

New Patent Rules Looming: What Do They Mean for Your Portfolio?

BY ROBERT HULSE

Fenwick
FENWICK & WEST LLP

The United States Patent & Trademark Office has proposed several sweeping new rules that will significantly alter how patent applications are treated. Although the rules have not yet been finalized, they are expected to go into effect by the end of this year. When they do, they will severely limit patent applicants' ability to extract value from their patent portfolios. The rules will eliminate many of the options that are widely used in patent practice today and they will impose several new obligations on patent applicants.

But applicants who anticipate these changes may avoid some of their ill effects, while applicants who do not will likely suffer. Specifically, patent applicants may consider changing how they prepare and prosecute their own patent applications now to avoid being prejudiced when these rules do take effect. Moreover, because the rules will likely apply retroactively to patent applications that are already pending, it may be necessary to take certain actions before the new rules go into effect and preclude them. Applicants should therefore review their patent portfolios to identify any actions that need to be performed before the rules take effect.

As the USPTO has struggled to handle a growing influx of patent applications, it has proposed various reforms on the way applications are handled. While some of these have been minor, it has begun to propose much more dramatic reforms. Last year, for example, the USPTO proposed several changes to the rules that were purported to improve the quality and speed of examination of patent applications, but will likely have dramatic effects on applicants' rights.

In particular, one set of rules imposes a strict set of limitations on continuing applications and requests for continued examination (RCE). An initial version of the rules was published in the Federal Register for public comment. Changes to Practice for Continuing Applications, Requests for Continued Examination Practice, and Applications Containing Patentably Indistinct Claims, Notice of proposed rule making, 71 Fed. Reg. 48 (Jan. 3, 2006) (to be codified at 37 C.F.R. pt. 1).

These proposed rules were generally met with disapproval by the patent bar, which found the justifications for the rules dubious. Indeed, many patent attorneys believed that the rules would create more problems than they would solve. The public comments identified a multitude of problems that patent applicants would encounter should these rules take effect.

Despite these protestations by the patent bar, officials at the USPTO defended the rules at various town hall meetings held across the country in 2006. In essence, the USPTO argued that the patent system was broken and something needed to be done about it. A final version of the proposed rules was widely anticipated to be published towards the end of 2006 or the beginning of 2007. When this did not happen, much of the fury over the proposed rules died down and the status of the rules remained somewhat uncertain.

But then on April 10, 2007, the USPTO submitted the final rules to the Office of Management and Budget for regulatory review, which normally has 90 days to review rules proposed by other agencies. Just within this 90-day period, on July 9 the Office of Management and Budget approved these rules as "consistent with change." The final version of the rules should be published within about a month, likely on or around August 1. The rules will then be effective 30 days after publication.

Although the USPTO has not announced what the final rules will contain, most practitioners expect the rules to be the same as or similar to the proposed rules, with some minor changes to address the comments. Accordingly, the public is now forced to craft strategies to respond to the new rules based on the published rules, with an understanding that the strategies may change to the extent that the final rules are changed.

Some of the most significant changes in the new rules are the limits on continuing applications, which generally limit applicants to only one continuation application or RCE for each application. The intent is to prevent applicants from keeping prosecution open indefinitely, thereby bringing applications to an ultimate resolution. Although most applicants would applaud a quicker resolution of their applications, these limits will tie their hands.

The prosecution of a patent application is considered "closed on the merits" when an examiner issues a final rejection. To amend the claims or make additional substantive arguments to the examiner, an applicant must reopen prosecution by filing a continuation application or an RCE. But the new rules will prevent applicants from reopening prosecution more than once in a given application.

Because of the broad leeway patent examiners have in issuing final rejections, patent applicants are often forced to file continuation applications or RCEs for a number of

reasons. Disallowing such continuations or RCEs will, in many situations, prevent patent applicants from obtaining any reasonable scope of protection for their inventions.

For example, a patent examiner may issue a rejection that the applicant believes is incorrect. Rather than argue against the rejection, the applicant may instead make a minor amendment to the claims to make the distinction more clear. After the amendment, the examiner may then find a closer reference to reject the claims, this time making a final rejection. Because the rejection is now final, the applicant must reopen prosecution if any amendments are needed to distinguish the claims from the newly cited reference.

But under the new continuation rules, the applicant could not amend the claims if a continuation application or an RCE had already been filed for the application. In such a case, the applicant's only recourse would be to appeal the final rejection. However, if the applicant truly needed to make an amendment to distinguish the claims, an appeal would do little for the applicant. The applicant would then be stuck with a patent application that could support patentable claims, but the USPTO's procedural rules would prevent the applicant from actually pursuing those claims. Having invented something worthy of a patent, the applicant would come away from the USPTO empty-handed.

Clearly, applicants' prosecution strategies must change to avoid these types of scenarios. In particular, it will become much more important to avoid final rejections and to fight against improper ones. These new rules should make applicants less willing to adopt the traditional "negotiation" model of patent prosecution, where applicants would compromise with the examiner in the hope of reaching agreement. Instead, applicants will now need to prosecute their applications much more aggressively. This will, of course, increase the costs associated with each round of prosecution.

In addition, the limits on filing continuation applications and RCEs will, in many cases, prevent patent applicants from seeking claims with additional scope or claims directed to previously unclaimed subject matter. Therefore, it will be more important than ever to include full claim sets in original applications, rather than filing applications with the intention of pursuing additional subject matter later. This, too, will increase the costs of patent preparation.

Other changes to current practices may include taking advantage of pre-filing prior art searches and patentability investigations; arguing features in dependent claims more often when responding to rejections; appealing final rejections rather than filing continuations or RCEs; arguing more aggressively against final rejections, petitioning when necessary; and filing international applications initially to take advantage of the preliminary searches. Because of the

retroactive effect of the rules, applicants may wish to adopt some of these best practices in advance of the effective date of the new rules.

In addition to changing current patent prosecution strategies, the new rules may create a short-term run on filings in the USPTO. During the 30-day window between the publication of the new rules and their effective date, applicants will have one final opportunity to file the continuation applications and RCEs that will be foreclosed by the new rules. Identifying applications that will require such filings, however, will not always be easy — especially for companies with large patent portfolios.

By anticipating these rules before they are announced, applicants can audit their patent portfolios to identify applications where certain actions should be taken, such as the need to file a continuation application before the rules go into effect. Beginning the review now will give companies time to plan the actions they will want to take when the rules are announced, as well as to budget for those actions.

Indeed, planning ahead may be necessary to give a company and its outside counsel sufficient time to prepare for what may be a deluge of patent filings once the final rules are announced. Since there may be as little as one month between the publication of the final rules and their effective date, applicants should begin any reviews of their portfolios as soon as possible. The month between the publication and effective date of the new rules will likely be consumed by implementing the strategies that were decided upon in advance.

In view of these potential pitfalls and possible strategies to avoid them, applicants should be alerted now to the new rules, as well as to how these rules might affect their patent portfolios. While some general guidelines and best practices can be articulated, there is no single strategy or universal answer that applies to all patent applicants. Accordingly, applicants should discuss these issues with a patent attorney to understand how their patent strategy and goals can be adjusted in light of these new rules, as well as whether any actions should be taken before the rules go into effect.

For those applicants who have not yet considered how the expected new rules will affect their patent portfolios, or what they might do in response to these new rules, the time to do so is before they come into effect, not after.

Robert Hulse specializes in strategic patent counseling and procurement, practicing as a patent attorney with Fenwick & West LLP, San Francisco, California. He also teaches patent drafting and prosecution as an Adjunct Professor of Law at the University of California, Hastings College of the Law. He can be reached at (415) 875-2444 and at rhulse@fenwick.com.