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PTO Rulemaking in the Twenty-First Century: Defining the Line Between Strategic Planning and Abuse of Authority

Cover Page Footnote
J.D. Candidate, 2008, Fordham University School of Law. Patent Agent, Ropes & Gray LLP. I would like to thank Professor Susan Scafidi for her valuable feedback and guidance throughout the note-writing process.

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INTRODUCTION

PTO RULEMAKING IN THE TWENTY-FIRST CENTURY: DEFINING THE LINE BETWEEN STRATEGIC PLANNING AND ABUSE OF AUTHORITY

Brian E. Mack*

The U.S. Patent and Trademark Office (PTO) is currently "under siege." It is combating a seemingly insurmountable backlog of unexamined patent applications and ever-increasing application pendency. Despite efforts to increase examination efficiency, conditions at the PTO...
are not improving: The time before which an applicant receives a first Office Action has increased every year since 2000, and total application pendency has increased every year since 2002. Today, a typical patent applicant can expect to wait almost two years before receiving an initial examination of a patent application.

To be sure, the PTO’s current predicament is not the result of endemic mismanagement or lack of effective leadership; rather, it is largely the result of booming business at the PTO. New application filings increased nearly twenty-five percent between 2003 and 2006, with a significant portion of these filings originating from foreign applicants. In fact, due to the burgeoning number of new patent application filings, the operation of the PTO is actually a profitable business for the United States. The PTO has been self-sufficient since 1991, capable of deriving its entire operating budget from applicant fee revenue, and even saw a surplus of over $545 million between fiscal year (FY) 1991 and 2004, and a net income of over $80 million in FY 2006 alone. Foreign patent applicants are increasingly seeking patent protection in the United States because of today’s global economy; this has, at least in part, led to the influx of new filings. In addition, a rash of large patent settlements and jury awards in recent U.S.

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6. An Office Action is an official communication from the PTO setting forth the patent examiner's arguments regarding the patentability of an applicant's claims. See generally Robert P. Merges et al., Intellectual Property in the New Technology Age 159-64 (4th ed. 2006); infra notes 67-70 and accompanying text.


10. Id. at 62.

11. Over forty-five percent of all patent applications filed in 2005 were filed by foreign residents. See id. at 126, 128-29 (dividing the number of patent applications filed by foreign residents by the number of total applications filed).

12. See Figueroa v. United States, 466 F.3d 1023, 1027 (Fed. Cir. 2006) (analyzing PTO patent fee appropriations).

13. See id. Interestingly, at least one patent applicant challenged the use of patent application fees to fund federal programs outside the PTO. The U.S. Court of Appeals for the Federal Circuit held that PTO fees can be constitutionally applied to other federal programs. Id. at 1025-26.


patent enforcement actions has enticed both foreign and domestic applicants to procure U.S. patent protection.16

The rush to file new patent applications in the United States accounts for only part of the PTO’s “workload crisis.”17 According to the PTO, the subject matter of new patent applications is growing increasingly technical and complex,18 especially in the fields of biotechnology, electronics, and computer software. The esoteric nature of these applications sometimes requires patent examiners to perform an extensive review of background literature before they can effectively tackle an application and issue a first Office Action. In addition, the PTO has adopted various internal quality control procedures that have affected total application pendency. For example, to help improve patent quality, the PTO has implemented a widespread “second pair of eyes” review policy before patent issuance.19 The PTO adopted this quality control procedure partly in response to applicant demands for patent claims with a higher likelihood of validity during the enforcement process.20

Although the PTO’s efforts to improve patent quality are admirable and arguably much needed, these efforts have not increased application examination efficiency. The rate of new application filings continues to outpace the rate at which the PTO examines new applications.21 As a result, the PTO sees itself moving away, not toward, its twenty-first century Strategic Plan goal22 of controlling application pendency and expediting the patent prosecution23 process.

To help reduce application pendency and improve the overall plight at the Patent Office, the PTO recently proposed two new rules24 designed to


17. See Strategic Plan, supra note 2, at 1.

18. Id.


21. See Strategic Plan, supra note 2, at 5.

22. See id.

23. Patent prosecution is the general term for the interaction between patent applicants (or their representatives) and the PTO. It includes the filing of a patent application and the back-and-forth process of receiving and replying to official communications from the PTO. See generally U.S. Patent & Trademark Office, Manual of Patent Examining Procedure ch. 700 (8th ed. 2006) [hereinafter MPEP].

24. Although this Note refers to each rule in the singular as either the “continuing application rule” or the “claim designation rule,” each rule actually proposes to amend multiple sections of title 37 of the Code of Federal Regulations (C.F.R.). See Changes to
help the PTO meet its productivity goals. The new rules propose to amend various sections of title 37 of the Code of Federal Regulations (C.F.R.) to limit an applicant's ability to file continuing applications and to obtain a complete examination of the claims of a patent application. The rules, if adopted, would represent a radical shift in the PTO's long-standing practice of allowing applicants to determine the strength and scope of patent protection for their inventions. The new rules are also significant because they test the limits of the PTO's rulemaking authority.

Although there has been limited support for the new rules, most contend that the rules, if adopted, would hinder patent applicants from obtaining comprehensive patent protection. Many also argue that the new rules would persuade patent applicants to reassess the viability of patents as an adequate form of intellectual property protection and to consider alternate forms of protection. Some commentators have even questioned the PTO's statutory authority to promulgate the new rules.

This Note analyzes the bounds of the PTO's rulemaking authority and the validity of the two rules proposed by the PTO on January 3, 2006. In order to thoroughly assess the validity of these new rules, Part I of this Note

26. See infra notes 78-80 and accompanying text.
27. The claims of a patent application define the "metes and bounds" of the subject matter that will be protected by the patent grant. See infra note 45 and accompanying text.
28. See generally infra Part I.A.
29. See infra Part II.
32. For example, trade secrets may become a more attractive option. For a comparison of the available types of intellectual property protection, see Merges et al., supra note 6, at 24-30.
33. See, e.g., AIPLA Continuation Comments, supra note 31, at 6-8.
34. See supra note 24 and accompanying text.
lays the necessary foundation for distinguishing between valid and invalid PTO rules.

Part II analyzes the debate surrounding the PTO’s statutory authority to adopt the proposed continuing application rule and the claim designation rule. It presents the arguments of the proponents of the new rules, who feel the rules are both necessary and squarely within the PTO’s statutory authority to adopt, as well as the arguments of the opponents of the new rules, who feel the rules are “troubling” and overreaching.

Part III of this Note suggests a framework for delineating between valid and invalid PTO rulemaking. This part also argues that the PTO will exceed its congressional grant of rulemaking authority in adopting at least one of the new rules. This Note concludes with some potential alternatives to the rules that might increase examination efficiency at the PTO.

I. THE HISTORY OF PTO RULEMAKING AND THE OFFICE’S RULEMAKING AUTHORITY

The PTO has a rich legislative rulemaking history that stretches back over 165 years. PTO rules have historically dictated the manner of applicant interaction with the PTO in order to procure a patent. To understand how a patent application matures into a patent, Part I.A presents a brief primer on the patent application filing and prosecution processes. Part I.B then details the new continuing application and claim designation rules and their effect on patent applicants. To thoroughly analyze the validity of the new rules, Part I.C traces the development of the PTO’s statutory authority to promulgate rules, and Part I.D highlights selected PTO rulemaking at various stages throughout the PTO’s rulemaking history. Part I.E then analyzes the effect of the Administrative Procedure Act (APA) on PTO rulemaking. Finally, Part I.F outlines some limits on PTO rulemaking due to both the language of the PTO’s statutory rulemaking grant and the APA’s judicial review provisions.

A. Anatomy of the Patent Prosecution Process

A patent applicant must satisfy several requirements before the PTO will award the applicant a patent. The process begins with the applicant

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35. According to the published comments on the proposed rulemaking, the proponents of the new rules are limited to the PTO and a handful of applicants and organizations. See supra note 30.
36. Opponents include the overwhelming majority of applicants, law firms, and organizations. See supra note 30.
37. Kirk, AIPLA Continuation Comments, supra note 31, at 3.
38. The PTO’s first express rulemaking authority appeared in the Act of 1839. See infra notes 107-08 and accompanying text.
39. See infra notes 126-31 and accompanying text.
40. See supra note 23.
preparing and filing a patent application, which is a formal document describing the applicant's invention. The patent application typically includes several sections of text, called the specification, and at least one drawing referenced within the specification. The application concludes with a series of numbered noun phrases, called claims, that define the "metes and bounds" of the applicant's invention. The claims of a patent application also define the extent of protection conferred by the patent grant, if and when the application matures into a patent. For example, to prove infringement of a patent, the current owner of a patent typically must show that an accused device "embodies every limitation" of at least one issued claim.

Patent application claims are either independent or dependent. Independent claims stand on their own and do not reference other claims in the patent application. Dependent claims "refer[] back to and further limit[] another claim or claims in the same application." The PTO construes dependent claims as including all of the limitations of any claims they reference.

Under current PTO practice, an applicant is generally free to determine the number of claims presented in a patent application. The PTO does, however, charge a claim surcharge for each independent claim presented in a patent application in excess of three and for each total claim presented in excess of twenty. Provided that the applicant pays the appropriate surcharges, the PTO examines all the claims in the application, or restricts a
subset of the claims out of the application, if the claims recite more than one "independent or distinct" invention.55

An applicant files a patent application in the PTO with the required filing fees56 and other formal filing documents.57 The PTO then accords the application a filing date58 and queues the application for examination. After some time,59 a patent examiner will review, or examine, the patent application and its claims. The examiner will also perform an extensive search of the relevant prior art, which includes patent application publications,60 issued patents, and other printed publications61 accessible to the interested public prior to the effective filing date62 of the patent application being examined.63

After a review of the prior art, the patent examiner may reject one or more claims in the patent application as failing to meet the standards of patentability recited in the patent statute.64 The main pitfalls to patentability lie in 35 U.S.C. §§ 102 and 103, which require that the applicant's claimed invention be both novel65 and nonobvious66 over the prior art. After a review of the patent application's claims and the available prior art, the patent examiner will typically issue a first official communication, called an Office Action, rejecting one or more of the patent

55. Restriction practice requires the applicant to elect a single invention for examination and pursue the unelected invention or inventions in one or more continuing applications, usually one or more divisional applications. See MPEP, supra note 23, §§ 201.06, 803.
57. The formal filing documents include an oath by the applicant that the applicant believes he or she is "the original and first inventor" of the subject matter for which a patent is sought. See 35 U.S.C. §§ 111, 115 (2000); 37 C.F.R. § 1.53; MPEP, supra note 23, § 506.
58. The application filing date is important because it determines the reference date used to discover "prior" art. See infra notes 60-64 and accompanying text.
59. On average, an applicant waits 22.6 months before initial examination of his or her patent application. See supra note 9.
60. The PTO normally publishes patent applications eighteen months from the earliest effective filing date. See 35 U.S.C. § 122(b).
61. The term printed publication is expansive and includes websites and other electronically published documents. See generally MPEP, supra note 23, § 2128 ("A reference is proven to be a 'printed publication' 'upon a satisfactory showing that such document has been disseminated or otherwise made available to the extent that persons interested and ordinarily skilled in the subject matter or art, exercising reasonable diligence, can locate it.'" (quoting In re Wyer, 655 F.2d 221, 226 (C.C.P.A. 1981))).
62. An application's effective filing date takes into account any benefit claims to certain prior, related applications. See id. § 706.02(V).
63. For the different types of prior art, see generally id. ch. 900.
64. See generally Schwartz, supra note 1, at 61 ("For an invention to be patentable, it must be (1) of patentable subject matter, (2) useful, (3) new, and (4) nonobvious.").
65. Novelty requires that an applicant's invention be not "known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent." 35 U.S.C. § 102(a).
66. The applicant's "subject matter as a whole" cannot be obvious to one having "ordinary skill in the art." Id. § 103(a).
application’s claims. The applicant may then reply to the Office Action by amending the claims of the patent application to distinguish the applicant’s claimed invention from the prior art cited in the Office Action. Alternatively, the applicant may leave the claims as is and argue that the examiner has misconstrued the prior art or the applicant’s claims.

If the examiner agrees with the applicant, the PTO will issue a Notice of Allowance and eventually a patent covering the claims of the patent application. If the applicant’s arguments are not convincing, however, then the examiner may issue a second, “final” Office Action. After the PTO issues a final Office Action, prosecution of the application is officially closed, and further amendments to the application’s claims are no longer allowed as a matter of right. The applicant may, nevertheless, attempt to convince the examiner one more time that the claims in the patent application satisfy the requirements of the patent statute. Thus, a patent applicant is said to receive “two bites” at obtaining a patent. If at any time the applicant fails to reply to an Office Action within the required time period, the application becomes abandoned.

In a typical patent application filing cycle, an applicant first files an initial application directed to the core aspect of the applicant’s invention. The applicant then prosecutes this initial application to abandonment or patenting. At anytime before abandonment or patenting, the applicant may file one or more “continuing” applications directed to another (or the same) aspect of the invention. The PTO accords these “child” continuing applications an effective filing date equal to the filing date of the “parent” application for prior art purposes; however, the PTO measures the term of any patent issuing from a continuing application from the filing date of the earliest parent application.

67. See MPEP, supra note 23, § 706.
68. Amendments to an application are governed by 37 C.F.R. § 1.121. See id. § 714.
69. See 37 C.F.R. § 1.111 (2006); Schwartz, supra note 1, at 20-21.
70. See 37 C.F.R. § 1.111(b).
71. See MPEP, supra note 23, § 1303.
72. See id. § 1309; Schwartz, supra note 1, at 21-22.
73. See MPEP, supra note 23, § 706.07.
74. See id. §§ 714.12-.13; Schwartz, supra note 1, at 22-26.
75. The applicant may file a reply to the final Office Action with or without an amendment. See MPEP, supra note 23, §§ 714.12-.13.
76. Generally, an Office Action sets a three-month shortened statutory time period to reply. See id. § 710.02(b).
77. See 37 C.F.R. § 1.135 (2006); MPEP, supra note 23, § 711.
78. Continuing applications include divisional, continuation, and continuation-in-part applications. See Schwartz, supra note 1, at 24-26; MPEP, supra note 23, § 201.06 (divisional applications); id. § 201.07 (continuation applications); id. § 201.08 (continuation-in-part applications).
80. The patent term is twenty years from the filing date of the earliest prior-filed application whose benefit is claimed under 35 U.S.C. § 120, 121, or 365(c). See 35 U.S.C. § 154(a)(2); MPEP, supra note 23, § 2701.
In lieu of, or in addition to, filing a continuing application, if an applicant is unsuccessful in convincing the patent examiner that the claims of the patent application meet the requirements of the patent statute, the applicant may file a request for continued examination (RCE). After filing the request, the finality of the last Office Action is withdrawn, and the PTO permits the applicant another “two bites” at convincing the examiner that the application’s claims are patentable. The RCE process may continue indefinitely, so long as the applicant pays the requisite fees and meets the other procedural requirements. Thus, the PTO presently allows a determined applicant to prosecute a patent application indefinitely so long as the applicant “advance[s] prosecution.”

B. The New Proposed Rules

This section details the two new rules recently proposed by the PTO. Part I.B.1 describes the new continuing application rule, and Part I.B.2 explains the new claim designation rule. The proposed rules represent a significant shift in the flexibility patent applicants currently enjoy in determining the desired scope of their patent protection. The PTO may not adopt either of the new rules without thirty days advance notice.

1. Imposing Limits on Continuing Applications

The first new rule proposed by the PTO would drastically alter the current practice of filing continuing applications and requests for continued examination. It would require that “second or subsequent continued examination filings, whether a continuation . . . or a request for continued examination” be accompanied by a showing that the amendment, argument, or evidence submitted with the continued examination filing could not have been submitted to the Office before prosecution in the prior application closed. The applicant’s showing that the amendment, argument, or evidence could not have been previously submitted must come in the form of a petition with a required petition fee.

81. See supra note 64 and accompanying text (listing the requirements for patentability).
82. See 35 U.S.C. § 132(b); 37 C.F.R. § 1.114.
83. See MPEP, supra note 23, § 706.07(b).
84. See 37 C.F.R. § 1.114; MPEP, supra note 23, § 706.07(b).
85. See In re Bogese II, 303 F.3d 1362, 1369 (Fed. Cir. 2002) (holding that an applicant forfeited a patent application for an unreasonably lengthy prosecution with no attempt substantively to advance prosecution); infra note 281 and accompanying text.
88. Id.
89. Id. at 48-52.
90. Id. at 53-54.
If the applicant cannot make the appropriate showing, the Office will "refuse to enter, or will delete if present" any reference to the earlier application in the continuing application.\textsuperscript{91} This refusal would strip the continuing application of the benefit of the earlier-filed application's filing date, allowing the earlier-filed application to be used as prior art against the later-filed continuing application.\textsuperscript{92} It would also serve as an effective bar to the second application ever maturing into a patent.

It has been noted that "[o]ne of the oddest things about the United States patent system" is the impossibility of "ever finally reject[ing] a patent application."\textsuperscript{93} This result is due to the lack of any limit on the number of continuing applications or requests for continued examination an applicant may file.\textsuperscript{94} Although this practice allows patent applicants to maximize the potential of their patent applications, the undesirability of this arrangement, as well as its potential for abuse, abounds.\textsuperscript{95}

2. Designating Representative Claims for Examination

The second rule proposed by the PTO restricts the ability of applicants to receive initial examination of all the claims in a patent application.\textsuperscript{96} The claim designation rule proposes to amend title 37 of the C.F.R. to require applicants to designate ten representative claims in each patent application for initial examination.\textsuperscript{97} The representative claims would include all independent claims and any dependent claims expressly elected by the applicant.\textsuperscript{98} The PTO would then only examine the designated representative claims and defer examination of the remaining claims until the application is otherwise in condition for allowance.\textsuperscript{99}

If the applicant desires to have more than ten representative claims examined, the new rule requires the applicant to "share the burden" of

\textsuperscript{91} Id. at 54.
\textsuperscript{92} Since the applications would generally contain the same disclosure, any claims supported by the disclosure of the later-filed application would be anticipated by the disclosure of the earlier-filed application, eliminating the possibility of any patentable claims.
\textsuperscript{93} Mark A. Lemley & Kimberly A. Moore, Ending Abuse of Patent Continuations, 84 B.U. L. Rev. 63, 64 (2004).
\textsuperscript{94} More precisely, an applicant may file continuing applications or requests for continued examination until the patent term expires, provided that an application is still pending at this time and the other procedural requirements are met. See MPEP, supra note 23, §§ 201.07, 2701.
\textsuperscript{95} For examples of the undesirable results of the unlimited continuation practice, see Lemley & Moore, supra note 93, at 71-83.
\textsuperscript{97} Id.
\textsuperscript{98} Id.
\textsuperscript{99} Id. at 62 ("[T]he Office is proposing to delay the patentability examination of most dependent claims until the application is otherwise in condition for allowance. The Office, however, will examine every claim in an application before issuing a patent on the application.").
examining the excess claims by providing an examination support document (ESD) covering all the designated claims.\textsuperscript{100} The ESD would include a statement by the applicant that a pre-examination search was conducted and a listing of pertinent references resulting from the search.\textsuperscript{101}

3. The Interplay Between the Two Proposed Rules

Although each of the two proposed rules represents a radical shift in the filing and examination procedure for patent applications, the combination of the rules has an additional impact on some applicants. By limiting both the number of continuing applications and the number of claims in each application, the total number of claims directed toward a particular invention is capped.\textsuperscript{102} Some applicants may be unable to adequately claim their inventions with such a small, fixed number of claims.\textsuperscript{103}

In addition, the proposed continuing application rule creates a presumption that two or more patent applications contain “patentably indistinct” claims if the following are true: (1) The applications have the same effective filing dates; (2) the applications name at least one inventor in common, are owned by the same person, or are subject to an obligation of assignment to the same person; and (3) the applications contain substantially overlapping specifications.\textsuperscript{104} The proposed claim designation rule, however, specifies that all patentably indistinct claims will be counted toward the ten claim designation limit in each application with patentably indistinct claims.\textsuperscript{105}

\textsuperscript{100} ld.
\textsuperscript{101} Id. The examination support document (ESD) would also include “an identification of all the limitations of the independent claims and designated dependent claims that are disclosed by the references cited.” Id. at 65.
\textsuperscript{102} Id. The number of claims is limited only if the applicant does not wish to provide an ESD. For example, a single invention could have, at most, twenty independent claims—ten in the first application and ten in the single permitted continuing application. Distinct inventions, however, may be subject to a restriction requirement, and an applicant may file a divisional application for each such distinct invention. Each divisional application may then be eligible for a single continuing application. See Changes to Practice for Continuing Applications, Requests for Continued Examination Practice, and Applications Containing Patentably Indistinct Claims, 71 Fed. Reg. 48, 53 (proposed Jan. 3, 2006) (to be codified at 37 C.F.R. pt. 1).
\textsuperscript{103} Id. Another observation made primarily by biotech firms is that the new rules limit an applicant’s ability to present claims in a continuing application that cover new uses of the invention. See, e.g., Laura Cutland, Patent Rule Irks Bio Firms, Silicon Valley/San Jose Bus. J., Jan. 20, 2006, at 1, available at http://www.bizjournals.com/sanjose/stories/2006/01/23/story2.html.
\textsuperscript{104} See Changes to Practice for Continuing Applications, Requests for Continued Examination Practice, and Applications Containing Patentably Indistinct Claims, 71 Fed. Reg. at 55.
\textsuperscript{105} See Changes to Practice for the Examination of Claims in Patent Applications, 71 Fed. Reg. at 64 (“If the patentably indistinct claims are not eliminated from all but one of the nonprovisional applications, the Office will treat the independent claims and the dependent claims designated for initial examination in the first nonprovisional application and in each of such other nonprovisional applications or patents as present in each of the nonprovisional applications.”).
As a result, in addition to allowing only a single continuing application, the new rules would also prevent applicants from “splitting” an omnibus application, or filing multiple applications with identical disclosures on the same day directed toward different aspects of the applicant’s invention. Assuming applicants would not want to make assertions about the prior art on the record for fear of inequitable conduct, the combined effect of the two proposed rules may be to dramatically limit an applicant’s ability to receive comprehensive patent protection, particularly for complex, multifaceted inventions. Since the two new rules would radically revise the long-standing procedure for filing new patent applications in the United States, it is helpful to outline a brief history of the PTO’s rulemaking authority.

C. The Development of the PTO’s Rulemaking Authority

1. The Act of 1839: PTO Rulemaking Beginnings

Forty-nine years after Congress enacted the first federal patent statute, Congress expressly granted the Commissioner of Patents his first rulemaking power. The Act of 1839 provided “[t]hat the Commissioner of Patents shall have power to make all such regulations in respect to the taking of evidence to be used in contested cases before him, as may be just and reasonable.” Although this rulemaking provision in the Act of 1839 does not resemble the PTO’s current rulemaking authority, it is important to note that the Commissioner once wielded extremely restricted rulemaking power limited exclusively to evidence gathering.

Congress slightly enlarged the Commissioner’s rulemaking power in the Act of 1861. Specifically, Congress granted the Commissioner the authority to “establish rules for taking affidavits and depositions required in cases pending in the Patent Office” and to govern a board of examiners-in-
chief by "the rules to be prescribed by the Commissioner of Patents."\(^{110}\)

Although the Commissioner enjoyed slightly greater rulemaking power under the Act of 1861, the bounds of his rulemaking authority were still well-defined.


The Commissioner’s rulemaking power remained fairly unaltered until 1870, when Congress granted the Commissioner sweeping authority to "establish rules and regulations . . . for the conduct of proceedings in the patent office."\(^{111}\) This statutory authorization, however, was subject to an important caveat: Any rule or regulation the Commissioner established under this provision was required to be "not inconsistent with law."\(^{112}\)

The language of the PTO’s current rulemaking authority is very similar to that of the 1870 statute;\(^ {113}\) therefore, an analysis of the legislative history of the 1870 statute is essential to determine the congressional intent behind the rulemaking authority enjoyed by the PTO today. Unfortunately, however, the legislative history of the 1870 statute is "meager."\(^ {114}\) What is gleaned from the legislative history is that Congress intended to enlarge the PTO’s rulemaking power with the 1870 statute;\(^ {115}\) however, as evidenced from a discussion on the floor of the House, the rulemaking powers were exclusively intended "to apply to the proceedings in the Patent Office" and, more particularly, for the purpose of "regulating the manner in which proceedings [before the Office] shall be conducted."\(^ {116}\)


The Patent Act of 1952 codified many of the PTO’s procedures for examining and issuing patents.\(^ {117}\) The specific “duties” of the PTO Commissioner, including his rulemaking powers, were codified in 35 U.S.C. § 6.\(^ {118}\) Although the Patent Act of 1952 cosmetically modified the language of the Commissioner’s rulemaking power, “there is no evidence


\(^{112}\) Id.

\(^{113}\) Compare id. (granting the power to “establish rules and regulations . . . for the conduct of proceedings in the patent office”), with 35 U.S.C. § 2(b)(2)(A) (2000) (granting the power to “establish regulations . . . which shall govern the conduct of proceedings in the Office”).

\(^{114}\) Wamsley, supra note 110, at 494.

\(^{115}\) Id. (“[T]he Commissioner was being given some new authority [in the 1870 statute] to establish rules that he had not previously possessed . . . .”).

\(^{116}\) Cong. Globe, 41st Cong., 2d Sess. 2856 (1870); Wamsley, supra note 110, at 495-96.


\(^{118}\) Id. § 6.
The PTO’s main statutory authority for rulemaking today lies in 35 U.S.C. § 2(a)(2),120 which grants the PTO the ability to “establish regulations, not inconsistent with law, which . . . shall govern the conduct of proceedings in the Office.”121 Congress’s choice of expansive language in this rulemaking provision bestows “broad powers” on the PTO to establish rules.122 The U.S. Court of Appeals for the Federal Circuit has even described this statutory provision as a “general congressional grant of authority.”123 As described in Part I.F, however, there are significant limitations to the PTO’s rulemaking authority.124

D. Early Questions of the PTO’s Rulemaking Authority

The PTO has tested the bounds of its rulemaking authority before.125 Part I.D.1 summarizes PTO rulemaking from 1839, after the Commissioner received his first rulemaking authority, to 1977. Part I.D.2 describes the bold use of the PTO’s rulemaking authority in enacting the “Dann Amendments” of 1977. Part I.D.3 discusses the repeal of the 1977 amendments and selected contemporary rulemaking.

1. Innocuous Rulemaking from 1839 to 1977

As one of the oldest administrative agencies in the United States,126 the PTO is no stranger to rulemaking. The Commissioner of the PTO began developing “crude rules of practice”127 even before he had the express authority to do so.128 Although the earliest PTO rules related primarily to

119. Wamlsey, supra note 110, at 497 & n.19. The rulemaking provision was changed from “[t]hat the commissioner, subject to the approval of the Secretary of the Interior, may from time to time establish rules and regulations, not inconsistent with law, for the conduct of proceedings in the patent office” to “[t]he commissioner may, subject to the approval of the Secretary of Commerce, establish regulations, not inconsistent with law, for the conduct of proceedings in the Patent Office.” Compare Act of July 8, 1870, ch. 230, § 19, 16 Stat. 198 (repealed 1909), with Act of July 19, 1952, § 6.
122. Gerritsen v. Shirai, 979 F.2d 1524, 1528 (Fed. Cir. 1992) (upholding PTO rule 662(b) requiring a patentee who has filed a reissue application after the close of the preliminary motions period of an interference proceeding to file a belated preliminary motion adding the application to the interference proceeding).
123. Id. at 1529.
124. See infra Part I.F.
125. See, e.g., infra Part I.D.2.
128. The Commissioner received the statutory authority to make rules in 1870. See id.
the format for submitting applications to the Office and the requisite fees for examination, later rules began to "restate[] and interpret[]" the patent statute and judicial holdings relating to the patent statute. After the Federal Register Act was amended in 1937 to provide for codification of administrative regulations, the PTO regularly codified its new rules in the C.F.R.

Perhaps the greatest influence on the format, structure, and readability of the PTO rules was the enactment of the Administrative Procedure Act in 1946. Partly in response to the Administrative Procedure Act and partly in response to internal reorganization, the Patent Office issued a major revision to the PTO rules in 1949. Although the 1949 rules did not attempt to interpret the statutory requirements for patentability, for the first time the rules did impose new obligations on patent applicants—obligations that were not mandated by statute. As such, the 1949 rules represented an important shift in the purpose and function of PTO rules: The rules moved from expounding the procedures for interacting with the Patent Office to detailing the quid pro quo of the patent prosecution process. For example, Rule 65 of the 1949 rules required applicants to submit an oath regarding public use and prior sale of the invention in the United States before the PTO would accept an application for examination. Although the 1949 rule revision began to test the bounds of the Commissioner’s rulemaking authority, the 1949 rules were modest compared to the rules adopted in 1977.

2. The 1977 Dann Amendments

The PTO’s “most far reaching” use of rulemaking power was embodied in the Dann Amendments of 1977. These rules established new procedures for reexamining patents through the use of the reissue

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129. Id. at 500.
130. Id. For example, PTO Rule 56 attempted to define the standard for fraud on the PTO. See infra notes 146-52 and accompanying text.
133. See Wamsley, supra note 110, at 501-03.
134. Id. at 502-03.
135. Id. at 512.
136. The Dann Amendments were proposed by Commissioner C. Marshall Dann, the Commissioner of Patents and Trademarks from 1974 to 1977. See id.
137. A reexamination is just that—another chance for the patent examiner to examine an applicant’s claims. See MPEP, supra note 23, § 2209 (discussing ex parte reexamination).
and changed several existing patent examining procedures. Although the patent community met the 1977 rules with overwhelming support, some commentators questioned the authority of the Commissioner to adopt at least one of the 1977 rules. For example, the 1977 rules amended Rule 175 to provide for a reexamination of claims in an issued patent through a reissue application (what later came to be known as the "no-defect" reissue). All that was required in order for an applicant to invoke the new procedure was "prior art or other information... which might cause the examiner to deem the original patent... invalid." This rule revision was a major "reinterpretation" of 35 U.S.C. § 251, which, at the time, provided only for the reissue of actually defective applications. The PTO, however, never questioned its statutory authority to adopt the new rule. In the PTO's view, its authority was "believed to exist" in 35 U.S.C. § 251 because the new rule was not literally inconsistent with the existing statute.

Another major rule change adopted in 1977 clarified a patent applicant's duty of disclosure. Prior to the 1977 rule changes, Rule 56 permitted the Office to strike applications "fraudulently filed or in connection with which any fraud is practiced or attempted" on the PTO. The rule, however, never defined which acts constituted fraud or when an application was fraudulently filed. As early as 1945, courts began expounding on the necessary acts required to commit fraud on the PTO and, in particular, when and what information must be disclosed during the patent prosecution process. Not surprisingly, a number of confusing tests emerged in the years that followed for disclosing information to the PTO. The PTO amended Rule 56 in 1977 partly in response to this confusion and partly in response to the definition of "materiality" offered by the U.S. Supreme

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138. Today, the patent reissue process allows an applicant to surrender an issued patent and have the PTO reissue one or more patents for the invention disclosed in the original patent. See 35 U.S.C. § 251 (2000); MPEP, supra note 23, § 1401. Typically, patents are reissued because they are "wholly or partly inoperative or invalid" in some way. See 35 U.S.C. § 251.


140. Id.


143. Id. at 5594 (printing a revised version of 37 C.F.R. § 1.175(a)(4) (1976)).

144. Wamsley, supra note 110, at 515.


146. Id. at 5593-94 (printing a revised version of 37 C.F.R. § 1.56).

147. 37 C.F.R. § 1.56.


Court one year earlier in *TSC Industries v. Northway, Inc.*,\(^{150}\) which related to false or misleading proxy statements in violation of the Securities Exchange Act. The PTO borrowed *Northway*'s "reasonable shareholder"\(^ {151}\) standard in developing its "reasonable examiner" standard for materiality determinations in the context of patent applications.\(^ {152}\)

Thus, under the guise of Rule 56, the Patent Office advanced its own interpretation of a patent applicant's duty of disclosure,\(^ {153}\) which was largely in line with the Court's holding in *Northway*.\(^ {154}\) For the first time, the PTO used its rulemaking power to codify its interpretation of a judicial decision. As a result, the promulgation of Rule 56 in 1977 represented another important expansion of the PTO's use of its rulemaking power.

3. Repeal of the Dann Amendments

Although the PTO repealed the 1977 no-defect reissue rule in 1982,\(^ {155}\) the PTO never indicated that it lacked the power to implement any of the 1977 rules. In fact, the PTO readily dismissed any questions about the Commissioner's statutory authority to adopt the 1977 rules and instead reiterated the goals of the new rules: to "improve the quality... of issued patents" and "help to maintain strong patent incentives."\(^ {156}\) According to the PTO, the no-defect reissue rule was repealed because its repeal was "desirable in light of the implementation of statutory patent reexamination," embodied in the new chapter 30 of 35 U.S.C.\(^ {157}\)

Even though the PTO has repealed its own rules (such as the Dann Amendments) in the past, courts are very reluctant to overturn PTO rulemaking. In fact, there are only a handful of cases that clearly invalidate a PTO rule.\(^ {158}\) For example, in 1904, the Supreme Court held that PTO Rule 41, which mandated division of machine and process claims into

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150. 426 U.S. 438 (1976) (formulating a standard of materiality under the Securities and Exchange Commission's false or misleading statements Rule 14a-9).

151. *Id.* at 449.

152. *See* Patent Examining and Appeal Procedures, 42 Fed. Reg. 5588, 5589 (Jan. 28, 1977); *see also* Digital Control Inc. v. Charles Mach. Works, 437 F.3d 1309, 1314 (Fed. Cir. 2006) (reaffirming that the materiality standard for a determination of inequitable conduct requires a showing that a reasonable examiner would have considered such prior art important in deciding whether to allow the patent application).


154. *See* *Northway*, 426 U.S. at 449.

155. *See* Reissue, Reexamination, Protest and Examination Procedures in Patent Cases, 47 Fed. Reg. 21,746 (May 19, 1982). The repeal was effective July 1, 1982. *Id.* at 21,746.


158. *See, e.g.*, United States *ex rel.* Steinmetz v. Allen, 192 U.S. 543 (1904) (holding PTO Rule 41 invalid); Ethicon, Inc. v. Quigg, 849 F.2d 1422 (Fed. Cir. 1988) (concluding that the Commissioner may not stay a reexamination proceeding under PTO Rule 565(b)).
separate applications, was invalid because it permitted no discretion.\textsuperscript{159} The Court also emphasized the patent statute’s superiority over PTO regulations by holding that “[i]f there is inconsistency between the rules and statute, the latter must prevail.”\textsuperscript{160}

4. If at First You Do Not Succeed . . .

The mounting backlog of unexamined patent applications at the PTO did not develop overnight. In fact, the PTO recognized inflating application pendency and unsuccessfully attempted to adopt new rules to help reduce application pendency at least once before in 1998.\textsuperscript{161} Interestingly, the 1998 proposed rule changes also included a limit on the total number of claims eligible for examination in a patent application, akin to the new claim designation rule.\textsuperscript{162}

The PTO gave advance notice of the 1998 proposed rulemaking, which was entitled “Changes to Implement the Patent Business Goals.”\textsuperscript{163} The notice addressed twenty-one specific topics for proposed rulemaking, including a proposed topic to revise 37 C.F.R. § 1.75 to limit the total number of claims examined in a single patent application to forty.\textsuperscript{164} The proposed rule also limited the total number of independent claims\textsuperscript{165} in a patent application to six.\textsuperscript{166}

As with the current rule changes, the PTO attempted to mollify the impact of the new rules by citing to the small number of applicants that would be affected by the proposed rules.\textsuperscript{167} According to the PTO, it was “inappropriate to continue to permit the proclivity of a relatively low number of applicants . . . for excessive claim presentation to result in delays . . . and unnecessary [application] pendency.”\textsuperscript{168} Unlike the new proposed claim designation rule, however, the claim rule proposed in 1998 emphasized that the limit of the number of claims was for examination in a single application “at one time.”\textsuperscript{169} An applicant could file “any number of continuing applications” (each with a maximum of forty claims) to obtain

\textsuperscript{159} Steinmetz, 192 U.S. at 563 (“Such a rule ignores the differences which invoke discretion, and which can alone justify its exercise, and we are of the opinion therefore that rule 41 is an invalid regulation.”).
\textsuperscript{160} Id. at 565-66.
\textsuperscript{162} See id. at 53,506.
\textsuperscript{163} Id. at 53,498. The PTO’s use of the word “business” in the title of these notices is interesting here, particularly in light of a recent challenge to the government’s use of patent applicant fees to fund programs outside the PTO. See supra notes 12-13 and accompanying text.
\textsuperscript{164} Changes to Implement the Patent Business Goals, 63 Fed. Reg. at 53,506.
\textsuperscript{165} See supra notes 48-52 and accompanying text.
\textsuperscript{166} Changes to Implement the Patent Business Goals, 63 Fed. Reg. at 53,506.
\textsuperscript{167} See id. at 53,506-07.
\textsuperscript{168} Id. at 53,506.
\textsuperscript{169} Id.
broader claim coverage, if desired. The 1998 proposed rule, therefore, was quite different from the PTO's current proposal, which attempts to limit both continuing applications and the number of examined claims. Sharp opposition to the 1998 proposed limitation on the number of claims in a patent application ultimately militated against its adoption.

E. The Effect of the Administrative Procedure Act on PTO Rulemaking

Touted as one of the “greatest inventions of modern government” for its rulemaking provisions, the Administrative Procedure Act had a dramatic effect on administrative agencies in the United States. In order to thoroughly analyze the bounds of the PTO’s rulemaking power, it is helpful to expound on the APA’s applicability to the PTO.

1. The Informal Rulemaking Provisions of the APA

Section 553 of the APA governs the primary vehicle for administrative agencies to promulgate new rules. The process of promulgating rules under this section is often referred to as “informal” or “notice and comment” rulemaking as distinguished from “formal” rulemaking, which is governed by sections 556 and 557 of the APA. In addition to being subject to petition for amendment and repeal, rules subject to the informal rulemaking provisions of the APA require notice of the proposed rulemaking by way of publication in the Federal Register and an opportunity for “interested persons” to participate in the rulemaking. Agencies often satisfy the participation requirement by accepting and publishing comments submitted by the public. “After consideration of the relevant matter presented,” the agency must then incorporate a concise general statement into the rules of their “basis and purpose.”

170. Id. at 53,508.
171. See supra Part I.B.
175. Formal rulemaking is rulemaking that is “required by statute to be made on the record after opportunity for an agency hearing.” See id. § 553(c).
176. See id. § 553(e).
177. Id. § 553(c).
178. For example, PTO notices of proposed rulemaking are regularly published in the Federal Register. See supra note 131 and accompanying text.
179. 5 U.S.C. § 553(c).
2. The PTO's Compliance with the APA Rulemaking Provisions

The Patent Office largely "anticipated the problem out of which the Administrative Procedure Act was born."180 As Patent Commissioner Casper W. Ooms noted, "The Patent Office has consistently provided the applicant before it with a full measure of all the requisites of process that the Administrative Procedure Act insures."181 As such, the Patent Office outwardly changed little in its procedure in direct response to the APA.182 For example, the PTO had already regularly published proposed rule changes and solicited comments from the interested public prior to the enactment of the APA.183

3. The Scope of APA Applicability to PTO Rules

Although preliminary drafts of the APA specifically excluded "the work of the Patent Office"184 from APA requirements, it is now universally accepted that the PTO falls under the ambit of the APA as enacted by Congress.185 For example, the APA defines an agency as an "authority of the Government of the United States, whether or not it is within or subject to review by another agency."186 The APA defines a rule as "the whole or a part of an agency statement of general or particular applicability and future effect designed to implement, interpret, or prescribe law or policy or describing the organization, procedure, or practice requirements of an agency."187 Surely, these broad definitions encompass the PTO and most, if not all, of the rules promulgated by the PTO. To eliminate any doubt, Congress expressly required that all PTO rules made pursuant to the PTO's statutory rulemaking authority comply with the APA's informal rulemaking provisions in 1999.188

Courts may overturn agency rules for failing to comply with the informal rulemaking procedures of the APA.189 Not all rules, however, are subject

180. Ooms, supra note 132, at 149.
181. Id.
182. See id. at 153.
183. Id.
187. Id. § 551(4).
189. See, e.g., Paulsen v. Daniels, 413 F.3d 999, 1007-08 (9th Cir. 2005) (holding a codified interim regulation invalid for failing to comply with the notice and comment
to these provisions. For example, the APA includes an exception for “interpretative rules, general statements of policy, or rules of agency organization, procedure, or practice.”

At least according to one Commissioner of the PTO, “It is extremely doubtful whether any of the rules formulated [by the PTO] . . . are other than ‘interpretative rules, general statements of policy, . . . procedure, or practice.’” The language of the PTO’s statutory grant of rulemaking authority would seem to concur. In addition, part 1 of title 37 of the C.F.R., where the PTO codifies its rules, is entitled “Rules of Practice in Patent Cases,” which would tend to support this conclusion. Due to the substantive effect of some PTO rules, however, it is also extremely doubtful that all of the rules promulgated by the PTO today are exempt from the APA’s informal rulemaking provisions. Since the PTO regularly follows the informal rulemaking provisions of the APA, whether or not the PTO is required to comply with the provisions may be purely an academic question. As discussed below, however, the substantive/interpretive rule dichotomy is important, although not dispositive, in delineating the bounds of the PTO’s rulemaking authority.

F. The Bounds of the PTO’s Rulemaking Authority

Although Congress may have intended to grant the PTO broad rulemaking power, this power is certainly not absolute. The key limits of the PTO’s rulemaking authority lie in the language of the PTO’s congressional rulemaking grant itself, as well as in the APA’s judicial review provisions. Below, Part I.F.1 explores some of these limits imposed

provisions of the APA); Shell Offshore Inc. v. Babbitt, 238 F.3d 622, 630 (5th Cir. 2001) (invalidating a Department of Interior rule for failing to comply with the APA).


191. Ooms, supra note 132, at 153 (quoting 5 U.S.C. § 553(b)(A)).

192. For example, the PTO’s statutory rulemaking grant specifies that PTO rules shall “govern the conduct of proceedings.” 35 U.S.C. § 2(b)(2)(A). This language seems akin to the “general statements of . . . procedure” language in the APA’s informal rulemaking exemption, suggesting that at least rules promulgated pursuant to the PTO’s statutory grant of rulemaking authority are exempt from the APA’s informal rulemaking provisions. See 5 U.S.C. § 553(b)(A).


194. There are several tests for determining when a rule is “substantive” or “legislative” and when a rule is “interpretive.” See infra Part I.F.1.b.ii. Compare, e.g., Shell Offshore Inc., 238 F.3d at 627-29 (noting that a substantive rule changes existing procedure, whereas an interpretive rule merely clarifies existing regulation), and Animal Legal Def. Fund v. Quigg, 932 F.2d 920, 927 (Fed. Cir. 1991) (explaining that a rule is substantive when it “effects a change in existing law or policy”), with New York City Employees’ Ret. Sys. v. SEC, 45 F.3d 7, 12 (2d Cir. 1995) (observing that a legislative rule “create[s] new law, rights, or duties, in what amounts to a legislative act” (internal quotation marks omitted)).


196. See supra notes 180-83 and accompanying text.

197. See infra Part I.F.1.b.ii.
by the statutory language of the PTO's general rulemaking authority. Part I.F.2 introduces the bounds of the PTO's rulemaking authority resulting from the APA's judicial review provisions.

1. The Language of the Statute

   a. "Not Inconsistent with Law"

   As previously mentioned, 35 U.S.C. § 2(b)(2) limits the PTO's rulemaking authority to establishing rules "not inconsistent with law." Although commentators and courts have stated that a rule adopted by the PTO will have the effect of law unless inconsistent with statute, the PTO's rulemaking authority is actually much more limited. The U.S. Court of Customs and Patent Appeals (CCPA) confirmed that PTO rules must not only be consistent with statute, but must also be consistent with established precedent. As noted by Director Herbert C. Wamsley, "The fact that PTO rules must be consistent with judge-made law as well as statutory law limits considerably the Commissioner's power to promulgate substantive rules, because a massive amount of judge-made law exists in the patent and trademark field." The PTO's congressional grant to establish rules in 35 U.S.C. § 2(b)(2) is therefore much more narrow than it appears at first glance. Since any new rules adopted by the PTO must comply with both statute and precedent, the PTO must analyze both the language of the patent statute as well as judicial interpretations of the statute before adopting new rules; a proposed PTO rule that appears permissible solely on the face of the statute may infringe judicial holdings.

   b. "Conduct of Proceedings in the Office"

   In addition to specifying that PTO rules be "not inconsistent with law," the PTO's rulemaking authority also includes several other restrictions for PTO rules. For example, 35 U.S.C. § 2(b)(2) enumerates six

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199. See, e.g., 2 William C. Robinson, The Law of Patents 8-9 (Clark Boardman Co. 1971) (1890) (noting that PTO rules are "subordinate to the statutes, and if inconsistent with them are invalid, but otherwise are of the same obligation as the acts of Congress"); accord In re Strain, 187 F.2d 737, 741 (C.C.P.A. 1951) (finding that PTO rules "may not be lightly disregarded, nor... set aside unless found unreasonable and prejudicial to an inventor's rights under the statutes"); Land v. Dreyer, 155 F.2d 383, 386 (C.C.P.A. 1946) (holding that PTO rules, "when not inconsistent with the statutes from which they are derived," control the procedure in the PTO).
200. See, e.g., In re Van Ornum, 686 F.2d 937, 945-46 (C.C.P.A. 1982). The court analyzed Rule 321(b) as being consistent with both "statutory and case law." Id. at 945.
subsections. Four of these subsections begin with mandatory "shall" language, as opposed to permissive "may" language. These four clauses are correctly read as further limiting the broad grant of rulemaking authority found in 35 U.S.C. § 2(b)(2). The most important of these "shall" subsections is subsection (A), which provides that PTO rules established under this grant of authority "shall govern the conduct of proceedings in the Office." As previously mentioned, Congress originally intended this language to restrict PTO rulemaking to matters regarding applicant interaction with the PTO.

It is quite difficult, however, to determine how this subsection limits the PTO's rulemaking authority today. To be sure, the PTO conducts numerous proceedings. The main proceeding in the PTO involves the back-and-forth process for obtaining a patent, called patent prosecution. Other PTO proceedings include the reexamination, reissue, appeal, interference, and public use proceedings. Surely, almost any rule that the PTO would care to adopt could be considered to govern the conduct of proceedings in the PTO. Fortunately, the Federal Circuit has provided

202. The six subsections are as follows:

The Office . . . may establish regulations, not inconsistent with law, which—
(A) shall govern the conduct of proceedings in the Office;
(B) shall be made in accordance with section 553 of title 5, United States Code;
(C) shall facilitate and expedite the processing of patent applications, particularly those which can be filed, stored, processed, searched, and retrieved electronically, subject to the provisions of section 122 relating to the confidential status of applications;
(D) may govern the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the Office, and may require them, before being recognized as representatives of applicants or other persons, to show that they are of good moral character and reputation and are possessed of the necessary qualifications to render to applicants or other persons valuable service, advice, and assistance in the presentation or prosecution of their applications or other business before the Office;
(E) shall recognize the public interest in continuing to safeguard broad access to the United States patent system through the reduced fee structure for small entities under section 41(h)(1) of this title; and
(F) provide for the development of a performance-based process that includes quantitative and qualitative measures and standards for evaluating cost-effectiveness and is consistent with the principles of impartiality and competitiveness.


203. Subsections (A), (B), (C), and (E) are "shall" clauses; subsection (D) is a "may" clause; subsection (F) is neither a "shall" nor a "may" clause. See id.

204. Id. § 2(b)(2)(A).

205. See supra note 116 and accompanying text.

206. See, e.g., MPEP, supra note 23, § 2300 (interference proceedings); id. § 2209 (ex parte reexamination proceedings); id. § 2600 (inter partes reexamination proceedings); MPEP, supra note 23, § 720 (public use proceedings); id. § 1200 (appeal proceedings).

207. See supra note 23.

some guidance as to the appropriate interpretation of this language in regard to PTO rulemaking.

i. Animal Legal Defense Fund v. Quigg

In Animal Legal Defense Fund v. Quigg, the Federal Circuit weighed in on the extent of the PTO’s rulemaking authority. The Federal Circuit implied that the PTO does not have substantive rulemaking power, noting that a “substantive declaration... does not fall within the usual interpretation of [conduct of proceedings] statutory language.”

This stance was contrary to the view of some commentators, who felt that Congress intended to give the PTO broad power and autonomy to administer the patent statute. The Federal Circuit disagreed, analogizing the PTO’s rulemaking authority to the Equal Employment Opportunity Commission’s (EEOC’s) rulemaking authority found in 42 U.S.C. § 2000e-12(a). This section granted the EEOC the authority to “issue... suitable procedural regulations” to carry out the provisions of the equal employment opportunities statute.

After Animal Legal Defense Fund, there was still doubt as to the PTO’s authority to adopt substantive rules. The Federal Circuit put this doubt to rest in 1996 with an emphatic declaration that the PTO has no substantive rulemaking authority. The court reiterated that “the broadest of the PTO’s rulemaking powers... does NOT grant the Commissioner the authority to issue substantive rules.” The court went on to say that “Congress has not vested the Commissioner with any general substantive rulemaking power.” This declaration by the Federal Circuit seemed to put an end to the confusion regarding the PTO’s authority to promulgate...
substantive rules. What constitutes a substantive rule, however, is "far from crystal clear."\textsuperscript{218}

ii. Substantive Versus Interpretive Rules

In \textit{Animal Legal Defense Fund}, the Federal Circuit distinguished a "substantive" or legislative rule from an "interpretive" rule at length.\textsuperscript{219} According to the court, a substantive rule must be promulgated pursuant "to statutory authority . . . and implement the statute" it administers.\textsuperscript{220} Other courts have noted that substantive rules are those "affecting individual rights and obligations"\textsuperscript{221} or those that "create or destroy . . . legal rights."\textsuperscript{222} In contrast, an interpretive rule merely "clarifies or explains existing law or regulations"\textsuperscript{223} and does not adversely effect an individual’s rights or obligations. Interpretive rules, unlike substantive rules, "do not have the force of law,"\textsuperscript{224} but are still entitled to deference from the courts.\textsuperscript{225}

Although the above distinctions are helpful, defining an agency rule or action as "substantive" or "interpretive" is sometimes arduous.\textsuperscript{226} A rule may appear interpretive on its face, while the specific application of the rule may be substantive.\textsuperscript{227} One court even found that an interpretive agency action "transubstantiated" from interpretive to substantive because of the specific application of the action.\textsuperscript{228}

\textsuperscript{219} Animal Legal Def. Fund v. Quigg, 932 F.2d 920, 927-30 (Fed. Cir. 1991). Although the APA and some courts refer to "interpretative" rules, most courts use the legislative/interpretive or substantive/interpretive terminology. See id. at 931 (finding a PTO Notice "interpretative"); New York City Employees’ Ret. Sys., 843 F. Supp. at 872 & n.22 (noting the distinction).
\textsuperscript{220} Animal Legal Def. Fund, 932 F.2d at 927 (quoting Cubanski v. Heckler, 781 F.2d 1421, 1426 (9th Cir. 1986)).
\textsuperscript{221} Cubanski, 781 F.2d at 1426 (quoting Chrysler Corp. v. Brown, 441 U.S. 281, 302 (1979)); accord Animal Legal Def. Fund, 932 F.2d at 929 ("One must also look for the adverse effect of that limitation on an individual’s rights and obligations.").
\textsuperscript{222} New York City Employees’ Ret. Sys. v. SEC, 45 F.3d 7, 12 (2d Cir. 1995).
\textsuperscript{223} Animal Legal Def. Fund, 932 F.2d at 927; see also New York City Employees’ Ret. Sys., 45 F.3d at 12; Am. Hosp. Ass’n v. Bowen, 834 F.2d 1037, 1045 (D.C. Cir. 1987).
\textsuperscript{224} New York City Employees’ Ret. Sys., 45 F.3d at 12.
\textsuperscript{225} Star Fruits S.N.C. v. United States, 393 F.3d 1277, 1282 (Fed. Cir. 2005) (concluding that “[a]n agency’s interpretation of its own regulations is entitled to substantial deference”). For an analysis of how much deference, see \textit{infra Part I.F.2.c.}
\textsuperscript{227} For example, an SEC no-action letter is typically considered an interpretive agency action, but the content of the letter may have some effect on its substantive/interpretive designation. See, e.g., New York City Employees’ Ret. Sys, 45 F.3d at 13 (disagreeing with the district court’s opinion that an SEC no-action letter renouncing a former SEC rule is substantive).
\textsuperscript{228} See id.
Courts have devised several tests for classifying a rule as substantive or interpretive. For example, the U.S. District Court for the Southern District of New York grouped the relevant considerations into four distinct categories: "1) the effect of the agency’s rule, 2) the agency’s authority to adopt the rule, 3) the agency’s method of devising the rule, and 4) the rule’s regulatory history."229 The court noted that no one consideration is determinative and agreed with the conclusion of the U.S. Court of Appeals for the D.C. Circuit that the ultimate test is “an extraordinarily case-specific endeavor.”230

To distinguish a substantive rule from an interpretive rule, the D.C. Circuit asks whether the rule has or is intended to have “legal effect.”231 According to the court, a rule has legal effect when any of the following tests are true:

(1) whether in the absence of the rule there would not be an adequate legislative basis for enforcement action or other agency action to confer benefits or ensure the performance of duties, (2) whether the agency has published the rule in the Code of Federal Regulations, (3) whether the agency has explicitly invoked its general legislative authority, or (4) whether the rule effectively amends a prior legislative rule.232

Still other courts rely on the Attorney General’s Manual on the APA,233 which includes the following working definitions:

Substantive rules—rules, other than organizational or procedural under section 3(a) (1) and (2), issued by an agency pursuant to statutory authority and which implement the statute, as, for example, the proxy rules issued by the Securities and Exchange Commission pursuant to section 14 of the Securities Exchange Act of 1934 (15 U.S.C. 78 n). Such rules have the force and effect of law.

Interpretative rules—rules or statements issued by an agency to advise the public of the agency’s construction of the statutes and rules which it administers. . . .

General statements of policy—statements issued by an agency to advise the public prospectively of the manner in which the agency proposes to exercise a discretionary power.234
Regardless of the test or definition used, according to the Federal Circuit, substantive rulemaking is outside the scope of the PTO’s rulemaking authority. This Note presents a more expansive reading of the PTO’s rulemaking authority in Part III.A.

2. Judicial Review of PTO Actions Under the APA

The U.S. Supreme Court has stated that “the courts are the final authorities on issues of statutory construction. They must reject administrative constructions of the statute, whether reached by adjudication or by rulemaking, that are inconsistent with the statutory mandate or that frustrate the policy that Congress sought to implement.” To this end, the APA provides extensive judicial review of “agency action, findings, and conclusions.”

Section 706 of the APA provides that a “reviewing court shall . . . hold unlawful and set aside agency action, findings, and conclusions found to be—(A) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law . . . [or] (C) in excess of statutory jurisdiction, authority, or limitations, or short of statutory right.” Thus, section 706 gives reviewing courts several avenues to set aside PTO rules. For example, this section requires reviewing courts to set aside a PTO rule if the rule is in excess of statutory authority, or namely, in excess of 35 U.S.C. § 2(b)(2). This section also requires reviewing courts to set aside arbitrary or capricious PTO rules.


Section 706 of the APA applies absent an exception. One such exception lies in section 559 of the APA. This provision states that the APA “do[es] not limit or repeal additional requirements . . . recognized by law.” Thus, if the law already recognized a standard of judicial review before the enactment of the APA, this standard of review may preempt the APA’s standard set forth in section 706.

This issue was explored in Dickinson v. Zurko, where the Supreme Court held that the appropriate standard for review for PTO fact-finding is not the clearly erroneous standard, as previously urged by the Federal

235. See supra notes 210-17 and accompanying text.
236. FEC v. Democratic Senatorial Campaign Comm., 454 U.S. 27, 32 (1981); see also Astra v. Lehman, 71 F.3d 1578, 1580 (Fed. Cir. 1995) (upholding the plain meaning of the patent term extension statute). While the interpretation by the PTO of a statute it administers is entitled to deference, see infra Part I.F.2.c for how much deference.
237. 5 U.S.C. § 706(2) (2000). “Agency actions” are defined broadly under the APA to include “the whole or a part of an agency rule, order, license, sanction, relief, or the equivalent or denial thereof, or failure to act.” Id. § 551(13).
238. Id. § 706.
239. Id. § 559.
but rather the "arbitrary and capricious" or "substantial evidence" standard (a more deferential standard).

Although Dickinson dealt with PTO fact-finding, not rulemaking, because of the dearth of cases involving judicial review of PTO rulemaking, it is almost certain that a contrary standard of review for PTO rulemaking was not recognized before the enactment of the APA. The appropriate standard for judicial review as applied to PTO rulemaking, therefore, is also the "arbitrary and capricious" standard.

Defining this standard is difficult. One court noted that the standard must be applied on a case-by-case basis, analyzing the "sufficiency of an agency's stated reasons" for reaching its conclusions. The Supreme Court's arbitrary and capricious test is much more lenient, only asking "whether the decision was based on a consideration of the relevant factors and whether there has been a clear error of judgment."

b. The APA "Hard Look" Standard

Section 706 of the APA also states that "the [reviewing] court shall review the whole record." The Supreme Court held that this provision requires a reviewing court to "engage in a substantial inquiry" and perform a "probing, in-depth review." Only after taking a hard look at the PTO's justification for a new rule can a reviewing court determine if a PTO rule should be overturned. The Court emphasized, however, that "the ultimate standard of [agency] review is a narrow one. The court is not empowered to substitute its judgment for that of the agency." Because court intervention can be highly intrusive to an agency's operations, the reasons for overturning an agency rule under the APA must be clear and beyond doubt.

242. The Court admits that there is disagreement about which of these APA standards to apply, but does not distinguish between the two. Dickinson, 527 U.S. at 158. In fact, one court found no distinction. See Ass'n of Data Processing Serv. Orgs., Inc. v. Bd. of Governors of Fed. Reserve Sys., 745 F.2d 677, 683-84 (D.C. Cir. 1984) (noting that the arbitrary and capricious provision is a "catchall" and that there is no substantial difference between the two standards). Typically, however, courts have found that the substantial evidence standard of review "provides for more rigorous scrutiny" than the arbitrary and capricious standard. AFL-CIO v. Marshall, 617 F.2d 636, 649 (D.C. Cir. 1979); accord Abbott Labs. v. Gardner, 387 U.S. 136, 143 (1967) (concluding that a substantial evidence standard allows for "considerably more generous judicial review").
243. Troy Corp. v. Browner, 120 F.3d 277, 284 (D.C. Cir. 1997) (holding that the EPA acted arbitrarily and capriciously in listing a chemical on the Toxic Release Inventory without further explanation of its departure from agency precedent).
244. Citizens to Preserve Overton Park, Inc. v. Volpe, 401 U.S. 402, 416 (1971) (reviewing a decision by the Secretary of Transportation to construct a highway through a public park).
247. Id. at 416.
c. Chevron Deference

Courts will accord "considerable weight" to an agency's interpretation of a statute so long as the interpretation is "reasonable and consistent with the statutory purpose." As such, reviewing courts generally defer to agency rules. Not all agency rules, however, are afforded equal deference. According to the Supreme Court in *Chevron*, the level of deference depends on the agency's legislative delegation of rulemaking authority. If Congress has expressly delegated the agency authority to create rules interpreting a statute, then a reviewing court should give the agency's interpretations "controlling weight unless they are arbitrary, capricious, or manifestly contrary to the statute." If the legislative delegation of authority is implicit, rather than express, the agency's interpretation of the statute will be upheld only if reasonable.

Although the Supreme Court provided deference guidelines for agency actions in *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, it is easy to interpret the guidelines too broadly. For example, in *Merck & Co. v. Kessler*, the PTO urged the Federal Circuit to give controlling weight to a PTO action under the familiar *Chevron* rubric. The Federal Circuit refused to accord the action controlling weight stating that "only statutory interpretations by agencies with rulemaking powers deserve substantial deference." More specifically, the Federal Circuit stated that only agencies "authorized . . . to promulgate substantive rules under a statute it is charged with administering" are entitled to *Chevron* deference. Instead, the *Merck* court afforded the PTO action deference resulting from "the thoroughness . . . and validity" of the agency's reasoning—a *Skidmore*-type deference. Thus, the amount of deference afforded to a PTO rule is
rule-specific and depends on whether the rule was a valid exercise of the PTO’s statutory rulemaking authority.

II. THE PTO RULEMAKING DEBATE: DIVERGENT PRIORITIES LEAD TO CONTRARY CONCLUSIONS REGARDING THE PTO’S AUTHORITY TO PROMULGATE THE NEW RULES

This part details the debate surrounding the PTO’s statutory authority for adopting the two proposed rules. On one hand, the PTO claims the new rules are not literally inconsistent with any provisions of the patent statute and are necessary to control the mounting backlog of unexamined applications.258 On the other hand, the majority of patent applicants feel the proposed rules go too far, and some even argue that the new rules are inconsistent with statute, precedent, and clear congressional intent.259

A. The Continuing Application Rule

This section describes the arguments for and against the validity of the proposed continuing application rule. Part II.A.1 outlines patent applicants’ contention that the proposed rule is in excess of the PTO’s statutory rulemaking authority. Part II.A.2 details the PTO’s counterarguments for upholding the proposed rule.

1. The Applicants’ Offensive: The Continuing Application Rule Is Inconsistent with Both Statute and Established Precedent

Patent applicants insist that the revised rule would drastically limit the rights provided to them under 35 U.S.C. §§ 120, 121, and 365(c) to claim the benefit of an earlier-filed application.260 According to many patent applicants, they are virtually stripped of their ability to file continuing applications and receive continued examination of an application without meeting a rigorous “could not have been previously submitted” standard—a standard that would be rarely met.261 Opponents of the proposed rule insist

reasoning, its consistency with earlier and later pronouncements, and all those factors which
give it power to persuade, if lacking power to control.”); Pierce, supra note 226, § 6.3, at
330-31.
258. See infra Part II.A.2, B.2.
259. See infra Part II.A.1, B.1.
260. See, e.g., AIPLA Continuation Comments, supra note 31, at 6.
describing the standard as “too stringent and unrealistic”). But see the examples of the rare situations where the standard would be met in U.S. Patent & Trademark Office, PTO Town Hall Presentation Materials, http://www.uspto.gov/web/offices/pac/dapp/opla/presentation/chicagoslidestext.html (last visited Jan. 31, 2007) [hereinafter Town Hall Presentation].
that the PTO has overstepped its authority because the proposed rule infringes patent applicants' rights guaranteed by the patent statute.\footnote{262}

\begin{enumerate}
\item \textit{The Clear and Unambiguous Language of 35 U.S.C. § 120}
\end{enumerate}

Opponents of the rule contend that the proposed continuing application rule runs afoul of various statutory provisions that permit an applicant to claim the benefit of an earlier-filed application. For example, section 120 of the patent statute provides the primary means for filing a continuation application in the United States.\footnote{263} This section states that an application "shall have the same effect, as to such invention, as though filed on the date of the prior application."\footnote{264} The language of sections 121 and 365(c) are just as clear: An application "shall be entitled" to the benefit of the earlier filed application.\footnote{265} According to opponents of the proposed rule, these provisions leave no room for qualification. The Supreme Court has stated that "[a] party seeking a right under the patent statutes may avail himself of all their provisions .... These are questions not of natural but of purely statutory right."\footnote{266} By limiting the number of continuing applications, the PTO has impermissibly denied applicants the statutory right to file continuing applications under the patent statute in certain circumstances.

Opponents of the proposed rule also cite various canons of statutory construction to support their position. For example, "[a] fundamental canon of statutory construction is that . . . words will be interpreted as taking their ordinary, contemporary, common meaning."\footnote{267} The plain meaning of the statutory "shall" language found in sections 120, 121, and 365(c) of the patent statute, according to opponents of the rule, is correctly construed as permitting no discretion as to the number of patent applications that may be filed under these sections;\footnote{268} therefore, the proposed rule's refusal to accept an application complying with the terms of these sections is expressly contrary to statute.

\footnote{262. See, e.g., AIPLA Continuation Comments, \textit{ supra} note 31, at 7.}
\footnote{263. See 35 U.S.C. § 120 (2000). The term "continuing application" refers to any application claiming the benefit of an earlier-filed non-provisional patent application. A "continuation" application is just one of these types of applications. See \textit{ supra} note 78 and accompanying text.}
\footnote{264. 35 U.S.C. § 120.}
\footnote{265. 35 U.S.C. §§ 121, 365(c).}
\footnote{266. United States v. Am. Bell Tel. Co., 167 U.S. 224, 247 (1897).}
\footnote{267. Perrin v. United States, 444 U.S. 37, 42 (1979) (looking to the ordinary meaning of bribery rather than the narrower common-law meaning in affirming a conviction under the Travel Act); see also LSI Computer Sys., Inc. v. U.S. Int'l Trade Comm'n, 832 F.2d 588, 590 (Fed. Cir. 1987) (analyzing the plain meaning of the word "person" in the Tariff Act of 1930).}
\footnote{268. See, e.g., AIPLA Continuation Comments, \textit{ supra} note 31, at 6-7.}
b. Controlling Precedent

As explained above, rules adopted by the PTO must be consistent with both statute and precedent. The Supreme Court’s holding in *Godfrey v. Eames* was congruous with a line of CCPA precedent that followed, suggesting that the PTO has no statutory authority to limit the number of continuing applications claiming the benefit of an original application.

For example, the CCPA found in *In re Hogan* that the language of section 120 is “clear and unambiguous” and that there is no room for discretion on the part of the PTO. The PTO must accept an application filed under section 120 and accord it the filing date of the parent application. The CCPA also held in a separate case that “under [section 120] of the statute . . . there is no statutory basis for fixing an arbitrary limit to the number of prior applications.” According to opponents of the rule, in light of this CCPA precedent, the PTO will overstep its statutory authority by adopting the proposed continuing application rule.

The Federal Circuit has followed the CCPA. In 1989, the court held that “[i]n our view, § 120 gives to any applicant for a patent complying with its terms the right to have the benefit of the filing date of an earlier application. The language is mandatory.” It is clear, therefore, that both the Federal Circuit and its predecessor maintained that applicants have the statutory right to file continuing applications so long as the applicants meet the other provisions of the statute. Opponents of the rule insist that there is no room for qualification or discretion when faced with a clear statutory right such as that provided by section 120.

Opponents of the rule also argue that the PTO’s suggestion of misuse of the patent system through unlimited continuing applications is

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269. See supra notes 198-201 and accompanying text.
270. 68 U.S. (1 Wall.) 317 (1863); see infra notes 283-86 and accompanying text.
271. See, e.g., *In re Hogan*, 559 F.2d 595, 603 (C.C.P.A. 1977) (holding that the written description requirement should be tested as of the earliest effective filing date in a chain of continuing patent applications); *In re Henriksen*, 399 F.2d 253, 258-60 (C.C.P.A. 1968) (noting that there is no basis for fixing a limit to the number of continuing applications an applicant may file); see also *Transco Products, Inc. v. Performance Contracting, Inc.*, 38 F.3d 551, 562 (Fed. Cir. 1994) (reversing a district court decision requiring applicants to update the best mode disclosure when filing a continuing application).
272. *In re Hogan*, 559 F.2d at 604.
273. *In re Henriksen*, 399 F.2d at 254.
274. See, e.g., AIPLA Continuation Comments, supra note 31, at 6-7.
276. Section 120 requires that the continuing application be (1) filed “before the patenting or abandonment” of the prior application by an inventor or inventors named in the prior application, (2) be amended to contain a specific reference to the prior application, and (3) comply with § 112. See 35 U.S.C. § 120 (2000).
277. See, e.g., AIPLA Continuation Comments, supra note 31, at 6-7.
278. See Changes to Practice for Continuing Applications, Requests for Continued Examination Practice, and Applications Containing Patentably Indistinct Claims, 71 Fed. Reg. 48, 49 (proposed Jan. 3, 2006) (to be codified at 37 C.F.R. pt. 1) (“Applicants have misused continued examination practice . . . in order to simply delay the conclusion of examination.”).
Although unlimited continuing application filings have some undesirable results, courts are not reluctant to equitably restrict the number of continuation applications, particularly when accompanied by a showing of "misuse of the . . . patent system." Opponents of the rule believe that because the courts already have the tools to limit continuing applications, the PTO's implication that the new continuing application rule will thwart misuse of the patent system is unfounded and does little to advance the PTO's justification for adopting the rule.

c. Congressional Intent

Assuming arguendo that the proposed rule is not literally inconsistent with statute or precedent, opponents of the proposed rule argue that it is certainly inconsistent with congressional intent. As noted in commentary published with the Patent Act of 1952, section 120 was codified in response to the Supreme Court's ruling in <cite>Godfrey v. Eames</cite>. In <cite>Godfrey</cite>, the Court held that continuing applications should be considered "the same transaction, and both as constituting one continuous application, within the meaning of the law." Opponents of the new continuing application rule insist that if Congress intended continuing applications to be part of the same transaction as the original application, any limit on the number of continuing applications would be inapposite to Congress's intention.

Opponents of the proposed rule also present another cogent argument regarding the intent of Congress. Their most persuasive evidence is a bill that Congressman Lamar Smith introduced in the House of Representatives (but was never enacted) called the Patent Reform Act of 2005. One amendment proposed by the Patent Reform Act of 2005 added a new section 123 to the patent statute that would give the PTO the express authority to limit the number of continuing applications. More
specifically, the new section was entitled “Limitations on continuation applications” and read, “The Director may by regulation limit the circumstances under which an application for patent . . . may be entitled to the benefit under section 120 of the filing date of a prior-filed application.”289

Opponents of the rule argue that if Congress had already authorized the PTO to limit the number of continuing applications an applicant may file, then the new section 123 in the Patent Reform Act of 2005 would have been superfluous.290 This strongly suggests that, at least in the eyes of the legislature, the PTO currently has no power to limit continuing applications. Since Congress did not intend to give the PTO the ability to limit continuing applications, only a statutory amendment can authorize the PTO to do so. Some commentators have agreed.291

The Patent Reform Act of 2005 portended a potential pitfall in limiting the number of continuing applications—a pitfall that the PTO has failed to address in the new continuing application rule. Section 123 of the Patent Reform Act also included a provision for protecting the ability of applicants to obtain comprehensive patent protection for their inventions.292 Immediately after giving the PTO the power to limit continuing applications, the bill included a provision stating that “[n]o such regulation may deny applicants an adequate opportunity to obtain claims for any invention disclosed in an application for patent.”293 This provision in the bill anticipated the main concern of opponents of the PTO’s new continuing application rule: namely, that applicants will not be able to obtain comprehensive patent protection for their inventions under the new rule.294


In contrast to the view of many patent applicants, the PTO advances an expansive reading of its rulemaking authority. According to the PTO, the Office has “the inherent authority” to ensure that applicants do not abuse the patent system.295 Thus, the PTO sees itself as a quasi-regulatory agency empowered to adopt rules promoting the good faith of applicants conducting business with the PTO. The PTO also believes that the new

289. Id. § 8.
291. See, e.g., Lemley & Moore, supra note 93, at 107 (“Limiting the number of continuations that can be filed may require an act of Congress.”).
293. Id.
294. See supra note 31 and accompanying text.
continuing application rule is not literally inconsistent with either statute or precedent.296

a. Constructive Versus Actual Limits on the Number of Continuing Applications

The PTO admits it “is aware of case law which suggests the Office has no authority to place an absolute limit on the number of . . . continuing applications.”297 Nevertheless, the PTO contends that applicants do not have “an unfettered right” to file an unlimited number of continuing applications.298 Although sections 120, 121, and 365(c) use obligatory “shall” language rather than the more permissive “may” language, the PTO sees nothing wrong with limiting the number of continuing applications filed under these sections.299

The PTO clearly distinguishes the proposed continuing application rule from an attempt to place an absolute bar on continuing applications.300 In fact, according to the PTO, the new rule places no limit on the number of continuing applications.301 Rather, the rule merely requires a showing before an applicant can file additional continuing applications. This showing would prevent applicants from submitting “unnecessarily delayed evidence, arguments, or amendments that could have been presented earlier.”302

The PTO also reconciles the proposed continuation rule with the CCPA and Federal Circuit precedent quite easily. According to the PTO, the reason why courts have disfavored limiting continuing applications in the past was because the PTO had not promulgated any rules to that effect before attempting to limit continuing applications.303 In addition, there was no “adequate notice of, or an opportunity to respond to, the ad hoc limits imposed.”304 In the PTO’s view, these differences might cause the Federal Circuit to uphold the new rule today.305

b. Drastic Times Call for Drastic Measures

The PTO’s reasons for adopting the new continuing application rule are clear: Excessive continuing applications have a “crippling effect” on the

296. See infra notes 298-305 and accompanying text.
298. Id.
299. Id.
300. Id.
301. Id. ("The Office does not attempt that here. No limit is placed on the number of continuing applications.").
302. Id.
303. Id.
304. Id.
305. See id. at 50-51.
PTO's ability to examine new application filings.\textsuperscript{306} If examiner resources were diverted from examining continuing applications to examining the backlog of unexamined original applications, the PTO might be able to control application pendency. The PTO cites statistics which indicate that it might have examined as many as 35,000 additional original applications if applicants had not filed any continuing applications.\textsuperscript{307}

In addition to increasing examination efficiency, the proposed rule would serve other important purposes. For example, faster examination would result in a shorter time to issuance, which, in turn, would lead to earlier public notice of issued patent claims. Earlier public notice of issued claims helps assure the public that they are aware of the extent of limited monopoly rights in others as soon as possible.\textsuperscript{308} This awareness may hasten innovation in the form of improvements and "design-arounds."\textsuperscript{309}

More importantly, according to the PTO, the new rule reduces the potential of additional claims issuing on the same invention in continuing applications.\textsuperscript{310} This eases public confusion over the true scope of the claimed invention. For example, the practice of keeping an application "alive" in a patent family allows an applicant to tailor claims to cover a new product that is not literally infringing under an issued set of patent claims.\textsuperscript{311} Under current PTO practice, an applicant may present new claims in a continuing application so long as the claims find support in the originally filed application.\textsuperscript{312} This practice, according to the PTO, is hampering examination efficiency and, if left to continue, will hurt

\textsuperscript{306} Id. at 49.
\textsuperscript{307} Id. at 50.
\textsuperscript{308} See Lemley & Moore, supra note 93, at 107 ("Multiple continuations can be harmful in another way: they confuse the public.").
\textsuperscript{309} A "design-around" is a deliberate attempt to circumvent the limited monopoly right a patent affords by implementing the invention so that it does not infringe a patent claim. Although design-arounds are discouraged by the patent community, they are generally seen as innovative and encouraged by courts. See Matthew D. Powers & Steven C. Carlson, The Evolution and Impact of the Doctrine of Willful Patent Infringement, 51 Syracuse L. Rev. 53, 56 (2001) ("The public... is encouraged to learn from the patent, and to 'design around' it by modifying the technology disclosed by the patent. This conduct is encouraged because it advances science by building on and extending patented technology."); see also State Indus., Inc. v. A.O. Smith Corp., 751 F.2d 1226, 1235-36 (Fed. Cir. 1985) ("[K]eeping track of a competitor's products and designing new and possibly better or cheaper functional equivalents is the stuff of which competition is made and is supposed to benefit the consumer.").
\textsuperscript{310} See Changes to Practice for Continuing Applications, Requests for Continued Examination Practice, and Applications Containing Patentably Indistinct Claims, 71 Fed. Reg. at 50.
\textsuperscript{311} The practice of amending claims to cover infringing products in the marketplace is perfectly fair and legal, according to the Federal Circuit. See Kingsdown Med. Consultants, Ltd. v. Hollister, Inc., 863 F.2d 867, 874 (Fed. Cir. 1988) ("[T]here is nothing improper, illegal or inequitable in filing a patent application for the purpose of obtaining a right to exclude a known competitor's product from the market.").
The PTO maintains that the new continuing application rule is a reasonable and justified solution to these problems.

c. 35 U.S.C. § 101

The PTO may even have some statutory support for the proposed continuing application rule. Patent practitioners are familiar with section 101 of the patent statute as the statutory provision containing the classes of statutory subject matter. But section 101 also states that an applicant "may obtain a patent" for an invention; thus, section 101 implies that an applicant is only entitled to a single patent for a single invention. This reasoning is already the chief justification for the PTO's common terminal disclaimer practice, which requires an applicant to submit a disclaimer that dedicates to the public the terminal portion of the full statutory term of any patent issuing on an application with claims that are "obvious variations" of the claims of another one of the applicant's applications or patents.

Applying this analysis to the proposed continuing application rule, the PTO may argue that an applicant is not entitled to an unlimited number of patents on a single invention under 35 U.S.C. § 101; rather, the statute entitles an applicant to a single patent containing all the claims directed toward the applicant's invention. Any additional patents are solely discretionary.

B. The Claim Designation Rule

This section describes the arguments for and against the validity of the proposed claim designation rule. Part II.B.1 argues that the proposed rule is inconsistent with statute and judicial dicta. Part II.B.2 details the PTO's counterarguments for upholding the proposed rule.

313. See Changes to Practice for Continuing Applications, Requests for Continued Examination Practice, and Applications Containing Patentably Indistinct Claims, 71 Fed. Reg. at 50 ("[C]urrent continued examination practice and the filing of multiple applications containing patentably indistinct claims are impairing the Office's ability to examine new applications without real certainty that these practices effectively advance prosecution, improve patent quality, or serve the typical applicant or the public.").

314. The four statutory classes of patentable subject matter are process, machine, manufacture, and composition of matter. See 35 U.S.C. § 101; 1 Donald S. Chisum, Chisum on Patents § 1.01 (1997).


316. See, e.g., In re Goodman, 11 F.3d 1046, 1052 (Fed. Cir. 1993) (noting that under section 101 an inventor is "entitled to a single patent for an invention").

317. A terminal disclaimer is most typically submitted to obviate a non-statutory obviousness-type double patenting rejection. See MPEP, supra note 23, § 804 (explaining the differences between statutory and non-statutory double patenting rejections); see also 3A Chisum, supra note 314, §§ 9.03-.04.


319. The terminal disclaimer may disclaim the terminal portion of the term beyond one or more patents or one or more applications. See id. at 441-42; MPEP, supra note 23, § 804.
1. The PTO Has Exceeded Its Authority by Failing To Examine Applications Fully

In addition to raising validity concerns during the enforcement process, according to opponents of the proposed claim designation rule, ignoring claims for which search and examination fees have been paid raises serious statutory concerns. The PTO has an obligation under 35 U.S.C. §§ 131 and 132 to examine a patent application and "the alleged new invention," and whenever a claim is rejected, to notify the applicant of the reasons for rejection. By failing to examine each and every claim in an application, the PTO is failing to examine fully an applicant's alleged invention as required by the statute.

For example, it is common for an applicant to recite broadly the applicant's invention in the independent claims and recite additional elements or features of the invention in the dependent claims. It is more likely that one of the applicant's dependent claims constitutes a patentable invention than one of the applicant's independent claims because a dependent claim includes all of the limitations of its respective independent claim plus some new limitation. If the PTO does not initially examine many of the applicant's dependent claims because the applicant has not designated them under the new rule, the applicant may lose the opportunity to receive a patent on the claimed invention, even though some of the claims in the application were patentable. Designating patentable claims for initial examination may be a difficult feat for applicants because they may not know at the time of filing which claims are more likely to meet the requirements of the patent statute.

320. See, e.g., AIPLA Claims Comments, supra note 106, at 4-5.
322. Section 132 requires that "[w]henever, on examination, any claim for a patent is rejected, or any objection or requirement made, the Director shall notify the applicant thereof, stating the reasons for such rejection, or objection or requirement, together with such information and references as may be useful in judging of the propriety of continuing the prosecution of his application." 35 U.S.C. § 132(a).
323. See generally Faber, supra note 45, § 11.
324. MPEP, supra note 23, § 608.01(n) ("[A] dependent claim is directed to a combination including everything recited in the base claim and what is recited in the dependent claim. It is this combination that must be compared with the prior art, exactly as if it were presented as one independent claim.").
325. For example, a dependent claim adding a limitation not found in the prior art would be allowable if rewritten in independent form to include all the limitations of its respective independent base claim and any intervening claims. See MPEP, supra note 23, § 707.07(j); see also Letter from the NYIPLA to the U.S. Patent & Trademark Office (May 3, 2006), Cmt. B1, available at http://www.uspto.gov/web/offices/pac/dapp/opla/comments/fpp_claims/nyipla.pdf.
326. For example, an applicant may not be aware of prior art at the time of filing that destroys the novelty of one or more of the applicant's claims.
Moreover, it is expressly the PTO’s duty, not the duty of patent applicants, to examine applications and discover prior art. To be sure, most applicants believe their inventions, including all of their claims, are patentable when they file patent applications. According to opponents of the rule, by requiring an ESD, the PTO has impermissibly shifted the burden of discovering potentially invalidating prior art to the applicant, a burden that was not contemplated by the patent statute. For example, it is well-settled that the patent examiner, not the applicant, bears the initial burden of establishing a prima facie case of unpatentability. In addition, the PTO is going against judicial dicta suggesting that an applicant should be allowed to determine the number and scope of claims presented in a patent application, provided the requisite fees are paid.

2. The Examination of Applications Is Squarely Within the PTO’s Discretion

The PTO argues that limiting the number of claims for initial examination falls within its rulemaking powers. According to the PTO, the internal mechanics of claim examination clearly govern the “conduct of proceedings in the Office.” In addition, placing limits on claim examination does not literally conflict with any statute or contradict any case law. Applications will still be examined in accordance with 35 U.S.C. § 131, and applicants will still be notified of claim rejections in accordance with 35 U.S.C. § 132.

328. In fact, a patent applicant is required to submit an oath or declaration that “[s]tate[s] that the person making the oath or declaration believes the named inventor or inventors to be the original and first inventor or inventors of the subject matter which is claimed and for which a patent is sought.” 37 C.F.R. § 1.63 (2006).
329. Although actively discovering prior art may not be contemplated by statute, the duty of disclosure does require applicants to provide the Office with “all information known . . . to be material to patentability.” Id. § 1.56.
330. See, e.g., In re Hans Oetiker, 977 F.2d 1443, 1445 (Fed. Cir. 1992) (“[T]he examiner bears the initial burden, on review of the prior art or on any other ground, of presenting a prima facie case of unpatentability. If that burden is met, the burden of coming forward with evidence or argument shifts to the applicant . . . . If examination at the initial stage does not produce a prima facie case of unpatentability, then without more the applicant is entitled to grant of the patent.”).
331. See, e.g., In re Wakefield, 422 F.2d 897, 900 (C.C.P.A. 1970) (“[A]n applicant should be allowed to determine the necessary number and scope of his claims, provided he pays the required fees and otherwise complies with the statute.”).
The PTO reminds applicants that after the designated claims are allowable, all claims will eventually be examined. The delayed examination will not harm applicants so long as they designate patentable claims for initial examination. Because the applicant is generally in a better position to understand the novelty of his or her invention, the PTO argues that it is entirely fair to ask applicants to designate a limited number of claims for initial examination. After all, applicants are already required by statute to present claims that "particularly point[] out and distinctly claim[] the subject matter which the applicant regards as his invention."

III. DEFINING THE RULEMAKING LINE

As described above, there is confusion over the scope of the PTO's rulemaking authority. This part offers a reasonable solution to resolve some of this confusion. Part III.A proposes a framework for distinguishing between valid and invalid PTO rules. Part III.B applies this framework to the new continuing application and claim designation rules. Part III.C advances some policy arguments for not adopting either of the two proposed rules. Part III.D concludes with some alternatives to adopting the new rules that might help increase examination efficiency and reduce the backlog of unexamined applications at the PTO.

A. A Sensible Reading of 35 U.S.C. § 2(b)(2)

Despite broad dicta from the Federal Circuit suggesting that the PTO has no substantive rulemaking authority, an alternative and more workable interpretation of 35 U.S.C. § 2(b)(2) would allow the PTO to promulgate both interpretive and certain substantive rules. Any agency charged with conducting proceedings should be permitted to adopt rules regulating those proceedings. It is reasonable to assume, therefore, that some agencies, like the PTO, have the inherent power to establish certain rules and regulations. Courts should interpret the PTO's rulemaking authority broadly because Congress intended to enlarge the PTO's power to adopt rules when it enacted the PTO's rulemaking provision in the Act of 1870 and the Patent Act of 1952. Setting an arbitrary prohibition against

334. See supra note 99 and accompanying text.
335. But see supra note 326 and accompanying text.
338. For a similar view, see Wamsley, supra note 201, at 555. The PTO seems to agree. See Changes to Practice for Continuing Applications, Requests for Continued Examination Practice, and Applications Containing Patentably Indistinct Claims, 71 Fed. Reg. 48, 50 (proposed Jan. 3, 2006) (to be codified at 37 C.F.R. pt. 1) ("[T]he Director has the inherent authority... to ensure that applicants comply [with the general requirement of good faith in prosecution]."). But see Ethicon, Inc. v. Quigg, 849 F.2d 1422, 1427 (Fed. Cir. 1988) ("The Commissioner... has no inherent authority, only that which Congress gives.").
339. See supra notes 115-19 and accompanying text.
promulgating substantive rules seems unnecessarily restrictive, particularly when the PTO’s statutory rulemaking authority is arguably silent as to the PTO’s authority to adopt substantive rules.\textsuperscript{340}

An interpretation allowing the PTO to promulgate both interpretive rules and certain substantive rules is more reasonable, especially considering the expansive definition of substantive rules offered by some courts. For example, the PTO regularly codifies its rules in title 37 of the C.F.R.\textsuperscript{341} It also expressly invokes its general legislative rulemaking authority when promulgating new rules.\textsuperscript{342} As a result, some courts would presumably conclude that almost all PTO rules are substantive.\textsuperscript{343} A more sensible solution, therefore, would rework the definition of a substantive rule or permit the PTO to adopt certain substantive rules.

The approach that this Note suggests—one that is also supported by the plain meaning of 35 U.S.C. § 2(b)(2) as well as its legislative history—is to allow the PTO to promulgate interpretive rules as well as substantive rules relating exclusively to the “conduct of proceedings” in the PTO.\textsuperscript{344} In keeping with the original intention of Congress, all substantive rules adopted pursuant to the PTO’s rulemaking authority should pertain only to an applicant’s interaction with the PTO or the procedure for obtaining a patent or trademark.\textsuperscript{345} If a proposed PTO rule encompasses more than an applicant’s interaction with the PTO or the procedure for obtaining a patent or trademark, the rule would govern more than the conduct of proceedings in the PTO and be literally inconsistent with the plain meaning of the PTO’s rulemaking authority.\textsuperscript{346}

A framework for permissible PTO rulemaking must also resolve the definition of a substantive rule. As shown above, a general-purpose test to distinguish between substantive rules and interpretive rules is not very practical.\textsuperscript{347} Just because the PTO codifies a rule in the C.F.R. or expressly invokes its legislative rulemaking authority when promulgating a rule should not necessarily pigeonhole that rule as substantive. Rather, as urged by the Federal Circuit, a reviewing court should perform a rule-specific inquiry focusing on the rule’s legal effect on the “rights and obligations” of

\textsuperscript{340} But see supra notes 212-17 and accompanying text.
\textsuperscript{341} See supra note 131 and accompanying text.
\textsuperscript{342} The notices of proposed rulemaking published in the Federal Register for the two new rules both expressly indicate the authority for part 1 of title 37 of the C.F.R. as 35 U.S.C. § 2(b)(2). This would seem to support the position that the PTO always invokes its general grant of statutory rulemaking authority when it codifies rules. See Changes to Practice for Continuing Applications, Requests for Continued Examination Practice, and Applications Containing Patentably Indistinct Claims, 71 Fed. Reg. at 58; Changes to Practice for the Examination of Claims in Patent Applications, 71 Fed. Reg. 61, 67 (proposed Jan. 3, 2006) (to be codified at 37 C.F.R. pt. 1).
\textsuperscript{343} These two factors were part of the American Mining Congress substantive/interpretive rule test. See supra note 232 and accompanying text.
\textsuperscript{345} See supra notes 115-16 and accompanying text.
\textsuperscript{347} See supra note 230 and accompanying text.
A court should then classify a rule as substantive only if the rule adversely affects a patent applicant's rights guaranteed by the patent statute. Although it may be difficult to see how a rule relating exclusively to the PTO's conduct of proceedings could adversely affect a patent applicant's statutory rights, substantive rules need not be mutually exclusive with rules governing the conduct of proceedings in the PTO. For example, as described below, the new continuing application rule is likely a substantive rule that governs the conduct of proceedings in the PTO. Regardless of whether other such substantive rules exist, it is important not to deprive the PTO of this potential avenue of substantive rulemaking.

Of course, classifying a rule as substantive or interpretive does not end the permissible rulemaking inquiry. As noted above, all rules adopted by the PTO must also be consistent with both case law and statute and not be arbitrary or capricious. These restrictions considerably limit the subject matter available for PTO rulemaking.

B. A Hard Look at the Two Proposed Rules

Analyzing the two new rules under the framework presented above, a reviewing court should find that the new continuing application rule is an invalid, substantive rule and the new claim designation rule is a valid, interpretive rule. Although both of the proposed rules are intended to have "legal effect," only the proposed continuing application rule adversely affects an applicant's statutory right—namely, the unequivocal right to continuing applications guaranteed by sections 120, 121, and 365(c) of the patent statute. This distinction should qualify the continuing application rule as a substantive rule.

The claim designation rule, however, merely details a new requisite for examination. Because the PTO will ultimately examine all the claims in the application and allow them to grant in a patent, an applicant's statutory right to a patent is not adversely affected. In addition, applicants cannot reasonably contend that the claim designation rule adversely affects any other rights guaranteed by other sections of the patent statute. A reviewing court should, therefore, classify the proposed claim designation rule as an interpretive rule.

349. See id. at 930 (finding that a PTO Notice does not “adversely ‘affect existing rights and obligations’ of patent applicants” (quoting Chrysler Corp. v. Brown, 441 U.S. 281, 302 (1979))).
350. See infra notes 354-66 and accompanying text.
351. See supra notes 198-201 and accompanying text.
352. See supra notes 239-47 and accompanying text.
353. See supra note 201 and accompanying text.
354. See supra notes 263-77 and accompanying text.
355. See supra notes 96-101 and accompanying text.
356. See supra notes 334-37 and accompanying text.
After classifying a PTO rule as interpretive or substantive, the next consideration is whether the rule exclusively "govern[s] the conduct of proceedings in the Office."\textsuperscript{357} Rules meeting this requirement are limited to those regulating aspects of the management and control of the procedure of PTO proceedings. Some examples may be illuminating: The format and manner of submitting patent applications and an applicant’s duty of disclosure to the PTO during the prosecution process can be considered part of the management and control of the procedure of the patent examination proceeding. A binding declaration of patentable subject matter, however, would not fall within the “conduct of proceedings” provision because such a declaration would regulate the substance of the patent examination proceeding.

Both of the new rules can be construed to govern the “conduct of proceedings in the Office.” For example, the claim designation rule requires an applicant to designate representative claims for examination before the PTO will consider the applicant’s patent application.\textsuperscript{358} This regulates the management and control of the procedure of the patent examination process. Similarly, the continuing application rule regulates the management and control of the procedure of the application filing process.

The continuing application rule is likely invalid, however, because it is inconsistent with both statute and case law.\textsuperscript{359} As previously discussed, a PTO rule that is inconsistent with either statute or case law is outside the scope of the PTO’s rulemaking authority, regardless of whether the rule is substantive or interpretive.\textsuperscript{360} The PTO even recognizes the inconsistency with precedent, but justifies the new rule because it does not place an absolute limit on continuing applications.\textsuperscript{361} This view is short-sighted, however, because the “could not have been previously submitted” standard is, for almost all purposes, an effective limit to a single continuing application per original application filing.\textsuperscript{362} In some cases, the new continuing application rule can even completely usurp section 120 benefits from some applicants.

For example, an applicant could not file a single continuation application under 35 U.S.C. § 120 based on an application where a request for continued examination has already been filed.\textsuperscript{363} The new rule, therefore, may eliminate section 120 benefits in some circumstances. This consequence of the new rule clearly cannot be compatible with Congress’

\textsuperscript{358} See supra notes 96-101 and accompanying text.
\textsuperscript{359} See supra Part II.A.1.a.
\textsuperscript{360} See supra notes 198-201 and accompanying text.
\textsuperscript{361} See supra Part II.A.2.a.
\textsuperscript{362} But see Town Hall Presentation, supra note 261 (illustrating some examples of when the standard would be met).
\textsuperscript{363} See supra notes 88-90 and accompanying text.
intention when it enacted section 120.\textsuperscript{364} The PTO, therefore, should receive authority from Congress to limit continuing applications rather than adopt a rule that has the potential of being overturned.

Because the continuing application rule contravenes the purpose of section 120 and goes against established precedent, a reviewing court should find the proposed rule invalid as exceeding the PTO's statutory rulemaking authority found in 35 U.S.C. § 2(b)(2). The rule may also be invalidated under the APA as "an abuse of discretion, or otherwise not in accordance with law" provision\textsuperscript{365} or the "in excess of statutory jurisdiction, authority, or limitations" provision.\textsuperscript{366}

The proposed claim designation rule, however, is squarely within the PTO's rulemaking powers because it does not offend established precedent or statute.\textsuperscript{367} Although the PTO does have a statutory obligation to examine patent applications and notify an applicant of claim rejections, the patent statute is silent as to the manner of performing these obligations.\textsuperscript{368} Thus, Congress has implicitly left the PTO a gap to fill using its rulemaking powers.\textsuperscript{369} Under the \textit{Chevron} rubric, this rule should not be overturned unless unreasonable—an argument not advanced by opponents of the rule.

The claim designation rule should also pass muster under the APA. For example, because the PTO has advanced legitimate efficiency concerns for the new claim designation rule and considered the "relevant factors," the rule cannot be said to be arbitrary or capricious or an abuse of discretion.\textsuperscript{371} The rule, therefore, is likely a valid exercise of the PTO's rulemaking power.

C. \textit{Reality Check: Policy Considerations for Not Adopting the Proposed Rules}

Regardless of whether the new continuing application rule or claim designation rule is invalid, there are policy reasons for not adopting either of the two rules. Many small and large technology companies rely heavily on licensing royalties from patents for continued research and development.\textsuperscript{372} Not only would the new rules drastically reduce the scope

\begin{itemize}
\item \textsuperscript{364} See supra notes 263-68 and accompanying text.
\item \textsuperscript{366} 5 U.S.C. § 706(2)(C).
\item \textsuperscript{367} However, opponents of the rule contend the rule offends judicial dicta. See supra note 331 and accompanying text.
\item \textsuperscript{368} See 35 U.S.C. §§ 131-132.
\item \textsuperscript{369} This rule is therefore entitled to substantial deference. See supra notes 250-52 and accompanying text.
\item \textsuperscript{370} See supra notes 251-52 and accompanying text.
\item \textsuperscript{371} See Citizens to Preserve Overton Park v. Volpe, 401 U.S. 402, 416 (1971).
\end{itemize}
of patent protection for technology companies—deincentivizing innovation—but independent inventors would be adversely affected as well. Independent inventors, who are entitled to prosecute patent applications pro se, often have extremely limited resources and little patent prosecution experience. If the PTO gives these applicants only "four bites" at obtaining a patent, then pro se applicants may not invest the time and money in the patent application process for fear of not being able to obtain a patent at all.

In addition, even an experienced patent practitioner typically attempts to explain a complicated invention to a patent examiner several times before the examiner fully comprehends the novelty of the invention. By setting a limit on the number of continuing applications and requests for continued examination, many patent applicants will be unable to come to an agreement with the examiner on the patentability of an application’s claims, especially if the novelty lies in a dependent claim that was not designated for initial examination. This result may cause applicants to seek alternate forms of protection, including trade secrets, which add little or nothing to the wealth of public knowledge. As such, a reduction in the number of applicants seeking patent protection may stifle innovation and the free flow of ingenuity and creativity.

Moreover, the PTO encourages early disclosure of new applications, yet the reality is that many new products take over ten years, if not longer, to fully develop and commercialize. During this time, the utility of the product may change. Because patent applicants are entitled to receive claims covering new applications of their inventions, it is unreasonable to limit applicants to a single continuing application.

The reality is that the prosecution of a patent application is an extremely complex endeavor. Patent applicants and practitioners monitor court decisions closely. Judicially created doctrines, such as the doctrine of claim differentiation and prosecution history estoppel, have an effect on the

373. The applicant would receive two bites in the original application filing and another two bites after the sole permitted continuing application or request for continued examination filing. See supra Part I.B.1.
374. See supra notes 324-25 and accompanying text.
375. See supra note 32 and accompanying text.
377. See Cutland, supra note 103.
378. The new claims must be supported by the original disclosure, however. See generally 35 U.S.C. § 112 (2000).
379. See supra note 311 and accompanying text.
380. See, e.g., Tandon Corp. v. U.S. Int’l Trade Comm’n, 831 F.2d 1017, 1023 (Fed. Cir. 1987) (“There is presumed to be a difference in meaning and scope when different words or phrases are used in separate claims.”).
381. See, e.g., Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., 535 U.S. 722, 727 (2002) (“When the patentee responds to the rejection by narrowing his claims, this prosecution history estops him from later arguing that the subject matter covered by the original, broader claim was nothing more than an equivalent.”).
number of applications filed for a particular invention and the type and number of claims presented in each application. For example, after the Supreme Court's decision in Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., applicants who seek comprehensive patent protection often file multiple applications with claims of varying scope. The PTO, therefore, should permit applicants to choose the desired level of patent protection.

D. Effective Alternatives to the New Rules

The PTO is in the position to reduce the growing backlog of pending applications without needing to adopt drastic rules. The most direct way to reduce patent application pendency is to hire more patent examiners. Although hiring more examiners may require an increase in patent application fees, the result would be a corps of examiners that might begin to chip away at the growing mound of unexamined patent applications. Fortunately, the PTO has pledged to hire at least 1200 new examiners each year through 2012; however, many challenges relating to examiner attrition and low morale remain. The PTO should focus its efforts on hiring, training, and retaining competent, happy, and productive examiners.

The PTO could also offer increased incentives, such as filing discounts, for electronic correspondence with the Office. The electronic filing system facilitates initial processing and application screening, reducing application intake time. Faster correspondence intake may reduce patent pendency by putting amendments and responses to Office Actions in the hands of patent examiners sooner.

Another alternative to adopting the new rules would be to lobby Congress for another increase in patent application filing fees. Increasing fees has an impact on the number of applications filed and the number of claims filed per application. For example, the PTO's FY 2006 Performance and Accountability Report noted that the PTO did not meet

382. Id.
383. See Faber, supra note 45, § 60.
384. Patent application filing fees are set by statute. See 35 U.S.C. § 41(a)(1) (2000). Other patent fees and surcharges are authorized by several statutory provisions. See, e.g., 35 U.S.C. §§ 41, 119, 120, 132(b), 376 (each permitting the PTO to establish various fees and surcharges); see also FY 2007 Fee Schedule, supra note 56.
387. See Electronic Filing System Help, supra note 5.
planned fee collections for the year due to a "decrease in the expected number of claims being filed per application."389 This drop in the number of claims presented for examination can be partially attributed to the hefty $200 surcharge for each independent claim in excess of three and $50 surcharge for each claim in excess of twenty total claims presented in a patent application.390 If the number of claims in new application filings remains an intractable problem for the PTO, then increasing filing fees might help contain unchecked new filings. Even the Patent Public Advisory Committee of the PTO recognizes that "some applicants...have voluntarily reduced initial claims presented" to avoid the filing surcharge.391 Another fee increase might further reduce the number of claims presented for examination, easing the PTO's examination burden. Together, these alternatives might help the PTO meet its Strategic Plan goal to control application pendency without the need to adopt new rules that might limit the ability of applicants to procure comprehensive patent protection for their inventions.

CONCLUSION

To be sure, many problems will still linger at the PTO regardless of whether the Office adopts the new continuing application and claim designation rules. Improving examination efficiency and patent quality should be a "mutually shared responsibility" of both the PTO and patent applicants.392 Adopting radical new rules with questionable validity, however, is ill-advised and short-sighted, particularly when the new rules will cause applicants to rethink patent protection. Because of the PTO's dubious statutory authority to adopt the rules, the PTO should develop an alternative plan for combating the "workload crisis" at the PTO.

390. These excess claim fees are the fees for non-small entities. See FY 2007 Fee Schedule, supra note 56.
392. Id. at 1.
Notes & Observations