

Patent Points

NOW STARTING MY 15TH YEAR...

Court Blocks New PTO Rules

Patent professionals around the country let out a big collective cheer when the U.S. Federal Court issued a Preliminary Injunction just hours before the new PTO rules were to take effect. The PTO had issued new rules that would severely limit continuations to just 2 per invention, and limit the number of claims to 25 in each family of related patents.

Similar rules had been proposed almost 2 years ago and were universally rejected by the patent community. The final rules were much more draconian, applying retroactively to all pending applications, even those filed under the old rules.

A small inventor and a major drug company, GlaxoSmithKline (GSK), filed suit to block the rules, and many amicus briefs were filed, all against the new PTO rules. Even a U.S. Senator sent in a letter against the new rules, which the judge considered despite efforts by the PTO to prevent the judge from reviewing the senator's letter.

11-th Hour Ruling

On Halloween, the day before the new rules were to take effect, the judge issued the Preliminary Injunction (PI), ordering the patent office to suspend implementation of the new rules just hours before they were to take effect.

In the PI, the judge said that GSK had "demonstrated a real likelihood of success" on several points. In particular, the judge noted that one of the new rules would limit the number of continuation applications, which is

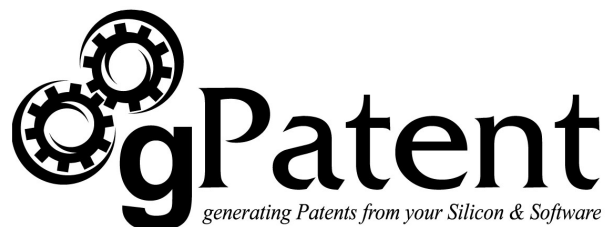
contrary to the patent law which allows continuations. Since a government agency cannot over-rule a law passed by congress, the PTO lacks authority to promulgate the new rule.

New Rules Retroactive

One of the most heinous parts of the new rules was that they were retroactive – the new rules applied to all pending applications, even those filed several years ago.

The PTO also argued that the rules were NOT retroactive, since they applied to pending applications, not to already-issued patents.

However, the judge was not fooled. Since inventors must disclose their trade secrets when filing the patent application, the new rules would alter that bargain after the inventors gave up their trade secrets, but before their patents issued. Thus the judge ruled that GSK had "demonstrated a real likelihood of success" on the retroactivity issue.



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Examination Support Document (ESD)

Another terrible part of the new rules was the requirement for an “Examination Support Document” (ESD) whenever the new rules were violated. The PTO argued that the ESD was just another paper to be filed, supposedly to help the patent examiners. However, the ESD requires that the inventor’s attorney or agent perform a patent search and explicitly show how his claims map to specific sentences within the prior-art patents found in the search. Basically, the inventor has to show the examiner how to reject his own patent !

The requirements for the search were very high. Some PTO officials said that the search the patent office does would not qualify, nor would searches performed by other patent offices such as the European Patent Office. If the patent attorney did not perform a fully thorough search, he could be accused of fraud, and the patent invalidated.

The impossibly difficult requirements and dangers of the ESD led some to jokingly call it the “Express Suicide Document”. Estimates are that one ESD could cost \$39,000 or more to prepare !

The judge ruled that the ESD requirements were “unconstitutionally vague” and GSK showed a “real likelihood of success” on the ESD issue. “GSK raised serious concerns as to whether a reasonably prudent person would be able to comply with the ESD requirements.”

PTO was “Arbitrary and Capricious”

The patent office has long suffered from a growing backlog of patent applications. The backlog creates longer and longer delays in examining patents. The solution is to hire and retain more patent examiners, just as a company would hire more employees as its business grows.

However, the patent office has recently given up on hiring their way out of the backlog. The new patent commissioner has taken draconian approaches to reducing the backlog, such as rejecting a higher percentage of patents, adding new work for patent examiners and staff, and creating more new rules simply to make obtaining patents more difficult.

The PTO justified the new rules by showing computer models “proving” that the new rules would reduce their backlog. However, these models were based on shaky data.

The judge found that the PTO’s rationale for the new rules, including modeling of their impact on the backlog of cases was found to be an “arbitrary and capricious review”. Ouch.

What Next ?

The judge will likely issue a final ruling that closely mirrors his Preliminary Injunction. Then the PTO may appeal to the Court of Appeals, which suffers from its own backlog and may be more likely to side with the PTO.

Another more ominous development is patent reform legislation now pending in Congress. Congress may pass laws similar to the new rules in the face of lobbying pressure from the PTO. One recently-hired senior PTO official was a congressional staff member and may have been hired to increase the PTO’s lobbying effectiveness.

More Bad Rules Ahead

The PTO is also rumored to be close to proposing new rules that require an ESD when more than 20 patents are cited in an IDS for a patent application. Other new rules are designed to make appeals more difficult by adding more requirements. For example, the attorney may be required to copy in text from prior-art patents into his brief, despite the fact that appeal judges have electronic access to these same prior-art patents.



PTO Allowance Rate Plunges

The US Patent office also reported that allowance rates have plunged from 72% in 2000 to 54% in 2006, and now to 51% in 2007.

On appeal, PTO examiners were upheld 69% of the time, up from 51% in 2005.

This means that there is roughly a 50-50 chance of allowance now, compared with a 70% chance a few years ago.

New Patents Should No Longer be Filed as CIP's

The PTO does not give the benefit of the parent filing date to a CIP unless all elements of the claim are fully supported by the parent. Since the CIP has new disclosure, the CIP claims are going to have new elements, so it's likely that NONE of the CIP claims will get the benefit of the parent filing date anyway.

The CIP claims may get the benefit of the parent filing date during a validity challenge in court. The CIP may also avert a 102(e)/103 obviousness rejection "by another" when the inventor lists are not identical.

Under the now-blocked new rules, we have to say which claims in the CIP are entitled to benefit from the parent's filing date. This explanation may create estoppels and is not likely to be persuasive for a CIP with newly claimed disclosure.

Also, a CIP has the same effective filing date as the parent, thus triggering new rule 1.78(f)(2), and the applicant has to "explain" why the parent and CIP claims are "Patentably Distinct". This explanation may create estoppels and may have to be a claim-by-claim, or element-by-element analysis, adding expense.

Worst-case Scenario with CIP's

If the PTO gets very strict with its standard for "Patentably Distinct", they may say that the CIP has 1 or more "Patentably Indistinct Claims", placing the CIP in the same application family as the parent and being subject to the proposed 5/25 aggregate claim limit. Your CIP then may have very few claims, or no claims once 5/25 is reached by other applications in the patent family.

Since the "Patentably Distinct" standard is the same as for obviousness-type double patenting, by explaining, we may be making non-obviousness arguments before the first office action. Double-patenting rejections seem to be very arbitrary already. The conclusion is to not file as a CIP. You will trigger the worst of the new rules, should they eventually go into effect.

Existing CIP's

Should the new rules may somehow go into effect, such as by the PTO winning an appeal, or by patent reform legislation pending in congress. Under the proposed rules, we may have to list all related applications on a special form, even if the invention is totally different. Any application filed within 2 months by the same inventor must be listed, regardless of the topic.

For cases with the same filing or priority date (this includes all CIP's, all continuations, and all divisionals) we may have to explain why the claims are "Patentably Distinct" from claims in other applications. If our explanation convinces the Examiner, then the CIP is not hindered.

If we cannot convince the Examiner, then we may petition his findings. If we lose, we must cancel enough claims to get below 5/25 claims total for the entire family of related applications. This may mean abandoning the CIP if there are too many claims in the other applications. Fortunately these draconian new rules are being held back by the US District court for now...

Supreme Court Ruling Makes Patents Harder to Get

This summer, the Supreme Court issued a ruling that makes patents much harder to get allowed. In the KSR v. Teleflex decision, the court threw out a legal test that required the patent examiner to specifically point out a teaching, suggestion, or motivation (TSM) in the prior-art patents, in order to combine 2 or more prior-art patents or to modify them to match the new claims for an "obviousness" rejection.

Now the patent examiner does not need a reason to modify an old patent. He can just "experiment" by modifying an old patent to come up with the new patent's rejection. The number of rejections is projected to increase due to this ruling.

Easy-to-Remember Gmail Address:

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330 Patents Issued

After 14 years of writing patents as a full-time Patent Agent, 330 applications that I've written have now issued as patents. Congratulations inventors!

You can view the 330 issued patents I've written at:

www.gpatent.com

Rates Set for 2008

My hourly rate for 2008 will be \$230 per hour, billed in quarter-hour increments. Fixed-price quotes are available for patent applications to facilitate budgeting and avoid expensive surprises.

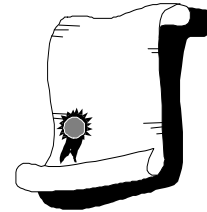
Prosecution work such as amendments and other paperwork is billed at the hourly rate. Litigation-support work is billed at a higher rate.

Patent searches are billed at a flat \$500 for U.S. abstract searches. Patents can be viewed on-line.

Stuart T. Auvinen
429 26th Ave.
Santa Cruz, CA 95062

(831) 476-5506
(831) 477-0703 (FAX)

Gpatent@Gmail.com
StuaPatent@aol.com
www.gpatent.com



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Stuart Auvinen is a Patent Agent registered with the U.S. Patent Office (Reg. No. 36,435). He is a former IC design engineer who writes patents for high-tech companies.

Stuart T. Auvinen
Patent Agent

429 26th Ave.
Santa Cruz, CA 95062-5319

Address Correction Requested