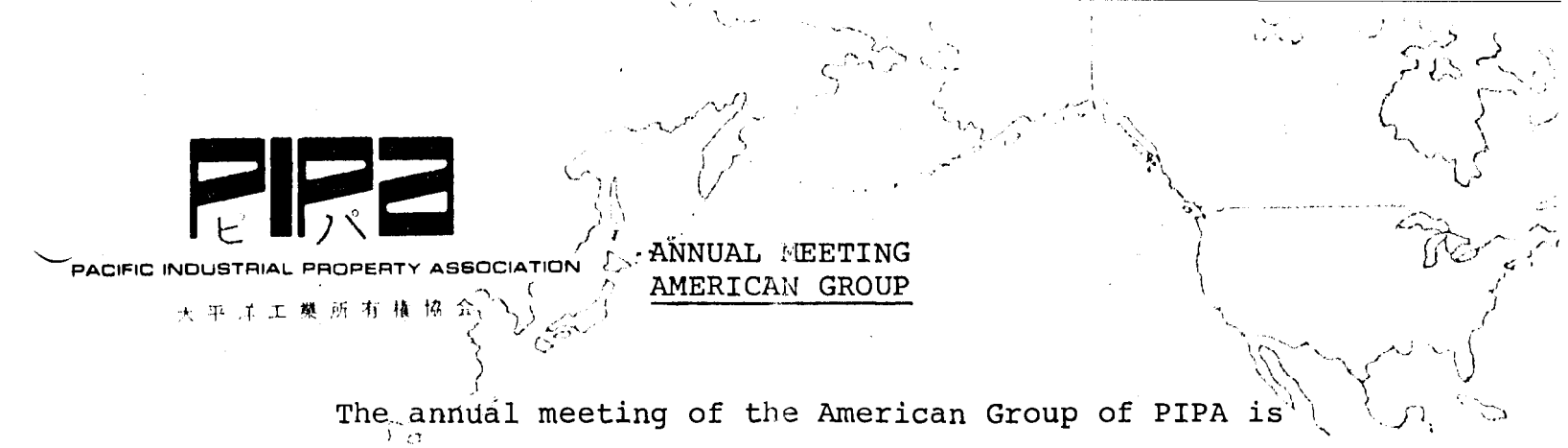


PACIFIC INDUSTRIAL PROPERTY ASSOCIATION
太平洋工業所有権協会

ANNUAL MEETING
AMERICAN GROUP

The annual meeting of the American Group of PIPA is scheduled for Monday, March 14, 1977 at the New York Hilton, 1335 Avenue of the Americas (6th Avenue), New York City.

The agenda is:

9:30 AM to 1:00 PM - Business Meeting and Program

1:00 PM to 3:00 PM - Reception & Luncheon

The meeting will include:

- Report of 1976-7 Activities including:
  - President's report
  - Secretary-Treasurer's report
  - Committee reports
- Election of Officers (American Group) for 1977-8
- Appointment of Committee Chairmen

PTO

The Eighth International Congress has been tentatively scheduled for Williamsburg, Virginia on October 11-14, 1977.

The reservation form for the annual meeting is enclosed and should be returned with your check for $35.00 for the registration fee before March 7. This check should be returned to:

Pacific Industrial Property Association
Edward L. Bell, Secretary-Treasurer
c/o The Singer Company
30 Rockefeller Plaza
New York, New York 10020

Edward L. Bell
Secretary-Treasurer
American Group

PACIFIC INDUSTRIAL PROPERTY ASSOCIATION
太平洋工業所有権協会

ANNUAL MEETING
AMERICAN GROUP

The program for the Annual Meeting on Monday, March 14, 1977 at the New York Hilton in New York City will be:

"Implications of the New Rule Changes in the United States Patent and Trademark Office" - a report and panel discussion by Karl Jorda of Ciba-Geigy Corp and Hal Levine of Texas Instruments.

An up-date by Ed Adams of Bell Labs on the WIPO proceedings on the Revisions of the Paris Convention.

Proposed Rule Changes for PCT - a review and panel discussion by Marty Kalikow of General Electric.

If you are planning to attend but are unable to get the reservation in the mail by March 7, please phone it in to the Secretary-Treasurer at (212) 581-4800 X262.

Pacific Industrial Property Association

Annual Meeting of American Group

New York Hilton - March 14, 1977

By Karl F. Jorda

New PTO Rules

Implications for Corporate Patent Practice

Introduction

It is very fitting, of course, that this subject is our Agenda today. The New Rules, or most of them, have just gone into effect, that is, as of the first of the month. What could therefore be more topical and timely? These New Rules will have a very significant impact on patent practice including the corporate practice of our member companies on both sides of the Pacific. They will entail important changes in our professional lives and in our corporate patent policies and procedures and they undoubtedly will raise all kinds of problems and opportunities. The words "problems" and "opportunities" are spoken in the same breath deliberately just as it is done in company plans, e.g., the One-Year and Three-Year Plans, where the Problems slash Opportunities have to be identified as so-to-speak one concept in connection with Action Plans and Strategies.

Pacific Industrial Property Association

Annual Meeting of American Group

New York Hilton - March 14, 1977

By Harold Levine and Karl F. Jorda

New PTO Rules
Implications for Corporate Patent Practice

Introduction

It is very fitting, of course, that this subject is our Agenda today. The New Rules, or most of them, have just gone into effect, that is, as of the first of the month. What could therefore be more topical and timely? These New Rules will have a very significant impact on patent practice including the corporate practice of our member companies on both sides of the Pacific. They will entail important changes in our professional lives and in our corporate patent policies and procedures and they undoubtedly will raise all kinds of problems and opportunities. The words "problems" and "opportunities" are spoken in the same breath deliberately just as it is done in company plans, e.g., the One-Year and Three-Year Plans, where the Problems slash Opportunities have to be identified as so-to-speak one concept in connection with Action Plans and Strategies.

As already indicated, the New Rules will entail important changes for all of us and our companies, especially in terms of workload and costs. And this will form the major portion of this presentation. But by way of introduction one might play the role of a skeptic and cynic and make a few irreverent comments about how these rules may change nothing at all. The French say: "Plus ca change, plus c'est la meme chose" - the more things change, the more they remain the same. This little exercise will also help us gain a better perspective and be a little more objective. Besides, controversial topics should be illuminated from both sides.

When BNA first published the New Rules with comments of their own in the beginning of February, they called them "major" and "highly significant" changes. A speaker the other day characterized them as "vast and extensive" changes.

How novel are they really? In a manner of speaking, many are simply old hat and others, in practice, won't make much of a difference. For example, the Duty of Disclosure Rule (R 56), by the PTO's own admission, is merely a codification of present PTO policy and is simply based in prevailing case law. Mr. M. Newman, Director of Group 350, who spoke before the NYPLA the week before last, also said: The new rule does not change current practice. If you knew of anticipatory prior art, be it a reference or the invention of a co-worker [and here reference is made to Sec. 102(g) prior invention as Sec. 103

prior art, and In re Bass, 177 USPQ 178 (CCPA 1973) and Timely Products v. Aaron, 187 USPQ 257 (2nd Cir. 1975)], or if you knew of a statutory bar, e.g., prior public use or sale, you had to come forth with it to stay clean and there is no difference in the Duty of Disclosure before and after. Or is there?

The New Rules on optional Prior Art Statements (Rules 97-99) which are supposed to "provide a mechanism by which patent applicants may comply with the duty of disclosure" provided in Rule 56, embody the "Guidelines for the Citation of Prior Art" promulgated in August of '74. And the PTO admits that many of these guidelines are "repeated or superceded" by the New Rules 97-99. GE has been filing "patentability statements" for the past 25 years according to Frank Neuhauser's statements at the December 7, 1976 Hearing in Washington on the Proposed Rules.

As regards the New Rule on Reissue Applications [R 175 (a) (4)] which is widely considered as brand-new and which BNA called "perhaps the most fundamental" change, it now turns out that it is anything but radically new. In fact, this procedure has been in effect in the Patent Office for the last three years. Thus, reissues were filed based solely on a newly-found art without any changes in the specification or the claims. The Examiner indicated that the reissue was improper

but, nevertheless, examined the case on the basis of the newly-cited art. If the art was pertinent, prosecution ensued. According to Mr. M. Newman, this practice was never publicized. The Examining Group adopted it themselves. No Commissioner would issue an appropriate rule. Therefore, it had not been officially adopted before.

With respect to Appeals practice (R 194), examiners have been permitted already for quite some time to argue at hearings. There is an MPEP decision on this provision (§ 1209) and as regards Publication of Decisions (R 14) there is "no change in present practice", as per an exchange between the Commissioner and Ed Irons at the December 7 Hearing on the Proposed Rules, in view of the Irons v. Gottschalk [191 USPQ 481 (CA DC, 1976)] decision.

Furthermore, while there are novel features in the Rules on Protests (R 291) and Foreign Language Declarations (R 69) they won't mean much as a practical matter or are of very limited practical value. To file a protest you need a serial number. As a rule, you have that only in interferences. By the way, it is not uncommon for a losing party to file a protest. You get the serial number of applications on appeal before the CCPA if you read Patent Trends. Here it is a little late for filing a protest but I am told the PTO would keep track of such a reference and could ask for remand. For the most part, serial numbers of pending US applications are obtained from foreign counterparts. But this helps only 1) if there is a foreign counterpart, 2) if it has been published

and relatively early, 3) if it has been found and noted in, e.g., Derwent, 4) if the US parent application is still pending, for if a continuation or Cip application has been filed and the parent application has been abandoned, a protest would probably not get into the continuing case and 5) if it is not in an advanced stage of prosecution. Incidentally, one will get serial numbers also of pending reissue applications under the new Reissue Rule.

Now, with respect to foreign language declarations, one should remember that they can be used only if the inventor does not comprehend English. If he does, the good old version has to be used as before.

In this connection an article in the last issue of Dun's Review is of great interest. It was entitled "English Spoken Here" and showed how English has become the official language of business, and especially in multi-nationals, in many foreign countries. In, e.g., Volvo, English is the official language, even internally. This is due to the fact that English is the language of the technologies. Everybody who is anybody and especially inventors all speak English abroad. Perhaps, they will be more useful in Japan.

After these somewhat irreverent and cynical comments, we can look at the New Rules and determine more objectively what changes they really entail and what the impact and implications of these changes are and what problems and complications we are facing.

In general, the changes in the Rules may be a lot more dramatic than they seem at first and there is no doubt the changes spell greater workload and greater expense. As far as the PTO is concerned, the October '76 Notice in the Federal Register on the initially Proposed Rules stated that it had been determined that the proposal had "no major inflationary impact and that it could be accomodated under the given budget. The PTO estimated the increase in costs to amount to about $2 MM. It should perhaps be less with respect to the New Rules as adopted because they are less stringent in some respects. It would be very difficult to quantify the increased costs for applicants. Your guess is as good as anybody's. They will be significant, that much is clear. The unit cost will go up. This is the trend. These New Rules are another manifestation of how more and more of the burden and onus is being put on applicants.

In the Hearing last December many of the objections raised dealt with this aspect but overall there was an upswell of approval, not only at the Hearing but also by way of the prior written submissions. Not only did most individuals and all Patent Law Associations express strong support for such New Rules but also <u>all</u> corporations that were heard from. Obviously, it was felt there was a worthwhile trade-off: somewhat higher costs versus significantly better patents. What with the S. 2255 scare, we patent practitioners were perhaps indeed hopeful together with the Patent & Trademark

Commissioner, that such new rules would take the wind out of the sails of the legislators bent on patent law revision or, at least, as the Commissioner put it "serve as models for subsequent legislation or simplify the patent law revision effort by dispensing with the need for certain legislation changes."

The fact that we are all in favor of such New Rules, considering the alternatives, does not mean that we should not be fully conscious of any added burden and any increased cost that the New Rules will bring about, to say nothing of the problems and difficulties of living up to them as professionals serving two masters.

Let's now take a look at the major rule changes.

Duty of Disclosure; Striking Applications (Rule 56)

Amended R 56 defines the duty to disclose information to the PTO and the criteria for striking an application when that duty is violated.

Individuals having a duty of disclosure are limited to those who are "substantively involved in the preparation or prosecution of the application." Therefore, the duty does not extend to typists, clerks and similar personnel who assist with an application, nor perhaps to attorneys who have a power of attorney but are not otherwise involved in a case. On this point there might be disagreement and the listing of attorneys on the power might have to be reduced. Furthermore, it is clear that the duty extends to individuals not organizations. In addition to attorneys and inventors, also liaison men, research supervisors, attorneys handling the foreign counter-

parts, patent committee members that make decisions to file, Washington search firms may be meant although some might disagree as regards the last two.

The term "material" is substituted for the term previously considered, i.e., "relevant." The former is thought to connote something more than a trivial relationship.

The term "information" used in the second and third sentences of Rule 56 (a) and elsewhere means all of the kinds of information required to be disclosed under current case law - patents, publications, prior public use, sales and the like, which if it includes anything includes Sec. 102(g) prior inventions of co-workers which is very disconcerting. Our Japanese friends will be glad to know that this does not apply to them for Sec. 102(g) applies only to US inventions. The rule is not intended to require disclosure of information favorable to patentability, e.g., evidence of commercial success nor information on the level of skill.

A definition of "material information" is supplied: "where there is substantial likelihood that reasonable Examiner would consider it important in deciding whether to allow case.

Rule 56 (b) merely refers to the mechanism of passing along the information to the PTO, namely, via the attorney or agent.

Rule 56 (d) deals with violation which is striking of the application. Assistant Commissioner Tegtmeyer already has 20 cases. But there must be an intent to deceive. "Bad

faith" or "gross negligence" is not present if information is withheld as a result of an error in judgment or inadvertence. Mere misjudgment is not sufficient.

Rule 65 which covers declarations has also been changed to require the patent applicant to acknowledge the duty of disclosure. This rule change does not go into effect until January 1, 1978. So, our duty of disclosure is now in effect but the inventor's corresponding duty goes into effect only as of January 1, 1978.

The last sentence in Rule 56 (a) about the duty being "commensurate with the degree of involvement in the preparation or prosecution" appears to be bureaucratic gobbledygook. This is not interpreted and I don't know what it means.

We face a perilous posture! Do we have to send a whole library to the PTO or is ignorance is bliss the best policy? There is a special problem in corporations. Can knowledge be imputed if information is available in the corporation somewhere, e.g., on microfilm or in a different location or even abroad?

Another difficulty: standards change, e.g., what is considered as experimental use or the effective date of a reference change. Therefore, should we adopt a policy of when in doubt disclose? Further, the theory of the invention, the importance of features may have changed. It will also be difficult to effectively communicate this to persons abroad who are "substantively involved". Also, records abroad are not in English. Therefore, this will be burdensome because of translation costs.

What about duty of candor regarding inventorship of applications coming from abroad? Also a difficult, touchy question. Because of different inventorship principles, one might suspect sometimes that an inventorship designation is incorrect. But unless there is reason to believe that inventorship designation is erroneous, it is not likely an attorney would get into trouble.

Another query: what if the inventor and attorney disagree on the materiability of information? Furthermore, will the inventor have to be pumped dry and cross-examined according to the principle: never trust your client?

So this Rule change will definitely mean greater workload, greater worry and concern and greater expense apart from the initial (and ongoing) effort that has to be made to educate inventors and R&D personnel here and abroad.

Prior Art Statements (Rules 97, 98, 99)

New Rules 97, 98 and 99 deal with prior art statements and provide a mechanism by which patent applicants may comply with the duty of disclosure provided in Rule 56. These Rules are not mandatory, though applicants are strongly encouraged to follow the procedures, particularly in view of the Duty to Disclose. It is said that it is the best way to satisfy the duty of disclosure. The PTO cannot assure that prior art disclosed in other ways will be considered by the Examiner.

These Rules do not prescribe the content of what materials should be submitted in the prior art statement.

But Rule 97(b) indicates that the statement will be construed as a representation that the prior art listed includes what the submitter considers to be the closest art of which he is aware. The submitter need not decide which particular items of prior art are the closest or identify any items as such; the representation is simply that he is not withholding known prior art which he considers closer than that which is submitted.

Further, Rule 97(b) makes clear that the prior art statement is not a representation that a search has been made or that no better art exists.

Under Rule 97(a) the statements should be filed at the time of filing the application or within three months thereafter.

Rule 98 lists the elements of the prior art statement, namely, a listing of the art and a concise explanation of the relevance of each listed item, and copies of the art or the pertinent portions thereof. Translation of foreign language art if available should be submitted. Assistant Commissioner Tegtmeyer is being quoted as saying that the PTO will rely on its own translation service. That's good because there is an obvious and serious potential problem with translations, if erroneous or if the wrong passages or portions have been identified as pertinent because, e.g., different criteria as to what is pertinent exist in the different patent systems.

There is no need for an explanation of why the claimed invention is believed patentable over the cited art only an explanation of the relevance. This may be nothing more than

identification of the particular figure or paragraph of the patent or publication which has some relation to the claimed invention. It might be a simple statement pointing to similarities between the item of prior art and the claimed invention. An explanation of relevance is thought to be as useful to the Examiner as an explanation of patentability and less burdensome for applicant to prepare.

Rule 99 talks about updating of the prior art statement. It is to be done with reasonable promptness. It can be included in a response.

Until the rule takes effect July 1, 1977, to enable us to adjust, the Notice of August 1974 on Citation of Prior Art (926 O.G. 2) is still in effect.

This new Rule is really watered down and it could have been a lulu. The PTO contemplated first a "Patentability Brief" in 1969 which also existed in patent reform bills. This became a "Patentability Statement" in the Proposed Rules last year. Now, it is just a "Patentability Statement" - but it is not altogether innocuous when taken together with the Duty of Disclosure Rule. It is voluntary, optional but I think we can't avoid it anymore. According to the PTO, the Citation of Prior Art procedure has been used less and less. As a practical matter novelty searches have to be made because close prior art must be known before an application can be intelligently drafted. Also present PTO practice calls for discussion of prior art in the specification. This can best be done via a Prior Art Statement which is by far preferable

than putting prior art in the Specification for foreign filing purposes. It can't be boilerplate so it will take attorney time and effort. Care will have to be exercised in identifying relevant portions of references. A serious question remains as to how much art to submit? Whether to submit cumulative art? Whether to submit everything and let the Examiner make a decision on relevancy? And finally whether to submit art for Sec. 103 combination purposes?

Reissue Applications (Rules 175, 176)

New Rule 175(a)(4) permits a patent owner to have new prior art considered by the PTO by way of a Reissue application without making any changes in the claims or specification.

The change was carried out in an interesting way. It used to be that the Reissue applicant, according to Rule 175(a)(1), first had to positively aver that he deemed "the original patent to be wholly or partly inoperative or invalid...". The term "deemed" is used in the statute, 35 USC 251, but is unclear as to who was going to do the deeming. It was assumed that the Reissue applicant would do the deeming in all cases but now according to Rule 175(a)(4) the deeming will be done by the Examiner. It is said that a patentee may file a Reissue if he believes his patent is valid over prior art not previously considered by the PTO but would like to have a re-examination. If the newly cited prior art does not invalidate the claims, the Reissue application is rejected as not meeting the statutory requirements.

Queries to consider: Suppose the art is known in the confines of the company before the issuance of the original patent, couldn't the Reissue application be stricken? Must the applicant file a Reissue patent application every time new art is uncovered? Our DDT patent was reissued twice in the late '40's and early '50's because of such circumstances.

After the filing of the Reissue application the PTO will publish this fact in the O.G. so that members of the public may have time to review the Reissue application and submit pertinent information to the PTO before the Examiner's action. Rule 176 is amended to provide that Reissue applications will not be acted on sooner than two months after the O.G. announcement of filing. Rule 11(b) was revised to provide that reissue applications are open for public inspection.

Queries to consider: What is the duty of the public to come forth with new art once the notice of Reissue has been published? Should one, not the patentee, having good prior art make it available to the patentee so that the patentee may file a Reissue application which might result in the possibility of a holding of validity and strengthen the presumption of validity or should one take one's chance in court later assuming a higher standard of patentability? What in fact will be the Examiner's position on patentability; will he assume higher standards?

There are conflicting opinions on whether the same Examiner or a different Examiner will examine such a reissue application. Mr. Newman said it would be the same but another speaker whom I heard said it would be a different senior-type

examiner. It is anticipated that there will be an increase in the number of reissue applications. Now there are about 500 a year. Mr. Newman was not able to make a prediction. Some patent attorneys were ready come March 1 to rush reissue applications to the PTO. It is also anticipated that the courts will stay infringement actions if such reissue determinations are pending in the Patent Office. At present, there are three such instances.

Protests and Public Use Proceedings (Rules 291, 292)

Amended Rules 291 and 292(a) give greater recognition to the value of written protests and public use petitions in avoiding the issuance of invalid patents.

Rule 291(a) provides that public protests against pending applications will be entered in the application file and will, if they meet stated requirements, be considered by the examiner. To guarantee consideration by the examiner, protests must be accompanied by copies of prior art documents relied upon, although protests without copies will not necessarily be ignored. This is similar to the requirement of new Rule 98 that copies of patents and publications accompany prior art statements. Rule 291 does not contemplate permitting a protester to participate as a party in further proceedings. But the protester is to serve copies on the patentee and if he can't supply the PTO with a duplicate set. In the case of applications available to the public, such as reissue applications, the protester may file papers rebutting statements made by the applicant. The examiner at his discretion may request a

protester to submit additional written information or may provide extra time for comments by a protester to be filed.

To ensure consideration by the examiner, all protests must be timely submitted. Protests will generally be considered timely submitted if they are filed before final rejection or allowance of the application by the examiner. The consideration given to protests filed after final rejection or allowance of the application by the examiner will depend upon the relevance of the prior art documents submitted and the point in time at which they are submitted. Obviously, if the prior art documents anticipate or clearly render obvious one or more claims they will not knowingly be ignored. It must be recognized, however, that the likelihood of consideration by the examiner decreases as the patent date approaches. Accordingly, protests must be filed early in order to ensure their consideration.

Query to consider: Will the Examiner withdraw an application under Rule 313 (Withdrawal from Issue) if the art cited is filed only somewhat untimely? If not, there will be the impression that it may have been considered. Therefore, one should be quite sure about the stage of prosecution an application may be in before citing art. But there is no way to find this out.

Of course, under Rule 291(b) a "protest" can be filed after a patent is issued. In fact, the patentee himself can file art without going the reissue route. Such citations

of prior art and papers are merely entered without comment from the PTO.

Query to consider: May it not be more effective not to follow Rule 291 but to make the art available to the patentee? Perhaps anonymously? The applicant then has the onus of deciding whether or not to go the route of the Reissue if he has not done so already. And what in fact is the obligation of the patentee in the face of prior art in passively maintaining a patent that perhaps should be tested by the Reissue route?

Reasons for Allowance (Rule 109)

The Examiner's authority under new Rule 109 is discretionary and is only to be used when the record does not otherwise reveal the reasons for allowance. This may be the case in only about 2000 applications, according to Mr. Newman.

Those who opposed the rule gave the reason that the Examiner might fail to state all the reasons or the strongest reasons why a claim was allowed, which could place unnecessary limitations on the claims or create an estoppel in subsequent litigation or licensing.

The rule includes a statement that failure of the applicant to comment upon or rebut the examiner's reasoning "shall not give rise to any implication that the applicant agrees with or acquiesces in the reasoning of the examiner." An applicant, however, is permitted to comment on the Examiner's reasoning.

If there is a need to rebut, which would have to be done very carefully, an extra step or operation will be required which would obviously add to the work load and expense.

There are situations when the Examiner's statement will indeed be useful, for example, when an examiner withdraws a rejection for reasons not suggested by the applicant as per Rule 111(b); when an applicant submits several arguments for allowing a claim and the examiner finds not all of them persuasive; when an examiner allows a claim on the first Office Action after citing very close art; and when the examiner allows a claim after remand from the Board of Appeals under new Rule 196(d).

A new form will be promulgated which may be attached to the Notice of Allowance of Form POL 327. It could be a good form if it is not just a lot of squares, i.e., if the examiner has to state his reasons explicitly.

The Rules so far discussed are the ones that will give us the headaches and more work and more expense. Other Rules are of lesser concern in this regard, e.g., re patent appeals, re publication of decisions and re foreign declarations.

To conclude: On balance, the new Rules are a good thing insofar as they are intended to strengthen the validity of patents and help the patent system improve its image. But they will present to those who attack patents new targets to shoot at, especially e.g. re selection of relevant prior art.

Make no bones about it, the present "Unfriendly tough Patent System", as Judge Rich called it not too long ago, has gotten tougher by another big notch.

March,1977