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A VIEW OF THE FUTURE IN SEMICONDUCTOR PROCESS:
PATENT PROSECUTION IN CLASS 438 UNDER THE UNITED
STATES PATENT AND TRADEMARK OFFICE'S FINAL
CLAIMS AND CONTINUATIONS RULES

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I. Introduction

The U.S. patent system was created by Congress on April 10, 1790 pursuant to the authority granted by Article I of the U.S. Constitution.² The first patent, issued July 31, 1790 and examined by Thomas Jefferson, was signed by George Washington.³ While the process of prosecuting or seeking a patent grant is far more complex today than in 1790, it is still a negotiation with people. A patent practitioner, attorney or agent, is a client's guide through the treacherous jungle of rules and regulations promulgated by the U.S. Patent and Trademark Office (PTO).

Patent prosecution, despite its often rigidly regulated contours, is a process run by people and operates according to negotiation models rooted in the fundamentals of human nature and interaction. While seeking a patent, a practitioner must negotiate with the patent examiner, a scientifically trained non-lawyer who on average has less experience with patents and the patent system than the practitioner.⁴

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² U.S. Const. art. I, § 8, cl. 8; U.S. PATENT & TRADEMARK OFFICE, PRESS RELEASE #02-26, THE U.S. PATENT SYSTEM CELEBRATES 212 YEARS (April 9, 2002), available at <http://www.uspto.gov/web/offices/com/speeches/02-26.htm>.

³ PRESS RELEASE #02-26, *supra* note 2; U.S. Patent No. 1 (issued July 31, 1790), available at <http://www.ptodirect.com/patent/?X000001>.

⁴ Data from the 2007 report by the Government Accountability Office indicates that 52% of examiners have five or fewer years of experience; American Intellectual Property Law Association survey statistics indicate that of the almost 17,000

On November 1, 2007, the PTO was to implement rule changes that would end aspects of patent practice that have existed for over a century.⁵ In the new human dynamic created by the new rules, what are the most effective actions practitioners can take with the average examiner during patent prosecution to help the application progress, specifically in class 438, semiconductor process?

Practitioners agree that the new rules carry a heavy price tag for many inventors and particularly companies with large patent portfolios.⁶ There are numerous significant and substantive changes to the current patent system. The two changes considered in this paper that affect practically every currently pending patent application are: 1) only one Request for Continued Examination may be filed per patent family as of right,⁷ and 2) only two continuation applications may be filed per patent family as of right.⁸ Because the rule changes

members of the society, 27% have six or fewer years of experience. U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-07-1102, U.S. PATENT & TRADEMARK OFFICE, HIRING EFFORTS ARE NOT SUFFICIENT TO REDUCE THE PATENT APPLICATION BACKLOG 27 tbl.4 (2007), available at <http://www.gao.gov/new.items/d071102.pdf>; LAW PRACTICE MGMT. COMM., AM. INTELLECTUAL PROP. LAW ASS'N, REPORT OF THE ECONOMIC SURVEY 6 (2007).

⁵ Changes To Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications, 72 Fed. Reg. 46,716 (Aug. 21, 2007) (to be codified at 37 C.F.R. pt. 1); Brief for Am. Intellectual Prop. Law Ass'n as Amicus Curiae Supporting the "GSK" Plaintiffs' Motion for a Temporary Restraining Order and Preliminary Injunction 1, *Tafas v. Dudas*, 511 F. Supp. 2d 652 (E.D. Va. 2007) (No. 07-1008), available at <http://www.aipla.org/Template.cfm?Section=20079&Template=/ContentManagement/ContentDisplay.cfm&ContentID=16245>.

⁶ IBM, for example, estimated costs for performing evaluation for compliance with the new rules for its 25,000 pending patent applications to be in excess of 10 million dollars. Brief for Am. Intellectual Prop. Law Ass'n as Amicus Curiae, *supra* note 5, at 16-19.

⁷ See Changes to Practice for Continued Examination Filings, *supra* note 5 at 46,716. A Request for Continued Examination is permitted under 37 C.F.R. § 1.114 and allows an applicant to request continuing examination of an application subject to a final rejection. See Request for Continued Examination, 37 C.F.R. § 1.114 (2007). A patent family as defined by the PTO as "the initial application and its continuation or continuation-in-part applications." Changes to Practice for Continued Examination Filings, *supra* note 5, at 46,716.

⁸ Generally, prior to the rule changes, a continuation application was an application filed after the initial application that claims subject matter disclosed but not claimed in the initial application; a continuation-in-part application was an application filed after the initial application that adds and claims subject matter not disclosed in the initial application. See 35 U.S.C.A. § 120 n.14 (West 2007); Application Number, Filing Date, and Completion of Application, 37 C.F.R. § 1.53(b); Claiming Benefit of Earlier Filing Date and Cross-references to Other Applications, 37 C.F.R. § 1.78(a); U.S. PATENT & TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE §§ 201.07-.08 (8th ed., rev. 6, Sept. 2007) [hereinafter MANUAL]. Under the new rules, continuation and continuation-in-part applications may be filed

will be retroactive upon all applications that had not received a first action on the merits by the implementation date, and upon any subsequently filed applications, tens of thousands of currently pending applications are potentially subject to these new restrictions.⁹ These two rule changes alone dramatically alter policies companies have relied on for decades when planning their patent strategies.

Faced with just over two months and a week to assess all pending applications, and amend or abandon ones subject to the rules, Glaxo-SmithKline (GSK) and others responded by filing suit against the director of the PTO, Jon Dudas, seeking to enjoin the PTO from implementing the rules on November 1, 2007.¹⁰ On October 31, after two hours of oral argument by the PTO, attorneys for GSK, and amici, Judge James Cacheris of the Eastern District of Virginia issued a preliminary injunction forbidding the PTO to implement its new rules, pending a trial on the merits.¹¹ While still waiting for the outcome of the trial and for the actual scope of the changes to be known, a practitioner can best help clients to manage the potential impacts of the rules now by 1) appreciating what motivates the average examiner, and 2) studying what prosecution tools are being used and are working in class 438 based on data from the process. Armed with this information, a practitioner can prepare successful strategies for dealing with the average examiner and help maximize the odds that patent rights can be obtained for each application. While class 438 is a limited area of technology considered by the Office, the data is concerned with prosecution behavior generally and the principles

claiming priority to the initial application, but only continuation applications may be filed claiming priority to any divisional applications. This provision ensures that, eventually, every patent family will “die out” after all the disclosed subject matter in an initial application has been claimed. *See* Changes to Practice for Continued Examination Filings, *supra* note 5, at 46,716.

⁹ Changes to Practice for Continued Examination Filings, *supra* note 5, at 46,716. First actions on the merits (FAOM) include allowances, *Ex parte Quayle* actions, and rejections. *See* MANUAL, *supra* note 8, §§ 201.07-.08.

¹⁰ *Tafas v. Dudas*, 511 F. Supp. 2d 652 (E.D. Va. 2007).

¹¹ *Id.* at 671. Judge Cacheris found that a preliminary injunction should issue because GSK was successful in showing likelihood of success on the merits because some of the rules appear to be beyond the PTO’s authority to implement, *id.* at 668, irreparable harm if the injunction were not granted because the patent rights lost at the date of implementation of rules later proved to be invalid could not be recovered, *id.* at 669, the balance of hardships tipped in GSK’s favor because if the potentially invalid rules were implemented, GSK would immediately experience loss of investment and have to deal with the uncertainty created, *id.* at 670, the PTO would merely be required to continue with the status quo if an injunction issued, and the public has a strong interest in not implementing rules that may later be proven to be invalid, *id.*

uncovered by examination of this data are likely applicable to most other art groups and technologies.

To begin understanding examiners and the data, an overall view of the prosecution process is helpful. For this paper, class 438 was selected as a representative area of technology within the Office.¹² A class is a particular subdivision of the technology classification system used by the PTO to organize the examination and searching process.¹³ After an application is filed and followed by an initial examination process, it is classified using the PTO's numerical system based on the nature of the technology disclosed. That classification is used to route the application to a specific art unit. Examiners work within an art unit, and focus their work on a particular part of the world of technology, generally a subclass or group of subclasses of a class. Any of the over eight-hundred subclasses in class 438 could be an examiner's primary responsibility.¹⁴

II. Examiner Motivations

Understanding the average examiner begins with appreciating his or her job requirements. Because successful negotiations occur when interests, not positions, are brought into alignment,¹⁵ understanding an examiner's interests permits a practitioner to read between the lines of a rejection and realize why what is happening is happening. Appreciating the examiner's interests allows a practitioner to "expand the pie"¹⁶ and avoid ruling out options that are probably still available.

During the prosecution process, the average examiner faces significant challenges from inside and outside the PTO. A constant and massive flow of new applications pours in daily from inventors all over the world.¹⁷ The examiner community, over 5400 strong¹⁸ and

¹² Class 438 was selected because of the author's prior professional experience with the technology as an engineer at Intel Corporation and his desire to better understand how to prosecute patents in this field.

¹³ See OFFICE OF PATENT CLASSIFICATION, OVERVIEW OF THE U.S. PATENT CLASSIFICATION SYSTEM (USPC) 1 (Dec. 2007), available at <http://www.uspto.gov/web/offices/opc/documents/overview.pdf>.

¹⁴ See OFFICE OF PATENT CLASSIFICATION, CLASS 438 SEMICONDUCTOR DEVICE MANUFACTURING: PROCESS (2008), available at <http://www.uspto.gov/web/patents/classification/uspc438/sched438.htm>.

¹⁵ ROGER FISHER ET AL., GETTING TO YES: NEGOTIATING AGREEMENT WITHOUT GIVING IN 40-50 (2d ed. 1991).

¹⁶ See RAU ET AL., PROCESSES OF DISPUTE RESOLUTION: THE ROLE OF LAWYERS 87 (4th ed. 2006).

¹⁷ The PTO reported that over 467,000 patent applications were filed in 2007 at the time of the annual report in November. U.S. PATENT & TRADEMARK OFFICE, PERFORMANCE & ACCOUNTABILITY REPORT: FISCAL YEAR 2007, at 109 tbl.1 (2007),

members of their own union,¹⁹ are in constant collision with management.²⁰ Management grades the average examiner's performance by metrics that are almost exclusively focused on output, not quality, and are not linked to overall organizational goals dealing with fundamental issues that face the Office like application pendency.²¹ These organizational barriers and disconnects reward the examiner who chooses hitting deadlines over doing quality work.²²

a. Examiner Performance Metrics

i. The "Count"

The average examiner's life has been committed by management to production, and his or her output is scrutinized by a variety of metrics. Understanding the principal metric by which an examiner's performance is measured, the "count," explains many of the bizarre and common events observed by practitioners in patent prosecution such as first Office actions based on art that is not related at all to the invention. An examiner receives a "count" for every first

available at <http://www.uspto.gov/web/offices/com/annual/2007/2007annualreport.pdf>.

¹⁸*Id.* at 13.

¹⁹ Patent examiners are members of the independent Patent Office Professional Association (POPA), established in 1964 to represent the interests of the examiners before PTO management. See <http://www.popa.org/html/about.htm> for more information.

²⁰ For a picture of the over two decade long struggle over a collective bargaining agreement between POPA and PTO management, see U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-05-720, INTELLECTUAL PROPERTY, USPTO HAS MADE PROGRESS IN HIRING EXAMINERS, BUT CHALLENGES TO RETENTION REMAIN 26 (2005), *available at* <http://www.gao.gov/new.items/d05720.pdf>.

²¹ See OFFICE OF INSPECTOR GEN., U.S. DEP'T OF COMMERCE, U.S. PATENT & TRADEMARK OFFICE, FINAL INSPECTION REPORT NO. IPE-15722, at ii fig.1 (2004), *available at* <http://www.oig.doc.gov/oig/reports/2004/USPTO-IPE-15722-09-04.pdf>.

²² The PTO's system for monitoring patent "quality" involves 1) examining a sample of rejections written by examiners to see if the rejections are actually valid, and 2) examining a sample of issued patents to see if they should have actually issued. Wendy Garber, Group Dir. of Tech. Ctr. 2100, U.S. Patent & Trademark Office, Presentation at the Meeting of the Intellectual Property Section of the Arizona State Bar (Nov. 27, 2007). As those familiar with modern statistical process control principles will note, however, the PTO's system is essentially a final inspection based quality control process that examines final output instead of monitoring in-line process parameters that actually control that output. The net result of such a quality initiative is that management sees employees as the source of defectives and only persons who can stop defectives and prescribe performance management, rather than process change, as the remedy. Such quality systems allow management to abdicate their primary responsibility to drive quality improvement by instituting process changes.

Office action on the merits issued, and a second “disposal count” when he or she issues a notice of allowance or a practitioner abandons an application.²³ The combination of the two counts for a given application constitutes a balanced production unit.²⁴ Management sets goals regarding the number of counts the individual examiner must generate based on the examiner’s grade level and the technology area in which they operate.²⁵ The goals are based on the number of hours in which an examiner is supposed to be able to process a given application.²⁶ These hour targets have not been adjusted since 1976 and management and the examiner community differ widely as to whether the targets are realistic or not.²⁷ Producing counts is a key indicator used in examiner performance management, and an examiner’s count total is tracked biweekly. The importance placed on generating counts is indicated in this statement by a patent examiner:

[T]here is a large stack of Office actions that are waiting to be reviewed, having been prepared no doubt after long hours spent at the Office over the weekend by examiners who've got to get their production numbers up before the quarter ends. We've actually got until about noon today to turn in actions and have them counted toward our third quarter production numbers. It's important to have your numbers in good standing at the end of each quarter, because that is when your production numbers are evaluated.

You didn't get any counts on some given bi-week? No problem. You can make it up. Just be sure that by the end of the quarter you've made at least 95%

²³ See OFFICE OF INSPECTOR GEN., *supra* note 21, at 8 fig.8.

²⁴ Wendy Garber, *supra* note 22.

²⁵ U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-07-1102, U.S. PATENT & TRADEMARK OFFICE, HIRING EFFORTS ARE NOT SUFFICIENT TO REDUCE THE PATENT APPLICATION BACKLOG 7 (2007), *available at* <http://www.gao.gov/new.items/d071102.pdf>.

²⁶ *Id.*

²⁷ *Id.* at 15-16. When asked whether, in her experience, the hours targets were appropriate, Director Garber responded that they were “about right.” Director Garber was a patent examiner and supervisory patent examiner for a number of years in the digital camera technology area prior to joining PTO management. When asked questions about other subjects relating to patent examiner overtime and reasons for attrition, Director Garber’s responses aligned very closely with other publicly stated positions of PTO management. For example, Director Garber said a major reason for examiner attrition in the office is that the job is not a “good fit” for those leaving, the sentiment expressed in the 2007 GAO report. *Id.* at 15; *see* Wendy Garber, *supra* note 22.

of your production goal, or you will receive a warning, either oral or written, which is the first step in laying the groundwork for dismissal of an examiner.²⁸

What happens when an examiner needs to get counts at the end of a quarter? An examiner cannot just allow an application, since PTO management is not encouraging examiners to allow more applications. In fact, one of the PTO's key indicators of which they are very proud is their year-over-year decreasing allowance rate.²⁹ By the end of the quarter, the examiner already knows how many disposal counts he or she has received from abandonments.³⁰ What remains? Applications waiting for a first action on the merits. If a quick, though not very thorough, search can be coupled with some overtime hours over the weekend drafting a rejection, the needed count can emerge. Is the quality of this action critical? No, because the first action is always non-final and the examiner can now wait until the practitioner responds to do anything else.³¹ If the rejection is really off-base, the practitioner will catch it and respond accordingly. No harm, no foul.

ii. The "Workflow Point"

The second key metric used to measure examiner performance has to do with the timeliness of their work. A "workflow point" is issued to each examiner every two weeks, and an elaborate system exists within the PTO for providing bonus points for work completed within recommended timeframes and point penalties for failure to meet required turnarounds.³² The workflow points system explains the practitioner's receipt of Office actions that are word-for-word copies of previous rejections,³³ final rejections after an examiner seems willing to allow, and the frantic calls from examiners asking for

²⁸ Housecleaning, http://www.feedshow.com/show_items-feed=6e9bf2696caa2c2658eedac6a94ecea4? (June 27, 2005, 20:55).

²⁹ U.S. PATENT & TRADEMARK OFFICE, PRESS RELEASE #06-73, FISCAL YEAR 2006: A RECORD-BREAKING YEAR FOR THE USPTO (Dec. 22, 2006), available at <http://www.uspto.gov/web/offices/com/speeches/06-73.htm>.

³⁰ For an application to become abandoned, an examiner must wait the statutory period of six months from the last Office action. See 35 U.S.C. § 133 (2007).

³¹ 35 U.S.C. § 132.

³² See *OCIO Revises Position Descriptions to Seek "Younger Blood,"* POPA NEWS (Patent Office Prof'l Ass'n, Arlington, Va.), Sept. 2006, at 1, 4, available at http://www.popa.org/pdf/newsletters/2006_09.pdf.

³³ Ironically, while practitioners are required to be "responsive" in responding to a rejection and the examiner can take appropriate action, practitioners have no recourse to non-responsive rejections issued by examiners. See Reply by Applicant or Patent Owner to a Non-final Office Action, 37 C.F.R. § 1.111 (2007); MANUAL, *supra* note 8, §§ 714.02-.03.

a quick decision on a pending Office action, particularly at the end of a quarter.

To manage work in the Office, an examiner uses various dockets, each helping to govern his or her workflow point exposure.³⁴ Not surprisingly, because performance to schedule is measured by workflow points, and the docket system is the way an examiner prevents unfortunate point penalties from occurring, the choice of which application is worked on at a given moment depends upon what docket it is on right now.³⁵ Unlike practitioners, patent examiners cannot pay extension of time fees but must personally pay for each deadline they miss.

An examiner has five dockets: the regular new, regular amended, special new, special amended, and rejected.³⁶ Applications on the regular new docket are those just docketed to an examiner including continuation-in-part applications and those awaiting their first action.³⁷ Applications on the regular amended docket are cases where a response from an attorney or agent has been received.³⁸ The special new docket includes applications that have been made special or are continuations or divisional applications.³⁹ The special amended docket includes those applications that are from the special new docket that have responses from an attorney awaiting consideration, are amendments after a final rejection,⁴⁰ or are decisions by the Board of Patent Appeals and Interferences (the “Board”).⁴¹ The rejected docket includes all applications for which the examiner has issued a rejection and which are awaiting a response from an attorney or agent. Given all the dockets to juggle, how does an examiner determine what item

³⁴ The information for this and the succeeding paragraph are from an anonymous primary patent examiner. Information on the actual work life of a patent examiner is not well documented, but this examiner’s blog postings are extremely helpful and correlate with examiner behavior observed while collecting the data for this paper. Examiner’s Dockets, http://www.feedshow.com/show_items-feed=6e9bfn2696caa2c2658eedac6a94ecea4? (June 5, 2006, 19:34).

³⁵ *Id.*

³⁶ *Id.*

³⁷ *Id.*

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ An amendment after final rejection is an amendment to the application written by a practitioner containing amendments to the claims and/or arguments along with a statement that the amendments either were not considered necessary at the time of the previous amendments or put the claims in better condition for appeal. *See* Amendments and Affidavits or Other Evidence After Final Action and Prior to Appeal, 37 C.F.R. § 1.116 (2007).

⁴¹ The Board of Patent Appeals and Interferences is composed of administrative patent judges that hear all patent appeal decisions. *See* <http://www.uspto.gov/web/offices/dcom/bpai/index.html>.

from each of these dockets to work on? The answer is workflow points. Table 1 shows the point value of two of the bonuses and deductions that examiners can receive by managing or mismanaging applications on their regular amended or special amended dockets.

Type of Response	Processing Time Requirement	Recommended Processing Time	Workflow Point Penalty	Workflow Point Bonus
Non-Final Rejections	2 months	1 month	-1	+0.2
Amendments After Final	Within 10 calendar days of receipt	Processed within 10 calendar days, mailed within 30 calendar days.	-2	+0.5

Table 1⁴²

By inspection, items on the special amended docket, like amendments after final rejection, are top priority because if the required window for reply is missed (10 days for an amendment after final) a hefty penalty is imposed (-2 points, or a month of workflow points). However, if the examiner manages to make the deadline, the potential bonus (+0.5 point) is the largest available. Because the potential for earning bonus points is only about 20-25% of most of the penalties, an examiner is required to do five times as much work by a bonus deadline to cancel the effect of most single penalties.

The effect of this strongly skewed bonus and penalty system resulting in a focusing of the average examiner's attention on the cases they are currently examining now and an operational priority by docket in this order: Special Amended, Regular Amended, Special New, and lastly, Regular New.⁴³ Once an examiner has begun examining enough applications, he or she can spend most of the time dealing with those already started without having to begin the process with any others, provided he or she can keep a minimum number of first action counts coming. As one examiner put it, "[p]rimary examiners will often have such a large number of applications on their

⁴² Table adapted from table in Appendix 5, "Workflow Management Criteria," OFFICE OF INSPECTOR GEN., *supra* note 21, at 35 (note the 1987 revision date on these requirements).

⁴³ Applications in the Rejected docket require no further action unless statutory periods for response are not met, at which point the application is officially abandoned.

Rejected and Amended dockets that between allowances and [Requests for Continued Examination], they can maintain their production goals without picking up a new application for months at a time.”⁴⁴

Like counts, workflow bonus points have no relation to the content of an application and cannot be used as a measure of the quality of the work product generated by an examiner.⁴⁵ The most insidious effect of this rewards/penalty system is a systemic bias against examination of applications on the Regular New docket. Picking up a new application will generally be the last thing an examiner will get to because of all the deadlines associated with his or her other dockets—new applications become what gets done after all the fires have been put out.

The foregoing applies principally to those examiners with more experience, who have been working long enough to build up their Amended dockets. New examiners begin by examining cases on the Regular New docket.⁴⁶ The PTO’s hiring of over one thousand examiners in 2006 and over one thousand in 2007 is intended to create a drop in the pendency of applications, as hundreds of new examiners take up the backlogged cases on the senior examiners’ Regular New dockets.⁴⁷ However, as the 2007 GAO Report observed, unless the PTO begins to reform the goals associated with counts, application pendency will only continue to rise.⁴⁸ What is truly remarkable in view of the PTO’s own systems is that the Office recently proclaimed that during 2004 to 2007 the agency has been successful in managing application pendency—a statement made next to a graph showing average application pendency rising by five months over those four years, continuing a trend of year-over-year increases.⁴⁹ In 2007, the

⁴⁴ Examiner’s Dockets, *supra* note 34.

⁴⁵ Merely completing a particular task within a specified period of time does not mean that what was produced was work of quality. However, if the only quality measure of importance in an organization is the amount of output, then timeliness and volume become what everything else are subordinated to.

⁴⁶ Examiner’s Dockets, *supra* note 34.

⁴⁷ The PTO reported hiring 1,200 examiners in 2006 with 1,200 more planned in 2007. U.S. PATENT & TRADEMARK OFFICE, PERFORMANCE & ACCOUNTABILITY REPORT: FISCAL YEAR 2006, at 4 (2006), *available at* <http://www.uspto.gov/web/offices/com/annual/2006/2006annualreport.pdf>.

⁴⁸ See GAO-07-1102, *supra* note 4, at 23. The GAO recommendation represents a beginning point, but oversimplifies the solution because merely changing the counts goals without changing the workflow points system will not remove a key source of systemic bias against examination of new applications.

⁴⁹ See PERFORMANCE & ACCOUNTABILITY REPORT: FISCAL YEAR 2007, *supra* note 17, at 16.

average application was taking over two years to receive its first Office action.⁵⁰

iii. *The “Examining Hour”*

The third and perhaps most personal metric used by PTO management to scrutinize examiner performance is the “examining hour.”⁵¹ This measure exists as an attempt by management to simulate the real world by requiring that the examiners record the time they take to perform specific tasks; however, the system deviates significantly from reality in several key respects. Unlike a practitioner’s billing system, an examiner begins to receive examining hours as soon as he or she starts work—an examiner is always “on the clock” unless he or she participates in one of a list of enumerated tasks that are considered “non-examining time.”⁵² What is most revealing about the examining hours system is the activities that are considered “non-examining time,” namely, supervising the work of junior examiners, examiner-initiated interviews with a practitioner, attending training classes, attending meetings, and, until very recently, conducting practitioner-initiated telephone interviews.⁵³

It is not encouraging that the list of tasks that count as non-examining hours includes tasks that 1) are required to improve the average examiner’s abilities, 2) enable communication within the Office and the functioning of the examining corps, and 3) facilitate disposal of applications. Because of this, the outlook for examiner self development, the PTO’s internal communication, and application pendency is bleak. Examiners can find themselves in the position of having to work more than forty hours per week to compensate for the tasks they cannot record as examining hours but must participate in to do their jobs. Because these tasks are non-examining time, examiners cannot claim them as overtime.

Understandably, the average examiner regards the current system as unjust.⁵⁴ A classic vitriolic union/management dynamic has

⁵⁰ *Id.* at 16. The adage, “justice delayed is justice denied,” comes to mind, particularly when the plight of the independent inventor is considered. Independent inventors are entrepreneurs who often are seeking funding with which to start a new business based on the technology disclosed in their application. Those with issued patents in hand are far more likely to get funding than those who can only say they hope their idea is patentable.

⁵¹ See OFFICE OF INSPECTOR GEN., *supra* note 21, at 8.

⁵² Wendy Garber, *supra* note 22.

⁵³ *Id.*; Extra Time for Interviews, http://www.feedshow.com/show_items-feed=6e9bf2696caa2c2658eedac6a94ecea4?page=2 (June 23, 2006, 02:08).

⁵⁴ Understandably, the first year associate practitioner with a 2000 hour billing requirement feels little sympathy for the average examiner. Twenty-five percent of

been playing out for years in the PTO over this very subject.⁵⁵ A statement in the most recent GAO report, while not necessarily making the connection that examiner overtime is linked not just to count goals but also to examining hours and workflow points, beautifully summarizes PTO management's attitude: "[a]s with many professionals who occasionally remain at work longer to make up for time during the day spent chatting or because they were less productive than intended, examiners may stay at the office (or remote location) longer than their scheduled tour of duty to work."⁵⁶

These three metrics (counts, workflow points, and examining hours) are what management expects an examiner to produce. Unfortunately, these metrics enable those who do nothing more than push paper to safely draw a paycheck and simultaneously serve to drive anyone who is willing to go above and beyond out of the Office. Indeed, in light of the counts production goals alone (not revised since 1976), 59% of patent examiners stated the unpaid overtime they had to work to meet their goals is a primary reason they would leave the PTO.⁵⁷ Indeed, since nearly one out of every two examiners hired since 2002 has done so, the Office has little data to support a contrary argument.⁵⁸ These three metrics alone provide an explanation of why the work product leaving the office and application pendency is so poor. None of them has the ability to measure or incentivize quality work.⁵⁹ It is the author's opinion that nothing will change what happens at the PTO with a given case until a cultural change occurs, driven by an examiner rewards system aligned with objectives determined by and measured using a statistical quality control process. Such processes are well known and implemented in the private sector; the PTO faces the decision whether to embrace such a change and focus on the customer or continue to fail in its progress.

practitioners with less than five years experience in firms billed 2000 hours or greater in 2006. See REPORT OF THE ECONOMIC SURVEY, *supra* note 4, at 6.

⁵⁵ See *Raw Goal Plan is a Raw Deal*, POPA NEWS (Patent Office Prof'l Ass'n, Arlington, VA), Nov. 2006, at 1, available at http://www.popa.org/pdf/newsletters/2006_11.pdf.

⁵⁶ See GAO-07-1102, *supra* note 4, at 18.

⁵⁷ *Id.* at 19.

⁵⁸ *Id.* at Highlights.

⁵⁹ For example, if an examiner is in danger of losing workflow points by failing to respond in time, he or she can easily send out a copy of the last Office action adding the words "the applicant's arguments have been fully considered but are unpersuasive." This regularly encountered statement in Office actions gives the practitioner (the customer) zero insight as to what the examiner considers the real issue blocking allowance of an application.

b. The New Rules and the Examiner Performance Metrics

The new rules changes do not affect any of the three examiner metrics directly.⁶⁰ Accordingly, while the options available to practitioners have dramatically changed, it will be business as usual at the PTO as far as performance management is concerned. This disconnect has tremendous potential to hinder the Office's work because, as is discussed in detail in the following sections, practitioners will no longer have as many options available to allow them to give examiners what they want so practitioners can get what they need. Since the average examiner with which a practitioner works has little organizational incentive to do a good job with a specific application right now, under the new rules, practitioners face the quandary of trying to make the examiner happy while not sacrificing a client's legal rights in their invention.

Appreciating this dilemma can promote two responses from the practitioner: 1) patent prosecution is an ultimately futile attempt to extract something of value from a fatally flawed and hopeless system, or 2) while results cannot be guaranteed and are becoming increasingly proscribed, a wide variety of options are available that, if used proactively, can maximize what the client will receive from the average examiner. Preferring to see the glass half full, the options available and their effectiveness are illustrated in view of data obtained from class 438.

III. The Data from Class 438: The Impact of the New Rules on the Status Quo

a. Negotiating Leverage and the Final Rejection

During patent prosecution, an examiner cannot issue a final rejection of an initial application during the first action on the merits.⁶¹ Accordingly, a practitioner does not "run out of time" with an application, and the examiner does not have to decide on what grounds an application is not allowable, until he or she is drafting the final rejection. In class 438, only 44.2% of all applications received a final

⁶⁰ The PTO's response to Comment 280 affirms that the rule changes made no alterations to production goals. *See Changes To Practice for Continued Examination Filings, supra* note 5, at 46,818.

⁶¹ *See* Final Rejection or Action, 37 C.F.R. § 1.113 (2007). However, in RCE and continuation cases, the rule allows an Examiner to issue a final rejection on the first action if no amendments to the claims are made. *See* MANUAL, *supra* note 8, § 706.07(b).

rejection at any stage during prosecution.⁶² The rest proceeded to allowance or were abandoned prior to a final rejection being issued. A somewhat sobering statistic for the practitioner is that while only 25.5% of issued patents in class 438 received a final rejection, 64.2% of abandoned or still pending applications did. While receiving a final rejection in class 438 may be a confirmation that there are significant problems with the patentability of the invention, because other potential causes for receiving a final rejection exist other than the merits of the application (an examiner in trouble with workflow points, for example), any final rejection must always be taken with a grain of salt.

The great positive about any final rejection for the practitioner is that the examiner has handed him or her great negotiating leverage. Shell defines leverage as “your power not just to reach agreement, but to obtain an agreement *on your own terms*.”⁶³ Shell further defines three types of leverage: 1) positive, “leverage based on the relative abilities of each party to supply things the other wants...” 2) negative, “leverage based on the parties’ relative ability to take away things each currently has...” and 3) normative, “leverage based on application of the consistency principle”⁶⁴

At first blush, however, final rejection appears to have little of what could be considered leverage. Prosecution on the merits of the case is officially closed;⁶⁵ the options are proscribed and the client may be getting hot and bothered. However, in many respects, there is much more that is good about a final rejection than is bad. A practitioner’s leverage begins with a final rejection because the examiner has now stated his or her position on the patentability of the invention. The examiner is finally finished with the back and forth process of non-final rejection and response. He or she, like the practitioner, is ready to get down to business after months or years of discussion.

The practitioner also gains leverage because the data indicates that examiners are more than willing to change their minds. With 25.5% of issued patents in class 438 coming from applications that were finally rejected at least once, a practitioner should see a final

⁶² All percentages in this paper were personally calculated using JMP 6.0 and Excel using a copy of the data set in Appendix A.

⁶³ G. RICHARD SHELL, *BARGAINING FOR ADVANTAGE: NEGOTIATING STRATEGIES FOR REASONABLE PEOPLE 90* (Penguin Books 2000) (1999).

⁶⁴ *Id.* at 102. With respect to normative leverage, Shell states “Normative leverage is the skillful use of standards, norms, and coherent positioning to gain advantage or protect a position. You maximize your normative leverage when the standards, norms, and themes you assert are ones *the other party views as legitimate and relevant to the resolution of your differences*.” *Id.* at 43.

⁶⁵ See 37 C.F.R. § 1.113(a) (2007).

rejection as an opportunity.⁶⁶ The greatest change for the practitioner facing a final rejection from the PTO's new rules is that far fewer options are available than before.

i. Quick Leverage: The Amendment After Final Rejection

The first option at a practitioner's disposal is to file an amendment after final rejection, amending the claims in view of the examiner's rejections and/or including arguments that the claims are now presented in better form for appeal or that the amendments made were not previously included because it was felt they were not needed.⁶⁷ Amendments after final were filed 73.8% of the time for issued patents and 48.5% of the time in abandoned or still pending cases. These amendments were entered 56.3% of the time for issued patents and 14.6% of the time for abandoned or pending cases, with an overall entry rate of 30%.⁶⁸ For issued patents, 41.6% of finally rejected applications were allowed when an amendment after final was filed. This statistic is not insignificant; entry of amendments after final was largely responsible for issuing over 12% of the patents in class 438. With a 30% entry rate overall, the success of the amendments cannot be explained as the result of the brilliance of the practitioner's arguments or the weakness of the examiner's rejections, but rather because the practitioner has played his or her leverage card.

When an amendment after final is filed by a practitioner, the workflow pressure on the examiner rapidly increases. Amendments after final go on the Special Amended docket, and Office workflow guidelines require they be responded to within 10 days after receipt by the examiner. As shown in Table 1, if the examiner responds within this timeframe, he or she can receive +0.5 workflow bonus points,

⁶⁶ However, a practitioner, attorney or agent, is bound by the ethical canons and disciplinary rules contained in Canons and Disciplinary Rules, 37 C.F.R. §§ 10.20-.112. While a practitioner is to represent a client zealously, he or she is not allowed to knowingly make false statements of fact, which may be likely if the practitioner is merely keeping an obviously unpatentable case alive. *See Representing a Client Zealously*, 37 C.F.R. § 10.85.

⁶⁷ *See Amendments and Affidavits or Other Evidence After Final Action and Prior to Appeal*, 37 C.F.R. § 1.116.

⁶⁸ Entry of the amendment in this paper means the examiner has agreed with the practitioner's arguments, entered the proposed claim amendments, *and* reopened prosecution on the merits. Officially, entry of the amendment only means that the claim amendments have been entered, *see* 37 C.F.R. § 1.116(b)(3); the examiner may still refuse to reopen prosecution as to the merits. In these cases, however, the amendment after final has not been directly effective at getting to allowance by reopening prosecution, which is why these cases were not considered "entered."

with a penalty of -2 points for failure. In comparison with the paltry +0.2 workflow point bonus that can be received for responding within one month for an item on the Regular Amended docket, examiners must eye that +0.5 bonus with anticipation. In addition, by amending the claims and/or presenting arguments similar to what the examiner would face on appeal, the practitioner has placed a disposal count on the examiner's desk right in front of him or her. All the examiner must do to receive that count is allow the application.⁶⁹ Refusing to enter the amendment means the examiner will have to wait another six months to receive the count if the application is abandoned, or deal with an appeal. After having to drop what he or she was working on to read the amendment, the thought must cross the examiner's mind: "I could really use this count, I need the bonus points and this practitioner has given me some of what I was asking for in the last rejection. Why not split the difference and allow this one?"⁷⁰

Amendments after final generate positive and normative leverage for practitioners. First, by filing such an amendment, the practitioner has handed the examiner the opportunity to get a count and a substantial workflow point bonus immediately. Secondly, the practitioner has used the principle of reciprocity to help generate normative leverage. Shell states that the power of reciprocity, or *quid pro quo*, is a well documented norm that establishes trust in negotiations. Reciprocity is effective in generating results both short and long term.⁷¹ Because the practitioner has the opportunity by making the amendment (however material the change may actually be) to acknowledge the validity of the examiner's view of the application, the average examiner now feels the pressure to respond in kind. The opportunity for the count and the workflow point bonus serves to sweeten the deal (and expand the pie). The leverage available from use of amendments after final explains why practitioners succeed in reopening prosecution with amendments after final more than 50% of the time for issued patents and 30% overall. Use of amendments after final is a classic example of how, while the prosecution system is not a conventional negotiation model, careful use of the system's machinery can create conventional negotiated outcomes.

The rate of success with amendments after final, in reopening prosecution that has been formally "closed," indicates that, within the bounds of reason and a practitioner's ethical responsibilities,

⁶⁹ An allowance, abandonment, request for continued examination (RCE), and the Examiner's Answer all are considered disposal counts. See MANUAL, *supra* note 8, § 1705(III).

⁷⁰ The human tendency under pressure during negotiation is to "split the difference" because it is inherently fair.

⁷¹ G. RICHARD SHELL, *supra* note 63, at 59.

amendments after final should probably be filed as a matter of course. If the PTO's new rules are implemented, amendments after final will become absolutely critical, because, for at least a majority of applications, they are the only option that does not immediately involve a sacrifice of the client's future patent rights.⁷²

ii. Second Choice: The Request for Continued Examination

If the amendment after final is not entered, the second option for practitioners is to file a Request for Continued Examination ("RCE"). The advantages of an RCE to the practitioner are that he or she can start completely over with the claims and redraft them in view of all the prior art cited by the examiner. At times, a practitioner is dealing with poorly drafted claims or claims that are overbroad because no search of the prior art was made before the application was filed. Having a chance to start over may be the key to getting a particular application allowed.⁷³ For the examiner, RCEs are great since processing an RCE request means that he or she will receive an instant disposal count followed by the opportunity to get two more counts from the same application while being able to reuse previous search results and arguments.⁷⁴ More counts for much less work is a definite win.

While the filing of RCEs with the Office creates great internal headaches and is disfavored by management who are seeking to reduce the amount of application "rework,"⁷⁵ from the perspective of

⁷² Pursuing the appeals process means that after an additional time frame (sometimes years), the patent may still be ultimately rejected. The Board has recently been increasingly affirming examiners (this is probably the result of the implementation of the pre-appeal brief conference process discussed later rather than greater accuracy by examiners overall). See PERFORMANCE & ACCOUNTABILITY REPORT: FISCAL YEAR 2007, *supra* note 17, at 16-17.

⁷³ However, the RCE process has been criticized as being abused by practitioners who use it as a way to "wear down" an examiner; that this practice exists is indicated by two cases in the data set that had three and four RCEs, respectively, filed during prosecution and are still pending. See U.S. Patent Application 20030003730 (filed Aug. 28, 2002); U.S. Patent Application 20040161947 (filed Feb. 9, 2004).

⁷⁴ See Partnership Agreement Between the United States Patent and Trademark Office and the Patent Office Professionals Association 2 (May 29, 2000), available at <http://www.popa.org/pdf/agreements/rce.pdf>, for the agreement that solidified the RCE counts policy and secured this benefit for the examiners.

⁷⁵ RCEs are included in the "rework" statistic the PTO uses to determine the number of applications already related to or being reprocessed that are being worked on by examiners. Joseph Rolla, Deputy Commissioner for Patent Examination Policy, U.S. Patent & Trademark Office, Presentation to the Boston Patent Law Association

the average examiner, that a high rate of rework in the Office exacerbates the backlog of applications is of no consequence. The average examiner is accountable only for generating counts, recording examining hours, and avoiding workflow point losses. As long as there is plenty of work, the average examiner has no issues being “successful.” Ultimately, both practitioners and examiners have no disincentive to use the RCE process and often do so because it represents one of the very few win-win outcomes available in today’s patent prosecution system.

Unfortunately, under the PTO’s new rules, RCE practice is severely restricted, as a practitioner can only file an RCE *once* as a matter of right *per patent family*.⁷⁶ This means that a practitioner gets only one RCE to use on any one of three patent applications, one or more of which may actually be filed years following the filing of the initial application now under final rejection. Under the new rules, practitioners now face a real dilemma: if they choose to file an RCE on the initial application, claiming only a portion of the patentable subject matter disclosed in an application, they will no longer be able to use an RCE for any of the two available continuation applications that may be used to claim the rest of the subject matter disclosed. What if the subject matter not claimed in the initial application winds up in the client’s commercial product and another company begins making an identical product? Having the RCE available for use on a pending continuation application would be far more important to the client now than the one used on the parent application. This situation is like those argued by the attorneys for the American Intellectual Property Law Association (AIPLA) in their brief before Judge Cacharis, where a practitioner must choose how best to sacrifice a client’s patent rights.⁷⁷ In this respect, the new rules present significant malpractice implications for practitioners who may have,

13 (January 2006), available at <http://www.uspto.gov/web/offices/pac/dapp/opla/presentation/bostonplaslides.ppt>.

⁷⁶ A practitioner is required to petition to receive a second RCE, which the PTO has indicated will be rarely granted. Changes To Practice for Continued Examination Filings, *supra* note 5, at 46, 716.

⁷⁷ AIPLA’s attorneys discussed the dilemma of the practitioner counseling the client about filing an “Examination Support Document” (ESD) which, among other activities creating potentially damaging statements, requires a practitioner to perform a search of the prior art and explain how the claims as filed differ from that art. An ESD would be required under the new rules if more than five independent claims or twenty-five total claims were to be examined in a given application. Since the rules applied retroactively, decisions about whether to file an ESD or to cancel the excess claims in pending applications would have to be made by the practitioner and the client. These types of ethical and practical considerations flow from many of the proposed rule changes. See Brief for Am. Intellectual Prop. Law Ass’n as Amicus Curiae, *supra* note 5, at 7-8.

according to their clients, used the one available RCE “too early” and forfeited some or all of their clients’ most valuable patent rights.⁷⁸

While the foregoing are significant issues raised by the new rules, perhaps the most broadly felt impact of the new RCE rules change will be simply that practitioners can no longer generate normative leverage by using RCEs to make *quid pro quo* trades with examiners. Practically speaking, the RCE’s win-win potential has been eliminated by the new rules, and both the practitioners and examiners will suffer. Moreover, the client will wind up losing a portion of, or all of his or her patent rights, which negates the purpose of the patent prosecution negotiation.

What is the potential impact in class 438 if RCEs essentially become a rarity? RCEs were filed in 46.2% of issued patents receiving a final rejection in class 438 and filed in 38.9% of issued patents.⁷⁹ Overall, 13.2% of all issued patents in class 438 involved an RCE; 11.3% of those were filed after a final rejection and 1.9% of those were filed *without* a final rejection. The foregoing statistics indicate that a majority of the thirty-five patents in the sample issued involving an RCE (which represent approximately 5,400 issued patents) may *not* have been issued if the PTO’s new rules regarding RCEs were implemented.⁸⁰

iii. Last Choice? The Appeal

Under the new rules, if an amendment after final rejection was not successful and an RCE not advised, the third option available to the practitioner is to appeal the examiner’s decision. This choice was made in 13.8% of issued patents that had a final rejection and 16.6 % of abandoned or pending patents. When negotiating with patent examiners, practitioners quickly realize that the examiner does not and will not use a standard similar to their own when gauging the patentability of the invention. Shell offers the insight that:

In these difficult cases, you will need to resort to explicit leverage and search for an ally—a third party to

⁷⁸ As the brief discusses, the practitioner has essentially lost the opportunity to procedurally inform the examiner of prior art discovered late in the examination process relevant to the patentability of the invention and may later face charges of inequitable conduct for failure to disclose. This situation requires the client and the practitioner to choose between knowingly allowing an invalid patent to issue and expressly abandoning an allowed application that has been years and thousands of dollars in the making. *See id.*

⁷⁹ These statistics include those cases where multiple RCE filings were required (2 or 3) to bring the application to the point of allowance.

⁸⁰ This statistic indicates the magnitude of patent rights eliminated by the new rules.

whom your bargaining counterpart is answerable and who is sympathetic to your norms. Once you can locate such a person, you need to arrange things so you negotiate in the third party's presence or under the third party's protection. Allies serve as audiences or witnesses to guarantee the application of standards that ought, in fairness, to apply.⁸¹

1. Plead Your Case: The Pre-appeal Brief Conference

The appeals process allows a practitioner to obtain just such an audience through the pre-appeal brief conference. During the summer of 2005 the PTO began a pilot program of pre-appeal brief conferences to reduce the costs of the current appeal process on practitioners, their clients, examiners, and the Board.⁸² The pre-appeal brief conference process requires that a practitioner file simultaneously with a notice of appeal a request for a pre-appeal brief conference accompanied by not more than five pages of arguments, which will be subsequently reviewed by a panel of patent examiners (the examiner currently examining the application, his or her supervisor, and another experienced examiner) before the case proceeds to the Board.⁸³ The PTO implemented this program because according to their statistics, 60% of filed appeals were not being forwarded to the Board for consideration.⁸⁴ The results were remarkable: in the first several months, 43% of applications considered had prosecution reopened (the final rejection withdrawn by the examiner) and 7% proceeded directly to allowance; the remaining 43% proceeded to the Board.⁸⁵

The foregoing is a testimony of the power of the practitioner obtaining an audience (the two new examiners on the panel) before

⁸¹ G. RICHARD SHELL, *BARGAINING FOR ADVANTAGE: NEGOTIATION STRATEGIES FOR REASONABLE PEOPLE* 47 (Penguin Books 1999).

⁸² Press Release, U.S. Patent and Trademark Office, *Improved Patent Appeal Process Will Save Patent Applicants \$30 Million Annually* (July 13, 2005), <http://www.uspto.gov/web/offices/com/speeches/05-31.htm>.

⁸³ Wendy A. Choi & Joseph F. Oriti, *Pre-Appeal Brief Conference Program—A Lower Cost Option for Patent Applicants*, *INTELLECTUAL PROP. PERSPECTIVES* (Woodcock Washburn LLP, Philadelphia, P.A.) Spring 2006, at 8, available at <http://www.woodcock.com/publications/newsletters/Intellectual%20Property%20Perspectives%20Spring%202006%20Newsletter.pdf>.

⁸⁴ *Id.*

⁸⁵ Jane Inglese, *USPTO Releases 2005 Performance and Accountability Report*, *INTELLECTUAL PROPERTY PERSPECTIVES* (Woodcock Washburn LLP, Philadelphia, P.A.), Spring 2006, at 4, available at <http://www.woodcock.com/publications/newsletters/Intellectual%20Property%20Perspectives%20Spring%202006%20Newsletter.pdf>.

whom to thoroughly argue his or her case. The new examiners on the panel are experienced individuals who have no personal stake, per se, in the outcome. The normative leverage available to the practitioner through such a conference is very large because average examiners, even difficult ones, can be brought to see reason.

Notwithstanding the leverage potential, many practitioners are reluctant to appeal for several reasons: 1) the cost of pursuing an appeal with the PTO is higher than filing an RCE,⁸⁶ 2) an adverse decision on appeal by the Board eliminates the possibility of the patent issuing without pursuing even more expensive federal court litigation and/or appeals,⁸⁷ and 3) the perception that taking examiners up on appeal damages the relationship between the practitioner and the examiner. Since a practitioner's client is usually filing a number of applications in a fairly narrow range of technologies, the odds that a practitioner will have to deal with the same examiner again are high. Therefore, many practitioners reserve the appeals process only for clients willing and able to pay, as well as for particularly egregious examiner actions. Because of these considerations, many practitioners had used RCEs almost as a matter of course. Under the new rules, however, the RCE option is unavailable.

The pre-appeal brief conference is likely the best way to both preserve the practitioner/examiner relationship and maximize the odds of reopening prosecution in any particular case. This is because the panel process permits the average examiner, whose decision has been appealed, to save face if he or she agrees to change position – as he or she will 46% of the time. For instance, they may employ the general reasoning: “WE agreed to reopen prosecution. WE agreed that in view of the arguments, the case should proceed to allowance.” For most people, “we” is much easier to say than “I,” particularly when what is being said is, “I was wrong.” The PTO pre-appeal brief conference process pilot has now been extended permanently across the Office.⁸⁸ In view of the availability of this technique and its potential to preserve practitioner/examiner relationships, practitioners should consider using the pre-appeal brief conference as their second option under the new rules instead of an RCE if an amendment after final fails to reopen prosecution on a case facing final rejection.

⁸⁶ See LAW PRACTICE MGMT. COMM., REPORT OF THE ECONOMIC SURVEY 2007, AM. INTELLECTUAL PROP. LAW ASS'N 21 (2007).

⁸⁷ After a decision by the Board, an applicant can sue directly in federal district court or appeal directly to the Federal Circuit of the U.S. Court of Appeals. Ultimately, appeals can be taken to the United States Supreme Court.

⁸⁸ John Doll, *Extension of the Pilot Pre-Appeal Brief Conference Program*, OFFICIAL GAZETTE NOTICES, (U.S. Patent and Trademark Office), Jan. 10, 2006, available at <http://www.uspto.gov/go/og/2006/week06/patexcf.htm>.

2. Seek Justice: Take the Examiner to the Board

However, if the pre-appeal brief conference option cannot get the average examiner to yield, after completing the steps leading up to the conference, a practitioner has already started the process of taking the case to the Board and has now gained additional insight into the examiner's position and arguments. A practitioner's determination now to prosecute a case the rest of the way through the appeals process is another opportunity to generate negotiating leverage. From the examiner's perspective, the appeals process is work, which, while providing plenty of examining time, yields only one count and lots of workflow point liability.⁸⁹ The low rate of filing of Notices of Appeal in Class 438 (only in 7% of the publicly available applications in Class 438) means that on the average few examiners have appeals experience. Not being lawyers, like most practitioners, many of the examiners likely find the appellate process foreign, time consuming, and aggravating. These examiners may wonder: why learn something new when you can get counts doing something else?

The foregoing considerations perhaps explain the reality that, for publicly available applications in Class 438, the examiner takes the case to the Board only 13.5% of the time a notice of appeal is filed.⁹⁰ The other side of the coin is, however, that in every case (5 in the data set) in which a Board decision occurred (a little more than half of the cases represented by that 13.5%), the examiner was affirmed.⁹¹ The foregoing indicates, however, that at least 86% of the time a practitioner files a notice of appeal, prosecution will be reopened or allowance will occur. This conclusion is borne out by the observation that nine of the issued patents in the data set were issued after a notice of appeal was filed (a number representing over 1400 issued patents over the time frame considered by this paper).

Even if the pre-appeal brief conference fails to yield results, it appears that practitioners still have, by pursuing an appeal, a good alternative to abandonment of an application under final rejection. In

⁸⁹ An examiner receives a disposal count when the Examiner's Answer is filed. *See* MANUAL, *supra* note 8, § 1705(III).

⁹⁰ In only one case in the data set (20030102566) was a pre-appeal brief conference pursued; the case proceeded to allowance and was abandoned for failure to pay the issue fee. This data indicates that it is *not* because pre-appeal brief conferences are widely used in class 438 that the percentage of times an examiner takes the case to the Board is so low.

⁹¹ As of this writing, four of the cases (20020149033, 20030203591, 20050274457, and 20060000799) are still waiting for a Board decision; accordingly, the conclusion cannot be drawn that in every case in class 438 the examiner will be affirmed on appeal by the Board.

the world of negotiation models, Ury, et al. have referred to opportunities like a Board decision as the “Best Alternative To a Negotiated Agreement” or BATNA.⁹² The BATNA represents the best alternative to no deal, or in “patent-speak,” the best alternative to abandonment. Since statute permits filing a notice of appeal when any claim in an application has been twice rejected,⁹³ the appeals process can be started even before a final rejection has issued, even if the second rejection is non-final. Under the new rules, in certain circumstances practitioners may not want to wait for the examiner to get serious about an application, and may accordingly want to move rapidly into the appellate process.⁹⁴

iv. When in Doubt, File a Continuation

If an amendment after final rejection is not entered, and for various other substantive reasons the practitioner believes it would be unwise to pursue an appeal,⁹⁵ the practitioner has one final option to create patent rights for the client without abandoning the priority date obtained by the filing of the initial application.⁹⁶ That option is to file a continuation or continuation-in-part application with new claims.⁹⁷ Prior to implementing new rules, the courts essentially allowed practitioners to file an unlimited number of continuation and continuation-in-part applications.⁹⁸ The PTO’s new rules represent a serious effort to rein in the many existing patent families that consist of numerous patents filed, as continuations and continuations-in-part, claiming priority to an application previously filed. Continuation patents are often used to rapidly issue claims that cover a competitor’s improvement on a patented technology, which does not infringe upon the existing patents. These improvements come years after the

⁹² ROGER FISHER ET AL., *supra* note 15, at 100, *cited by* RAU ET AL., PROCESSES OF DISPUTE RESOLUTION 89 (Thomson West 4th ed. 2006).

⁹³ *See* 35 U.S.C.A. § 134(a) (West 2007).

⁹⁴ For example, if there are no longer any RCEs available in a patent family and if negotiations are going nowhere with a particular continuation application, moving to the appeals process before final rejection may actually expedite prosecution.

⁹⁵ Some substantive reasons include rejections under 35 U.S.C. § 112, which state that the specification fails to provide supporting disclosure for the claims. Such rejections cannot be cured by amending the specification because no new matter can be added during prosecution. *See* MANUAL, *supra* note 8, §§ 2161, 2163.06. The only way to add new matter is to file a continuation-in-part application that includes the missing disclosure and claims priority to the original application.

⁹⁶ The priority date is the date of filing for applications filed in the U.S.; it is the date of national stage entry for international applications under 35 U.S.C. § 371.

⁹⁷ *See* 35 U.S.C.A. § 120 (West 2007).

⁹⁸ *See, e.g., In re Henriksen*, 399 F.2d 253, 254 (C.C.P.A. 1968); *In re Bogese*, 303 F.3d 1362, 1368 (Fed. Cir. 2002).

issuance of the initial patent. Some companies practice keeping an application pending in each patent family as long as possible, which allows them to “come up out of the water” and attack quickly. From the PTO’s perspective, such “submarine” behavior damages the rework metric, and every newly filed application can turn into a giant family of applications, each requiring examination.

From the foregoing, limiting the number of continuation applications to two under the new rules is understandable, but as implemented, represents an extremely restrictive approach. While other options to help ensure the client receives as much patent coverage of an invention or family of inventions as possible exists under the new rules,⁹⁹ the retroactive application of the rules will result in a substantial denial of patent rights to clients who use one of their continuation applications to correct problems caused by a drafter’s mistake or omission.¹⁰⁰ In these cases, the client loses an opportunity to claim some of the subject matter in the initial application that he or she had planned to claim using continuation applications.

The foregoing scenario is not uncommon: in 13.6% of the abandoned or still pending cases in the data set, a child continuation application was filed;¹⁰¹ in 72.2% of those cases, the initial application was abandoned. The foregoing indicates that, statistically, in over 4,000 cases in class 438, a continuation application will be filed in favor of the initial application. This statistic indicates that a very significant number of clients will experience a substantial restriction in the patent rights they could obtain. Like the RCE situation previously discussed, the restriction on continuation applications dramatically reduces the system’s tolerance for mistakes and increases the potential for malpractice actions against practitioners.

IV. Conclusion

While the US patent prosecution process appears to be carefully defined, controlled, and heavily regulated, the foregoing data

⁹⁹ If a practitioner files an initial application that contains several inventions under the new rules and receives a restriction requirement, he or she can potentially create multiple patent families since two continuations are allowed for each divisional application. Because the new rules forbid the filing of continuation-in-part applications from divisional applications, however, the patent family is guaranteed to end when no subject matter remains in either the initial or divisional applications.

¹⁰⁰ See Brief for Am. Intellectual Prop. Law Ass’n as Amicus Curiae, *supra* note 5, at 11.

¹⁰¹ Patent Cooperation Treaty (PCT) continuation applications were not counted as child continuation applications in this data set since they are used to enter foreign prosecution only and confer no additional U.S. patent rights.

from class 438 indicates that the system is run by people. Accordingly, ordinary negotiating norms significantly explain the outcomes observed from the process. Those practitioners willing to spend the time necessary to understand the average examiner's interests and willing to be creative with the tools provided by the system will have ample opportunities to successfully use proven methods of negotiation with patent examiners. The PTO's rule changes, while presenting obvious restrictions on patent rights and restricting or eliminating some of the most helpful negotiating tools, still present opportunities for practitioners. Leverage, bargaining, and reciprocity have just as much place in the faceless patent prosecution process as they do in high-powered board room negotiations. While the natives at the PTO have their own customs, they are people too. Ultimately, the story behind every success in class 438 is the completion of a successful negotiation.

APPENDIX A

Methodology and Statistical Information

The data presented in this paper was derived from 265 patents randomly selected from 41,311 patents and 265 abandoned or pending applications randomly selected from 40,919 published applications with a primary classification in class 438 that issued or were published between January 2, 2001 and February 27, 2007. Gathering of the data was accomplished using custom software and the website www.ptodirect.com from the entirety of the publicly available PTO patent database. Random selection was accomplished, for example, by putting all of the patent numbers into a Microsoft® Excel® worksheet and using the RANDBETWEEN function to generate random numbers between 1 and 41,311 to determine the row numbers of the patents to be selected. The data for each individual application was extracted manually using the Public PAIR application available on the USPTO website and was conducted in two phases: for issued patents, the information was collected in April and May of 2007; for publications, the data was collected in October and November of 2007. The still pending applications selected represented those applications that were currently under a final rejection or that were in a stage of post-final rejection prosecution. A copy of the patents and publications chosen and the relevant data gathered is shown in Appendix B. Because the sample size is 265 for both patents and publications, all of the individual group statistics are reportable at a 95% confidence level with a confidence interval of +/- 6% as calculated using a random

sample size formula.¹⁰² In addition, because the numbers of issued patents and publications produced during the time period considered are essentially statistically identical (41,311 vs. 40,919) the data obtained by combining the two randomly selected datasets is also reportable at the same confidence level and confidence interval. It is important to note that data gathered by studying only issued patents and patent publications does *not* represent a random sample from the *entire population* of filed patents over the time frame considered in this paper. Generation of an entirely random sample would require consideration of all non-published abandoned and pending applications as well as those publicly available. A sample from such a data set would most likely exhibit somewhat different statistical characteristics than the one presented here. However, compiling a completely randomly selected data set from the population of all filed applications classified in class 438 over this time period is unlikely unless conducted by the PTO itself, as the PTO is the only entity allowed to view the prosecution history for all applications in class 438.

¹⁰² Formula is embodied in a Javascript applet available at <http://www.surveysystem.com/sscalc.htm>. The applet receives input from the user and uses a standard statistical sampling algorithm to calculate the required sample size given the population size, the confidence level, and the desired confidence interval.