claims (not just the independent claims); 2) for *each* claim, a listing of reference(s) most closely related to the claimed subject matter; 3) for each prior art reference uncovered, a showing of all of the elements of each claim that appears in the reference (“claim mapping”); 4) a detailed explanation of how every independent claim is patentable over the cited references; and 5) for each claim, a showing of where support for the claim appears in the rest of the specification.

The PTO realizes that the claim mapping requirement of §1.265(a)(3) will likely be the most onerous step with which to comply, and there is an exemption from this requirement for small entities, i.e., solo inventors, businesses with fewer than 500 employees, and others. However, compliance with “only” the remaining four requirements is easily likely to add thousands of dollars to the cost of preparing and filing a patent application.

In addition to the great expense to be incurred preparing and filing an ESD, there is another potential burden placed on the Applicant: much broader file wrapper estoppel. Anything a patentee or its attorney writes during the prosecution of a patent application can be used against the patent owner should the patent be the subject of litigation. By requiring the Applicant affirmatively to distinguish its claimed invention from the known (and now, searched) prior art, a much greater risk exists of creating a record one will later regret than if one did not have such a burden.

To make matters worse, the 5/25 rule is not only constrained to the boundaries of a single application. If

an application contains at least one claim that is patentably indistinct from at least one other claim in one or more other applications, and if the other application(s) is/are owned by the same entity, then the PTO will confine all of claims of all of the applications together to fit within the 5/25 limit. Thus, one cannot avoid the ESD or 5/25 limit simply by spreading claims throughout multiple applications.

This rule purports to take effect on November 1, 2007, however it affects previously filed applications as well. If an already-filed application exceeds the 5/25 limit and has not yet received a first Office Action by November 1, the PTO will send the Applicant a notice that the application is in violation of the 5/25 limit and offer the Applicant a few choices: prepare an ESD within two months (extendible to six months), edit the claims down to the 5/25 limit, or submit a suggested restriction requirement indicating how the claims might be dividable amongst two or more patentably distinct groupings.

How strict the PTO will be in adhering to the ESD requirements of § 1.265 remains to be seen. However, the PTO recently issued 16 pages of guidelines for preparing an ESD. If they are any indication, Applicants will be allowed very little wiggle room in complying with the rules.

NEW RULE: ONLY TWO CONTINUATIONS/CIPS AND ONE RCE PERMITTED WITHOUT A PETITION

As noted above, one had previously been allowed to file as many continuation applications or CIPs and as many RCEs as desired. As of November 1, Applicants will be limited to only two continuations or CIPs and only one RCE for an entire patent family (the family consisting of the original application and any and all continuations or CIPs) without a petition and a showing why the third CON/CIP or second RCE could not have been submitted during the prosecution of the previous applications. (37 CFR § 1.78(d)). The PTO has already stated in a Q&A document that such petitions will be decided on a case-by-case basis, and that there are no situations that will result in an automatic grant of a petition.

Some of the factors the PTO will consider in deciding such a petition include: a) whether filing a continuation or an RCE is more appropriate than filing an appeal or a procedural petition (e.g., to withdraw the improper finality of an Office Action); b) the number of other pending applications filed by the Applicant with substantially the same disclosure (the higher the number, the less likely a petition to add yet another application or RCE will be granted); and c) whether an Applicant has

been reasonably diligent in submitting the new evidence, argument, or amendment sought entry via petition. As to this last factor, the PTO will take into account the condition of the application as it was filed (i.e., in condition for examination or requiring substantial revision), as well as how consistent the Examiner's position has been during prosecution.

After November 1, in every application family in which no pending continuation or CIP claims priority to an application filed after August 21, the Applicant will be entitled to file one more continuation or CIP, regardless of how many pre-August 21 applications are in that family.

An additional tricky point concerning application families is that the 5/25 limit applies to all of the applications in a family if the applications are all simultaneously pending and each have at least one patentably indistinct claim from the others. However, if one avoids patentably indistinct claims, then the 5/25 limit only applies within each application; hence, each family can have up to 15 independent claims and 75 total claims without requiring an ESD. Alternatively, if the applications are prosecuted serially (i.e., waiting to file the next application until the current application has been allowed or abandoned), the 5/25 limit also does not apply; that is, the limit applies to simultaneously prosecuted applications.

Divisional applications will now be treated differently than continuations or CIPs. Technically, one may file as many divisional applications as one deems necessary. However, for an application to qualify as a divisional, it must disclose and claim only subject matter that was disclosed and claimed in the original application, and the claims in the divisional application must have been subject to a restriction requirement and not have been elected for examination in the previous application. Also, while one may file two additional continuations and one additional RCE from the divisional application's family, one may not file a CIP from a divisional. Apparently, the PTO feels that, if an application were to be a CIP of a divisional, it may as well be a new, separate application altogether.

NEW RULE: REPORTING COMMONLY OWNED APPLICATIONS

The PTO has also enacted a new requirement for disclosing commonly owned applications. If two or more applications have at least one common inventor, are owned by the same entity, and are filed within two months of each other, a listing of all of such applications must be reported in each of the applications. (37 CFR §

1.78(f)(1)). It does not matter whether the applications are related or have completely disparate subject matter, their co-pendency must be reported. The rule goes on to find a *rebuttable presumption* of the presence of patentably indistinct claims if two (or more) applications have: i) the same filing or priority date; ii) at least one common inventor; iii) the same owner; and iv) substantially overlapping disclosure. (37 CFR § 1.78(f)(2)). The owner/Applicant must either affirmatively rebut the presumption or file a terminal disclaimer for each application. The terminal disclaimer will cause all disclaimed patents to expire on the same date, i.e., the expiration date of the earliest patent. Allowed applications are exempt from reporting.

Failure to identify commonly owned applications that fit these requirements in a timely manner can be corrected by filing a listing “as soon as practical.” If the listing is filed after the mailing of a first Office Action and ends up necessitating a double patenting rejection, it may be made a final rejection. On the practitioner side, the PTO may refer attorneys who repeatedly fail to comply with the reporting requirement to the Office of Enrollment and Discipline.

For small companies with a few applications or patents, this new rule is a non-issue. However, it may prove to be a very difficult burden for companies that file hundreds of applications per year and/or use several different law firms for patent prosecution. Integration of patent prosecution into single law firms or an in-house department may become more prevalent.

GOING FORWARD

The patent bar is still digesting these rules and the various guidelines that continue to be offered by the PTO. And, as indicated, the rules may be struck down in litigation. In the interim, the following are several basic strategic shifts that should be implemented immediately in any case.

Avoid the ESD if at all possible. An ESD will be extremely time consuming and expensive and will create manifold opportunities for file wrapper estoppel. One way to try to avoid violating the 5/25 limit is to be stingy with dependent claims, only drafting them as truly necessary; they are no longer infinitely available, and they can drag even otherwise unrelated applications together under a single 5/25 limit if it turns out that patentably indistinct claims exist in more than one application. Another possibility to keep below the new claim limit is to hold off on filing a continuation or CIP until the previous application is either allowed or about to be abandoned. Prosecuting applications serially as

opposed to simultaneously may take longer, but may cost much less in attorneys’ fees and be less time consuming in the long run.

Be ever vigilant concerning the PTO. No slack should be cut on any procedural errors by the Examiner. For example, traditionally one might previously have simply filed an RCE when an Examiner issued an improperly final Office Action, as the RCE filing fee of \$395 is substantially less than the time, energy, and possible attorneys’ fees required to ask the PTO to overturn the Examiner’s procedural posture. Now, however, one only receives one RCE per application family as a matter of right (the petition for additional RCEs is not going to be a pro forma matter). Instead, work up the ranks of the PTO from the bottom up. Start by requesting reconsideration directly from the Examiner, then petition his/her supervisor or group director if needed. All such requests/petitions should initially be made over the telephone, as explaining your position person-to-person is often more effective than merely filing paper. The PTO itself recommends making use of its petition procedures under § 1.181 to correct Examiner procedural errors rather than simply filing an RCE. Appealing an Examiner’s final rejection to the Board of Patent Appeals and Interferences is another option that should be explored liberally.

Interview, interview, interview. Discussion of the various rejections in an Office Action can be rapidly short-circuited by speaking to the Examiner, preferably in person, but at least over the telephone or via video conferencing. It is one thing to refer to a passage in a prior patent in text, it is quite another to quote it verbally; it is yet another to point to it in person and sit quietly while waiting for the Examiner to read it and respond. Applicants only have a right to one interview per application, so these must be made to count. It may seem cost prohibitive to send an attorney and possibly an inventor to the PTO to meet with an Examiner, however the initial investment may pay off in a shorter overall prosecution and much less written estoppel.

CONCLUSION

The new rules represent a dramatic change to how the PTO will be conducting business. Much of the burden of easing the workflow has been placed on Applicants, and by extension, their patent counsel. However, with savvy and circumspect prosecution practices, obtaining patents should not become that much more of a difficult task, even if it becomes a bit more expensive. If the PTO’s *raison d’etre* for the rules -- shorter pendency of applications-- actually turns out to be correct, there might even be a benefit to intellectual property owners.

Practice Areas

- Intellectual Property
- Litigation

Education

- J.D., Benjamin N. Cardozo School of Law, Yeshiva University, 1992
- B.E. (Mechanical Engineering), The Cooper Union, 1989

Bar Admissions

- New York (1993)
- New Jersey (1996)
- Federal Circuit (1999)
- U.S. Patent and Trademark Office (1993)
- U.S. District Courts for the Southern and Eastern Districts of New York (1997)

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Barry Negrin is a registered patent attorney (Reg. No. 37,407) and has enjoyed a diverse practice of patent and trademark law for over 15 years.

Throughout his career, Barry has drafted patent applications and infringement opinions and has litigated patent infringement issues in a wide variety of technologies, including video software codec systems, after-market products for automotive maintenance, biomedical devices, HVAC systems and related software and control units, magnetic levitation transportation, voice-recognition security systems, consumer electronics, rapid liquid cooling/warming technology, telecommunications software systems (including the Katz patent portfolio), software for developing and executing distributed applications, measurement and testing devices, ultraviolet water purification systems, and many others. He has also prosecuted trademark applications and has appeared before the Trademark Trial and Appeal Board of the U.S. Patent and Trademark Office.

Previous Positions

- Levisohn, Berger & Langsam, Partner (2002-06), Associate (1997-2002)
- Howrey & Simon (Washington, D.C.), Associate (1995-96)
- Sughrue, Mion, Zinn, Macpeak & Seas (Washington, D.C.), Associate (1992-95)

Professional Affiliations

- American Bar Association, Member, Intellectual Property Law section
- American Intellectual Property Lawyers Association

Other Activities

- Barry plays saxophone and was a founding member of Golem, an edgy klezmer band

News

- Pryor Cashman Launches New Patent Group