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PATENT AND TRADEMARK OFFICE

The authors contend that recent changes in examiner handling of requests for continued examination at the Patent and Trademark Office suggest a change in prosecution strategy for patent applicants, likely depending on the technology at issue.

New Patent Office Examination Procedures: Bane or Boon?

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Introduction

The U.S. Patent and Trademark Office has long taken fire from a number of quarters, especially industry and their representatives in the patent bar, for administrative quagmires within the PTO that often hamper timely examination of patent applications and

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delay the ultimate grant of patents. The PTO also faces the daunting task of reducing the backlog of over 700,000 unexamined patent applications while improving patent quality.

Responsive to these criticisms, the PTO, under the new leadership of Director J. Kappos, recently announced two important revisions to its internal procedures that are intended to give examiners greater flexibility in managing their workload. Both relate to requests for continued examination (RCEs), which are filed after a "final" Office Action when the application is still not in condition for allowance and an applicant wants to continue prosecution in front of the examiner instead of taking an appeal to the Board of Patent Appeals and Interferences.

The first change impacts when an examiner is expected to examine an application again after an RCE has been filed. The second change impacts how much production credit an examiner receives for examining post-RCE applications. Together, these changes may disincentivize the examination of RCEs and thereby delay prosecution and allowance of applications in which an RCE is filed. While Patent Term Adjustment may compensate some applicants for this delay, all appli-

cants could benefit from adjusting their patent prosecution strategies to adapt to these new PTO procedures.

Examiner Dockets and Production Goals

The PTO assigns applications to an examiner by placing them on the examiner's "docket" of cases. An examiner actually maintains several different dockets of applications and is given different lengths of time to act on those applications depending on which docket they appear. For example, the "regular amended" docket includes applications in which the applicant has submitted a response to an Office Action, and an examiner is required to reconsider an application within two months of it being placed on this docket. The "special new" docket includes continuation and divisional applications as well as applications that have been accorded "special" status, all of which await first actions. An examiner is required to act on the oldest application (by filing date) on the special new dockets every other bi-week.

The PTO calculates examiner production, in part, by measuring an examiner's accrual of "counts." An examiner has minimum bi-weekly, quarterly, and annual count goals that are tied to the examiner's specific compensation level in the U.S. government's General Schedule and to the examiner's technology area within the PTO. For instance, a junior examiner needs to accrue a relatively low number of counts to meet a 100 percent production goal, while a more seasoned and efficient primary examiner will have a higher number of required counts to attain the same production goal.

The production system that long existed at the PTO, but that is undergoing an overhaul, provides an examiner two counts for the complete examination of an application. It is important to understand that counts are allocated to an examiner for completing only certain tasks; thus, not every action taken by an examiner contributes toward production. For example, an examiner earns one count for issuing a first Office Action on the merits, but no counts for issuing any subsequent non-final Office Actions or final Office Actions. An examiner earns one count for issuing a Notice of Allowability or Notice of Abandonment.

Currently, the filing of an RCE can be regarded as somewhat of a windfall for an examiner because the application is constructively abandoned, which nets the examiner one count for no effort. Further, the examiner earns one count for the first Office Action after the RCE, even though that work is likely to require less effort than a first action on a new application, since the subject matter and issues are familiar.

Changes to RCE Docketing, Production System

Previously, the filing of an RCE placed an application on an examiner's "regular amended" docket, in a fashion identical to a filed response to an Office Action. As noted above, an examiner is required to act on an application within two months of its being placed on the examiner's "regular amended" docket. Consequently, filing an RCE did not delay prosecution any more than filing a standard response to an Office Action. Hence, the filing of RCEs became a standard practice for many applicants, especially those in the biotechnology, chemical, and pharmaceutical sectors, where several rounds of prosecution may be required before an application is allowed, but progress often can be made by continuing prosecution with the examiner.

This procedure changed effective Nov. 15, 2009. Under the PTO's new RCE docketing procedure, the filing of an RCE on or after that date will place an application in queue on an examiner's "special new" docket. As noted above, an examiner must act on just the oldest item on his special new docket once every other bi-week, i.e., about *once per month*. Thus, while an examiner previously was expected to act on post-RCE applications within two months no matter how clogged his docket was, he is now only required to act on the oldest item on his special new docket about *once per month*, and that docket includes not only RCEs, but also continuation, divisional and "special" applications. Thus, depending on the size of an examiner's special new docket, an application could linger for a considerable amount of time before it works its way to the front of the line.

The changes to the count system have been published and approved, but not yet implemented, although implementation by the end of the calendar year is probable (78 PTCJ 691, 10/9/09). As noted above, an examiner currently receives 1.0 count for issuing a first Office Action on the merits (FAOM) of a new application, as well as for issuing a first Office Action after an RCE. Accordingly, all other things being equal, an examiner may prefer to act on an RCE in a familiar application rather than take up a brand new application, since the same amount of credit can be earned for what could be significantly less time and effort.

In contrast, under the new count system, an examiner will earn 1.25 counts for an FAOM, such as in a divisional or continuation application, but only 1.0 count for the first Office Action after an RCE. In addition, in applications where multiple RCEs are filed over time, an examiner will earn a mere 0.75 counts for a first Office Action in all subsequently filed RCEs.

Because the accrual of counts affects examiners' performance reviews, eligibility for monetary bonuses, and other career milestones, changing the counts awarded for different types of work is an effective means to incentivize examiners to prefer one type of work over another. Here, the PTO expects to channel examiner resources from RCEs to unexamined applications, and so reduce the new application backlog.

The Bane of Delayed Prosecution

The concerted effects of the RCE docketing and count changes could introduce significant delays in the prosecution of an application after an RCE. In examining groups with the greatest frequency of RCEs, such as in biotechnology and chemical art units, examiners' special new dockets are expected to swell with RCEs that could stagnate along with divisional and continuation applications for many months or even years. Indeed, continuation and divisional applications in these art units already wait a year or longer for a first Office Action. Applicants in these fields are steeling themselves for similar delays after RCEs.

Moreover, among the applications in queue on special new dockets, RCEs will have the least to offer examiners in terms of counts. As set forth above, an examiner will earn 1.25 counts for the first Office Action in a continuation or divisional application, but only 1.0 count for the first Office Action after a first RCE. Subsequent RCEs may experience even longer delays, since an examiner will only earn 0.75 counts for acting on those cases. While this reduction in credit for subse-

quent RCEs should discourage both applicants and examiners from drawing out prosecution through “churning,” i.e., filing multiple RCEs, it could have a significant impact on applications where multiple RCEs stem from legitimate courses of examination and prosecution.

Still, a number of factors could mitigate or even prevent significant delays. For example, in technology areas where RCEs are filed with comparatively low frequency, such as in the mechanical arts, these changes may not adversely affect application pendency. Similarly, in these areas, a given examiner’s special new docket may not have many applications, and so the examiner may act on the RCE without much delay after the RCE is docketed.

Additionally, the PTO encourages both examiners and applicants to identify an application on the special new docket that is in condition for allowance, and examiners are both permitted and encouraged to take up such applications before they reach the front of the queue. For example, an applicant can request, and an examiner is encouraged to grant, an interview to explain that the application is allowable. Thus, the PTO predicts that applications that are close to allowance will not experience delays because of the docketing and count changes.

The PTO also is encouraging examiners and applicants to strive for compact prosecution. Examiners are being trained to identify any allowable subject matter and all patentability issues early in prosecution, and applicants are encouraged to address all issues early, including conducting interviews before the first Office Action or response. The PTO expects that these strategies will mitigate any dilatory impact of the RCE docketing and count changes for applicants who earnestly pursue early allowance.

The Boon of Patent Term Adjustment

While an applicant has little control over the extent of delay its applications will experience under the new RCE docketing procedures, some applicants will be able to make the delay work to their advantage by maximizing a Patent Term Adjustment, or PTA. Some applicants, especially those in the biotechnology, chemical, and pharmaceutical industries, where the last years of a patent’s term often are more valuable than the first, may welcome additional PTO delays that can earn PTA and thus delay not only a patent’s issue date, but also its expiration date.

Under 35 U.S.C. § 154, a patentee can be credited with additional patent term, beyond that of the statutory 20-year period, that correlates generally to PTO delay in examining the underlying application, less any delay on the applicant’s part. Two specific guarantees of the PTA statute bear directly upon RCE-related delays.

“A” Delay

Under 35 U.S.C. § 154(b)(1)(A)(ii), one day of PTA accrues for each day that the PTO fails to “respond to a reply under section 132 . . . within 4 months after the date on which the reply was filed . . .” The phrase “reply under section 132” subsumes the express statutory provision for an RCE, 35 U.S.C. § 132(b). Thus, the so-called “A” delay triggers PTA for the *entire period* that an RCE lingers on an examiner’s special new docket that extends beyond the 4 months the statute gives the PTO to act.

“B” Delay

Under 35 U.S.C. § 154(b)(1)(B), PTA accrues if the PTO fails “to issue a patent within 3 years after the actual filing date of the application in the United States . . .” However, PTA for “B” delay is not awarded for “any time consumed by continued examination of the application . . . under section 132(b).” 35 U.S.C. § 154(b)(1)(B)(i). Therefore, once an RCE is filed, regardless of when that occurs during prosecution, the application will no longer accrue any “B” delay.

The two statutory provisions operate independently of each other. Hence, an application is eligible to accrue PTA for both “A” and “B” delay, although PTA is not to be awarded under both “A” and “B” when the periods of delay overlap.¹ Thus, applications that lose the right to accrue “B” delay because of an RCE still can accrue “A” delay. Whether this makes up for the delay in allowance may depend on the technology at issue.

In the electronics, mechanical, and consumer product fields where the first years of a patent’s term often are more valuable than the last, prosecution delays are not equitably compensated by the award of PTA. Prompt issuance of a patent, not prolonged patent term, may be the best or only means by which the invention’s value can be realized. Licensing deals and shareholder satisfaction may depend upon issued patents, and infringement actions cannot be brought against competitors until a patent grants. Additionally, issued patents may be more effective than pending applications at attracting venture capital and investors to start-up companies, for example, where protection of nascent technology is critical.

As discussed above, perhaps the best hope for applicants in these fields resides in the comparative scarcity of RCEs in many of these art units; hence, examiners’ special new dockets are not expected to become clogged with RCEs, and so any RCEs may not trigger significant delays. Applicants in these fields nevertheless should take advantage of PTO initiatives to encourage compact prosecution, as discussed below.

Applicants in the biotechnology, chemical, and pharmaceutical areas, who generally favor PTA and who file RCEs with the greatest frequency, may find that availability of additional PTA is adequate recompense for the prosecution delays occasioned by the new RCE docketing and production system changes. Indeed, some applicants may salivate at a cornucopia of PTA that can accrue from RCEs under the new procedures.

While the previous administration criticized applicants for filing RCEs, the current administration appears to recognize that RCEs play a legitimate role and meet a critical need in these complex arts, where several rounds of prosecution may be required before the application is allowed. For example, RCEs may be needed to reach an agreement on appropriate claim language, to submit expert testimony explaining the invention or prior art, or to submit experimental data.

Before the RCE docketing and count changes, an RCE was likely to have a negative impact, if any, on

¹ The exact meaning and operation of this provision is the subject of *Wyeth v. Dudas*, 580 F. Supp. 2d 138, 88 USPQ2d 1538 (D.D.C. 2008) (76 PTCJ 820, 10/10/08), which is now on appeal at the U.S. Court of Appeals for the Federal Circuit in *Wyeth v. Kappos*, No. 2009-1120 (Fed. Cir. oral arguments Oct. 7, 2009). Although *Wyeth* is an important case that also could impact RCE-based PTA, we do not address it here.

PTA, by cutting off the ability to accrue “B” delay. While PTA from “A” delay was possible, it was less likely because when post-RCE applications were docketed to an examiner’s regular amended docket, the examiner was expected to act within two months, and well-within the four months permitted by the PTA statute. In this way, the prior RCE docketing procedure was aligned with the PTA statute.

Under the new RCE docketing procedure, however, an RCE is likely to have a positive impact on PTA, because it is quite likely, at least in the biotechnology and chemical areas, that an examiner will take more than four months to issue an Office Action after an RCE is filed. Applicants who value PTA therefore may purposefully file one or more RCEs in order to accrue PTA from “A” delay.

It is not unreasonable to predict that the PTO could take 16 months to issue an Office Action after an RCE is filed in a biotechnology, chemical, or pharmaceutical application, as such a time period is the current norm in many art units for acting on continuation and divisional applications. (For those new applications, the docketing procedures are aligned with the PTA statute because the PTO is given 14 months to act on a new application, including a continuation or divisional application.) That RCE-delayed application would therefore earn one year of “A” delay, which would result in the patent expiring a full year later so long as the applicant is not charged with delay (such as, for example, by filing extensions of time).

Iterations of this scenario throughout prosecution of the application could add several years of patent term. Indeed, there are no statutory limits on the amount of PTA a patent can earn, although the doctrine of prosecution laches may prevent an applicant from gaming the system by using tactics that amount to unreasonable and undue delay of prosecution. Still, the PTO recognizes, and appears to sanction, the strategic use of RCEs by “applicants who do not desire fast action,” and indicates that the new RCE docketing procedures “will afford them the flexibility to better control the rate at which their cases are handled.” See http://www.uspto.gov/patents/rce_handling_in_new_count_system.doc (accessed last on Nov. 24, 2009).

Proceed With Caution

An applicant contemplating an RCE should recognize, especially in relation to the example immediately above, that filing an RCE is possible only after the issuance of a final Office Action. Further, an RCE must be accompanied by an appropriate submission that typically constitutes a complete response to an outstanding Office Action. Accordingly, an applicant seeking to file multiple RCEs still must substantively engage the PTO on the merits of the application. Further, because an examiner will receive comparatively fewer counts for acting on RCEs, filing a string of RCEs may aggravate the examiner and undermine the ultimate goal of procuring a patent.

Applicants also must be aware that an application subject to a terminal disclaimer, such as to overcome an obviousness-type double patenting rejection based on a commonly owned patent with similar claims, might not benefit from any PTA strategies, depending on the relative filing dates of the application and patent at issue in the disclaimer. This is because a terminal disclaimer negates any PTA that would otherwise extend the term of

a patent beyond the expiration date specified in the disclaimer. See 35 U.S.C. § 154(b)(2)(B). Thus, if an applicant expects to file a terminal disclaimer in an application, he should adopt prosecution strategies that account for the expiration date of the disclaimed patent without any expectation of PTA beyond that date.

Making the Best of the New Procedures

From the preceding discussion, it should be clear that a number of competing factors make it difficult to forecast the impact of filing an RCE on a given application under the PTO’s new RCE docketing and production system. Still, an applicant can implement a number of strategies to make the best of the new procedures, depending on the applicant’s goals for compact or extended prosecution.

Applicants who want to minimize the pendency of their applications could adopt strategies that will reduce the need for RCEs. Some options include challenging the designation of an Office Action as “final” if the examiner’s justification for finality is not accurate; seeking reconsideration of the examiner’s refusal to enter claim amendments after a final Office Action if the claims place the application in condition for allowance; and challenging a refusal to consider new evidence after a final Office Action if there is a valid reason for the late submission. If the application is close to allowance, the applicant could ask the examiner for an interview after a final Office Action.

Although grant of an interview after a final Office Action is discretionary, the examiner may agree in order to expedite allowance. An applicant also may consider filing a continuation application instead of an RCE, although continuation applications have their own PTA implications, including erasing any accrued PTA from “A” delay and re-starting the “three year clock” for “B” delay to the continuation application filing date. Thus, while the new count system may incentivize an examiner to act on a continuation before an RCE, the PTA consequences may be countervailing.

For new applications, an applicant may want to review the claims prior to issuance of a first Office Action to determine whether any preliminary amendments should be made, so that the first Office Action considers the claims the applicant actually intends to prosecute. When the first Office Action is received, the applicant could request an interview before preparing a response, and/or provide as strong a first response as practical, including fall-back claim amendments and evidence in support of patentability. These steps should go far to advancing prosecution without the need for an RCE.

Applicants who want to maximize PTA will need to adopt strategies that minimize applicant delay, such as filing responses within three months of an Office Action whenever possible, avoiding the filing of supplemental responses that may trigger a charge of applicant delay, and timing the filing of Information Disclosure Statements to minimize the impact on PTA. Applicants also may want to minimize the need for terminal disclaimers, such as by filing divisional applications with claims that conform to the non-elected subject matter as defined in a restriction requirement in the original application, so that the claims of the divisional will avoid an obviousness-type-double patenting rejection over the original patent. See 35 U.S.C. § 121.

The PTO plans to monitor the effects of the RCE docketing and count procedure changes, to ensure that they appropriately balance the needs of applicants and the PTO. In the meantime, applicants will be well-served to ensure that their prosecution strategies account for these new procedures that, while wholly inter-

nal to the PTO, nevertheless will significantly impact applicants and the timing of their patent grants.

 *PTO's new RCE docketing procedures at <http://pub.bna.com/ptcj/PTORCEdocketingNov15.htm>*

 *PTO's proposal for new count system at <http://pub.bna.com/ptcj/PTOCountSysChgSept30.pdf>*