

**THE RCE INNOVATION TAX ON THE INVENTIVE COMMUNITY:
FOSTERING OR DISCOURAGING INNOVATION? ***

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*This paper is an outgrowth of research for a treatise now in publication, Harold C. Wegner, First to File Patent Drafting: A Practitioner's Guide, (Thomson Reuters forthcoming 2017), which will also be available on Westlaw.

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PREFACE: DRAIN THE PTO SWAMP!

It is the era of Trump: “Draining the swamp” is the theme of the day.

An example taken from the patent system: The PTO 3.2 billion dollar budget (2015) is indeed a “swamp” with government waste. In this user-funded Agency just one program – the “RCE”, the Request for Continued Examination – accounts for \$ 240 million in government fees, an “innovation tax” on the creativity community. The RCE is a prime cause of inefficient examination: As shown in the Table at page 7, a Japanese Patent Examiner is able to examine 180 applications per year in contrast to his American counterpart who only examines 51 applications per year.

To be sure, it is not entirely the fault of the PTO that we have the RCE problem. It is the applicant community that to a great extent fails to take a holistic approach to patent draftsmanship that results in patent applications that cannot be efficiently examined *without* at least one RCE.

This paper analyzes the RCE problem, and what can be done by the new Administration to mitigate its effects. It is an outgrowth of a treatise now in production, **FIRST TO FILE PATENT DRAFTING: A PRACTITIONER’S GUIDE** (Thomson Reuters forthcoming 2017), which will also be available on Westlaw.

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I. OVERVIEW

The “Request for Continued Examination”, the RCE, is a simple, one page form that asks the Patent Office to reopen prosecution to new arguments, amendments and citations, at a government fee per application of \$ 1,000, or on the order of \$ 240 million for the nearly 200,000 RCE’s filed each year. The RCE comes at a very high cost, first in terms one to two billion dollars per year in prosecution costs for the innovative community, an “innovation tax” which is imposed in no other country of the world.

The inefficiencies of the RCE system are manifested by Examiner productivity in this country vis a vis Japan, which has no RCE-like system. Whereas the average Examiner in Japan cranks out final disposition of 180 applications per year, his U.S. counterpart has a production of only 51 applications per year, just 28 % of his Japan counterpart.

The RCE system is explained at § II, *The RCE, What It Is*. In some ways, the RCE is not “new” in that it is a way of prolonging prosecution of a patent application, an option which has been open since nineteenth century case law and its codification as 35 USC § 120. *See* § II-A, *The RCE, Alternative to a Continuation Application*. But, the RCE is “new” in the sense that it provides a way for a patent attorney to “instantly” refile a patent application at any time, a simple procedure to kick the examination can down the road by automatically reopening prosecution in a patent application that had been “closed”. *See* § II-B, *RCE, a Procedure to Reopen a Closed Prosecution Door*.

There are essentially two reasons for the explosive use of the RCE. *See* § III, *The Rce Double Whammy*. First, the RCE system has been built upon the foundation of the “count” system that dates back to the 1950’s. Under the RCE system, an examiner receives a bonus “count” for every RE that is filed. The “count” total for an Examiner is critical for cash bonuses, promotions and even retention of the Examiner position. *See* § III-A, *Practice Prior to the RCE*. The RCE presents a dual challenge to the patent system. An RCE permits a patent attorney to essentially refile an application as an RCE without any signature or even necessarily any knowledge by the inventor. *See* § III-B, *The Dual Challenges of the RCE*

On the one hand, a patent practitioner could file the RCE without any signed instructions from the inventor, and without giving reasons for the RCE. On the other hand, the Examiner was thrilled to gain RCE’s because an RCE effectively doubled his disposal credits. (And, if there were successive RCE’s filed, this would double or triple his disposal count.) On the other hand, there is every incentive on the part of the examiner to stall prosecution to the point that an RCE must be filed, thereby doubling his production “count”.

To be sure, the fault for the explosive filings of RCE’s is not that of the Agency alone: Perhaps an even bigger reason is the failure of many (hopefully a minority) of the patent community to understand the need for holistic patent draftsmanship. This failure is manifestly a major cause of the problem of excessive RCE filings. *See* § II-C, *Why RCE’s are Needed, as a Practical Matter*.

Beyond the implications of an “innovation tax” and other complications unduly caused by the RCE practice that directly impact the inventor, third parties are also harmed by the RCE practice, as explained in the context of continuation applications by Professors Lemley and Moore. *See § IV, Negative Public Policy Implications of the RCE.*

A surgical revision of the patent practice relating to RCE’s is an important challenge. *See § V, Practice Changes to Obviate the RCE Problem.* In the first instance, an applicant seeking an RCE should provide a statement explaining why an RCE filing is needed. *See § V-A, Amendment to the Rules of Practice.*

Secondly, it is proposed that the fee for an RCE be drastically raised to discourage use of the RCE. *See § V-B, A Sharply Increased RCE Fee*

Third, and perhaps most important, the RCE system should be revised to *exclude* Examiner “count” credit for disposal of an application through an RCE filing. *See § V-C, An Honest RCE Process.*

Finally, Examiners to make up for lost faux production through RCE’s should be encouraged to utilize the appropriate procedural tools in their arsenal which can be used to limit an applicant to one invention (e.g., a product vis a vis a process) and within that one invention to an elected species (and claims readable thereon), an “undue multiplicity” rejection when, say, 200 claims are presented, or a *Star Fruits* “information” requirement. *See § VI, Other Tools To Facilitate Examination*

II. THE RCE, WHAT IT IS: A PRODUCTIVITY-KILLER

Examiner Productivity in Japan and the United States (2015)¹				
	New ^x Appl'ns filed	Examination requested	UPR Examiners	Applications per Examiner
Applications per Examiner (United States)	425,000 ^{5x}	n.a.	8255	51
Applications per Examiner (Japan)	324,000	--	1800 ^{5y}	180
Appl'ns per Examiner (Japan) (Examination Requested)	--	240,000	1800 ^{5y}	133

The RCE is a win-win situation for both Examiner and applicant which has led to “mulligan” filings spiraling out of control.

RCE filings have been explosive in recent year, approaching 200,000 per year. At an RCE filing fee of \$ 1,200,² we’re talking real money – a gross RCE annual fee collection on the order of \$ 240 million, swelling the cap on the budget of a user-fee funded Agency.

¹Sources:https://www.jpo.go.jp/english/statistics/statistics/pdf/e_syutugan_toukei_sokuho/201610_preliminary.pdf;
http://www.wipo.int/edocs/mdocs/aspac/en/wipo_inn_bkk_10/wipo_inn_bkk_10_ref_topic3_2.pdf

^{5x} New applications are figured based upon total applications of 607,753 for 2015, where 30 %

^{5y}1800 is an approximation based upon figures for 2010 showing 1703 total examiners.

² 37 CFR § 1.17(e)(1)(“To request continued examination pursuant to § 1.114 *** [f]or filing a first request *** in an application *** [b]y other than a small or micro entity \$1,200.00.”).

If we're talking about an average prosecution of an application having lawyer fees anywhere from \$ 5,000 to \$ 10,000, then one should add to the government filing fee a cost to the innovation community of one to two billion dollars per year.

Furthermore, the RCE comes at a high price in terms of efficiency of examination at the Agency. This is bluntly manifested by comparing output of Examiners in the United States and Japan – which has no RCE mechanism:

A. The RCE, Alternative to a Continuation Application

The Request for Continued Examination, the “RCE”, has become an administrative monster that is choking the patent examination system in the United States. The RCE is a product of the America Invents Act of 1999 that simply states that “[t]he Director shall prescribe regulations to provide for the continued examination of applications for patent request of at the the applicant.”

The requirements for a Request for Continued Examination are essentially wide open to the discretion of the Patent Office: “The Director shall prescribe regulations to provide for the continued examination of applications for patent request of at the applicant” for a fee which is “appropriate.”³

³ 35 U.S.C. 132(b)(“The Director shall prescribe regulations to provide for the continued examination of applications for patent at the request of the applicant. The Director may establish appropriate fees for such continued examination and shall provide a 50 percent reduction in such fees for small entities that qualify for reduced fees under [35 USC §] 41(h)(1).”).

Instead of treating an RCE request as a simple filing to reopen otherwise closed prosecution, the Office in its initial rulemaking treated an RCE as creating a *de facto* new application. Complemented by grant of a “disposal” credit to an Examiner where an RCE request is filed, “filings” in the form of RCE’s has been swamping the United States patent system with such new “filings” that are on the path to approach 200,000 per year.

By the year 2012 RCE’s accounted for 158,000 “filings” in the United States.⁴ In 2015 the U.S. PTO entertained nearly 170,000 RCE filings⁵ while showing 410,000 regular first filings,⁶ so that an RCE accounts for roughly forty (40) percent versus the total of all other filings. Professors Lemley and Moore have condemned continuation practices, which has been cited with approval by the Patent Office.⁷

⁴ Christopher A. Cotropia, Cecil D. Quillen, Jr. & Ogden H Webster, *Patent Applications and the Performance of the U.S. Patent and Trademark Office* 23 Fed. Circuit B.J. 179, 183 (2013) “RCEs *** have increased *** to 157,908 RCEs in 2012.”).

⁵ IP5 Statistics Report, Table 2.5: USPTO Production Information, p. 18 (Japan Patent Office, ed., Nov. 2016)(showing for 2015 a total of 169,430).

⁶ *Id.* The reference shows 589,410 regular filings, but this must be multiplied by 0.70 to show the approximate amount of first filings, or 412,000.

⁷ *Changes to Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications*, 72 FR 46716-01, 46718-19 (August 21, 2007)(“Commentators have noted that an applicant's use of the unrestricted continuing application and request for continued examination practices may preclude the Office from ever finally rejecting an application or even from ever finally allowing an application. See Mark A. Lemley and Kimberly A. Moore, Ending Abuse of Patent Continuations, 84 B.U. L. Rev. 63, 64 (2004).”).

Since 1864, continuing application practice has been sanctioned by the Supreme Court,⁸ a practice codified in the 1952 Patent Act as 35 USC § 120. The RCE is not a continuation application at all, but rather involves the filing of a paper in an application where prosecution has been “closed” such as through a Final Rejection; the RCE paper merely withdraws the “closed” status to permit continued prosecution. To be sure, the RCE was new when created by statute in 1999 but was a Continued Prosecution Application in new clothing.⁹

⁸ Long before Congress enacted section 120 in the 1952 Act [providing a statutory basis for continuation applications], the Supreme Court in *Godfrey v. Eames*, 68 U.S. (1 Wall.) 317 (1864), established the basis for same-day continuations for priority-date purposes. There, Mr. Godfrey had withdrawn a previously filed patent application and, on the same day, refiled his application with an amended specification. *Id.* at 324. The Court held that “if a party choose to withdraw his application for a patent ... intending at the time of such withdrawal to file a new petition, and he accordingly do so, the two petitions are to be considered as parts of the same transaction, and both as constituting one continuous application, within the meaning of the law.” *Id.* at 325–36. It adopted that position for purposes of giving the earlier application's priority date to the successor application (where the two were sufficiently related). And in the decades following *Godfrey*, the Supreme Court, other federal courts, and the Patent Office consistently followed *Godfrey*'s rule. See *Smith v. Goodyear Dental Vulcanite Co.*, 93 U.S. 486, 500–01 (1877); *Badische Anilin & Soda Fabrik v. A. Klipstein & Co.*, 125 F. 543, 554–55 (C.C.S.D.N.Y. 1903); *Ex parte Kruse*, 133 O.G. 229 (Comm'r Pat. 1908); *Ex parte Miller*, 305 O.G. 419, 419–20 (Comm'r Pat. 1922); *Clark Blade & Razor Co. v. Gillette Safety Razor Co.*, 194 F. 421, 422 (3d Cir. 1912); *In re Febrey*, 135 F.2d 751, 754–56 (CCPA 1943); *Harder v. Hayward*, 150 F.2d 256, 258–60 (CCPA 1945).⁸

⁹ See Mark Lemley & Kimberly Moore, *Ending Abuse of Patent Continuations*, 84 B.U. L. Rev. 63, 101 n.155 (2004)(“The PTO created the term “CPA”[, the continued prosecution application,] in 1997. Changes to Patent Practice and Procedure, 62 Fed. Reg. 53132 (Oct. 10, 1997) (to be codified at 37 C.F.R. pt. 1) (providing for continued prosecution applications). It abolished the term “CPA” in favor of “RCE” in 2003. See 37 C.F.R. § 1.53(d) (2003); see also Elimination of Continued Prosecution Application Practice as to Utility and Plant Patent Applications, 66 Fed. Reg. 35763 (July 9, 2001) (to be codified at 37 C.F.R. pt. 1) (giving notice of proposed rulemaking whereby the PTO proposed to eliminate CPA practice as to utility and plant applications).”)

B. RCE, a Procedure to Reopen a Closed Prosecution Door

The RCE is a simple request accompanied by a substantial fee that reopens prosecution on a patent application where prosecution has been “closed”, thus denying the chance to amend or present new issues in the original application.

The RCE is a statutory creation of the *America Invents Act* of 1999, and a successor to several previous forms of this practice.¹⁰

An RCE comes into play when it is necessary to amend claims or present new arguments or other information where prosecution of a patent application has been “closed”. An RCE filing reopens prosecution. A common use of the RCE is to present additional arguments to an Examiner.¹¹ Professors Lemley and Sampat state that “RCEs are primarily useful to continue fighting with an examiner who is reluctant to grant claims.”¹² A former Examiner, Kevin Rizzuto, sees the need for reform of the RCE practice, and comes up with his own proposal for reform:

¹⁰ Michael Carley, Deepak Hegde, Alan Marco, *What Is The Probability Of Receiving A U.S. Patent?*, 17 Yale J. L. & Tech. 203, 209 n.14 (2015)(“ There have been several incarnations of non-serialized continuations, including Continued Prosecution Applications (CPAs), Rule 129 continuations (R129s), and File Wrapper Continuations (FWCs). The most recent incarnation (and by far the most prevalent) is the Request for Continued Examination (RCE).”).

¹¹ Matt Browning, *Now You See Them, Now You Don't: The PTO's Rules on Claims and Continuations*, 23 Berkeley Tech. L.J. 247, 252 (2008)(footnotes omitted)(“An applicant files an RCE to continue negotiating with an examiner after the examiner has issued a final rejection. After the applicant files the RCE, the examiner withdraws the finality of the rejection, and the applicant presents new claims or arguments to the examiner.”).

¹² Mark A. Lemley & Bhaven Sampat, *Examining Patent Examination*, 2010 Stan. Tech. L. Rev. 2, 24 (2010)(footnote omitted).

Currently, few restrictions or limits are placed on filing RCEs in an application. A determined applicant can keep an application pending by continually filing an RCE after each final rejection. The current patent system offers some incentives to filing RCEs that further prosecution. For instance, an RCE that provides no new arguments can be finally rejected in a first Office action. Additionally, the patent will continue to lose years off its potential enforceable life because an issued patent is only enforceable for twenty years from the filing date of the original or parent application. Also, an RCE cannot be used to file claims that are independent and distinct, as the newly presented claims will be subject to a restriction.

To definitively prevent RCEs that merely prolong prosecution of an application, a new rule could be implemented that allows only RCEs that “further prosecution” to be submitted. RCEs that “further prosecution” can be defined as RCEs including a narrowing amendment to at least one rejected independent claim and no broadening amendments. An amendment that fails to further prosecution as determined by an examiner, and subject to review on petition, could be denied entrance. The application would then be treated as if no amendment had been filed (if six months had passed, the application would be abandoned). This rule is akin to an already existing rule conditioning entrance of an applicant's response to an examiner's rejection on the response being “bona fide.”¹³

C. Why RCE's are Needed, as a Practical Matter

A significant – and perhaps the major – reason for so many continuing applications has nothing to do with the Patent Examiner, but often everything to do with a filing strategy that fails to understand the need for *holistic* patent draftsmanship: An applicant must understand the entire picture including how much time it will take for an Examiner to conduct a first action on the merits, directly related to how many claims have been presented and how many prior art references have been cited in an Information Disclosure Statement. If it takes, say, twelve hours to examine fifty-five claims and, say, six hours to conduct a first action search where the applicant has cited eighty references, the 18 hour total is

¹³ Kevin Rizzuto, *Fixing Continuing Application Practice at the PTO*, 13 Marq. Intell. Prop. L. Rev. 411, 443-44 (2009).

way out of line with his quota of say, eight hours per first action. Instead, if the applicant files only on claims needed for offensive business purposes (relying upon the disclosure for a first-to-file patent-defeating effect) and cites only eight references (because of a properly outlined prior art search keyed to a commercial candidate where the known prior art has been provided to the patent searcher), then the net time may be only three or four hours – well within a self-imposed of eight hours for the first action. See Harold C. Wegner, *First to File Patent Drafting: A Practitioner’s Guide* § 1:2, *Holistic Patent Draftsmanship* (Thomson Reuters forthcoming 2017).

One should never file twenty claims merely because the filing fee includes the cost of twenty claims. Only claims necessary to support a business interest should be filed. *See id.*, § 1:3, *Applicant’s Goals for Patent Protection*.

Specification draftsmanship beyond the claims should include a *Summary of the Invention* with key definitions of claim terms, *omit* entirely a *Background of the Invention* and provide an *Abstract of the Disclosure* which mirrors verbatim wording from the claims. *See id.*, § 1:7, *A Simple Presentation Focused on the Claims and Summary*. (A *Background* if anything creates side issues not relevant to the patentability of the claimed invention. *See id.*, § 1:8, *Avoiding Side Show Argumentation*.)

The problem is geometrically made more complex for the foreign origin applicant with a different native tongue, where too many applicants are literal translations of the “home country” application . The filing of a literal translation of a “home country” prior filing is recognized by the PTO as creating a serious problem for examination.¹⁴

III. THE RCE DOUBLE WHAMMY

A. Practice Prior to the RCE

In the 1950’s examiner production was measured by “counts” of Examiner “actions” (or “rejections”). Gamesmanship to up production figures focused on recasting Office Actions with slightly different reasoning that resulted in sometimes five or more non-final Office Actions, one after another, and then eventually a Final Rejection would be issued. Thus, for example, if instead of issuing a Final Rejection on the second action, the Final Rejection could be postponed to a sixth action, this would give the Examiner triple production credits.

The Office put a stop to this practice through “compact prosecution” which mandated that the second Office Action should be a Final Rejection and, more

¹⁴ *Changes to Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications*, 72 FR 46716-01, 46719 (August 21, 2007)(“Applicants frequently file literal translations of foreign documents as applications, resulting in problems with compliance with U.S. patent law, such as the written description requirement, as well as problems with formatting and presentation of the claims. In these situations, examination of what applicants actually regard as their invention may not begin until after one or more continued examination filings. Applicants should not rely on an unlimited number of continued examination filings to correct deficiencies in the claims and disclosure that applicant or applicant's representative could have corrected earlier.”)

importantly, Examiner productivity was measured in terms of *disposals* “counts”, allowances plus abandonments. This replaced the “action” totals and thus gave Examiners an incentive to issue second action final rejections and to abandon additional “actions”.

While the change to “compact prosecution” was designed to reduce pendency, in fact, the opposite has occurred as a continuation or other refile of an application gave an additional “disposal” to the Examiner. This resulted in hardball examination where the applicant was essentially forced to file a continuing application because all too often an Examiner would first cast a well supported position as part of a second action Final Rejection – making it impossible for the applicant to amend without filing a continuing application.

B. The Dual Challenges of the RCE

While there were a fair number of continuing applications filed in the generation following the introduction of Compact Prosecution in the 1960’s, everything has tumbled out of control with the introduction in 1999 of the “RCE”, the Request for Continued Examination.

Oppenheimer explains the problem created by compact prosecution:

In part, the pendency problem can be traced to a PTO policy known as “compact prosecution,” i.e., the identification of all issues related to patentability in the first substantive response to the applicant. Patent Office guidance to its examiners cautions against “piecemeal prosecution”:

Piecemeal examination should be avoided as much as possible. The examiner ordinarily should reject each claim on all valid grounds available Rejections on grounds such as lack of proper disclosure, lack of enablement, indefiniteness and res judicata should be applied where appropriate even though there may be a seemingly sufficient rejection on the basis of prior art.

On the positive side, compact prosecution gives the applicant as complete a picture as possible of the hurdles (if any) to patentability. There is, however, also a negative side because compact prosecution requires more work and therefore extends the time from filing until an application is even examined, delaying the point at which the applicant gets initial insight into the Patent Office's position on patentability.¹⁵

The Examiner's view of the RCE is summarized by a former Examiner:

[I]f an Office Action is designated as final, one option is for the applicant to file an RCE, which credits the examiner with a disposal count. Because the examination process is restarted, the examiner is credited with an additional count for issuing another "first" Office Action on the RCE application. Thus, when the applicant files an RCE, an examiner is credited with a total of two counts: an RCE disposal count and a first Office Action count. Due to the examiner's familiarity with the application, less time is likely spent reviewing the specification, understanding the invention, and searching the prior art in preparing the next Office Action. Moreover, if the examiner issues a first-action allowance of the RCE application, a total of three counts are credited: an RCE disposal count, a first Office Action count, and a disposal count for allowing the application. Because the applicant is permitted to file multiple RCEs per original patent application, the examiner has the opportunity to be credited with two counts per RCE filing, without the initial time burden associated with becoming familiar with a new patent application and performing a new prior art search. Thus, the count system apparently promotes RCE practice, which prolongs the examination process and undermines the Patent Office's policy of "compact prosecution[.]"¹⁶

¹⁵ Max Stul Oppenheimer, *The Innovator's Dilemma*, 4 Am. U. Bus. L. Rev. 371, 382 (2015)

¹⁶ Eric B. Chen, *Conflicting Objectives: The Patent Office's Quality Review Initiative and the Examiner Count System*, 10 N.C. J.L. & Tech. On. 28, 45-46 (2008)(footnotes omitted).

It is difficult if not impossible to determine the costs of “mulligan” patent practice, where applicants can conduct piecemeal patent procurement with no realistic thought that they will be able to succeed in winning a patent. Instead, they rely upon “mulligan” practice: Just as the golfer who see’s his tee shot go plunk in the water or get lost in the trees but then replay the shot, patent applicants since the nineteenth century have been able to refile their cases and start all over again.

What’s new is a combination of events which cumulatively have blown “mulligan” practice out of control. In the first instance, it is now a simple and statutory *right* of an applicant in most situations to file a simple paper with the Patent Office, a Request for Continued Examination (an RCE), and provided a \$ 1200 fee is paid, voila! One can start all over again with a fresh prosecution! Compounding the situation is the fact that the Examiner receives a little Christmas present every time such a “mulligan” application is filed: The Examiner who is “victim” to a “mulligan” gets essentially *double production “count” credits*, his lifeblood metric to determine cash bonuses, promotions or whether he is permitted to remain in the examining corps.

Patent Examiner lucky enough to have an applicant go through two or three RCE prosecutions gains double or triple “count” credit for that one application. A “count” strikes at the very heart of the Examiner’s existence, permitting even a cash reward for excess counts or being part of grounds for dismissal for a low “count” total.¹⁷

¹⁷ Sean Tu, *Understanding the Backlog Problems Associated with Requests for Continued Examination Practice*, 13 Duke L. & Tech. Rev. 216, 225 n.37 (2015)(“Examiner productivity is judged by ‘counts.’ Counts help determine if an examiner is promoted or is given a salary bonus. Counts can be earned in many ways, such as by first office actions or disposal of cases by allowance or applicant abandonment. Although a ‘final rejection’ is not awarded counts, issuing a response to a first RCE is given a count, with less credit given to every subsequent RCE. For

The RCE is a win-win situation for both Examiner and applicant which has led to “mulligan” filings spiraling out of control. RCE filings have been explosive in recent year, approaching 200,000 per year. At an RCE filing fee of \$ 1,200,¹⁸ we’re talking real money – a gross RCE annual fee collection on the order of \$ 240 million, swelling the cap on the budget of a user-fee funded Agency.

If we’re talking about an average prosecution of an application having lawyer fees anywhere from \$ 5,000 to \$ 10,000, then one should add to the government filing fee a cost to the innovation community of one to two billion dollars per year.

IV. NEGATIVE PUBLIC POLICY IMPLICATIONS OF THE RCE

The RCE delays the issuance of a patent. Unnecessary prosecution delays have negative consequences as a matter of public policy. As explained by Professors Lemley and Moore:

“[A]t a minimum, continuation practice introduces substantial delay and uncertainty into the lives of a patentee's competitors, who cannot know whether a patent application is pending in most circumstances. Second, the structure of the PTO suggests that continuations may well succeed in ‘wearing down’ the

an explanation of the “count” system, see Exam'r Docket, Time, and Activity Recordation [R-808.2012], MPEP 1705, *available at* http://www.uspto.gov/web/offices/pac/mpep/documents/1700_1705.htm (last visited Feb. 10, 2015); *see also* Memorandum from Peggy Focarino, Deputy Comm'r for Patents, U.S. Patent and Trademark Office (Aug. 31, 2010), *available at* [http:// www.popa.org/pdf/agreements/counts-counts-31aug2010.pdf](http://www.popa.org/pdf/agreements/counts-counts-31aug2010.pdf).”)

¹⁸ 37 CFR § 1.17(e)(1)(“To request continued examination pursuant to § 1.114 *** [f]or filing a first request *** in an application *** [b]y By other than a small or micro entity \$1,200.00.”).

examiner, so that the applicant obtains a broad patent not because he deserves one, but because the examiner has neither incentive nor will to hold out any longer.

Third, continuation practice can be – and has been – used strategically to gain advantages over competitors by waiting to see what product the competitor will make, and then drafting patent claims specifically designed to cover that product.

Finally, some patentees have used continuation practice to delay the issuance of their patent precisely in order to surprise a mature industry, a process known as ‘submarine patenting.’”¹⁹

To be sure, some of the dangers of delayed patenting have been largely mitigated through legislative changes. For example, “submarine patenting” is no longer as serious a problem as it was prior to automatic publication of a patent application 18 months from the effective filing date: The “submarine” can’t stay “underwater” for more than 18 months. Furthermore, the prosecution history of such a published patent application can be instantly checked electronically through the electronic file wrapper maintained for each published application on the PTO website. Finally, subsequent to the publication of Professors Lemley and Moore, the newer *Leahy Smith America Invents Act* of 2011 permits a third party submission that the industry can utilize to help cabin the scope of claims that may be allowed in the published application.²⁰

¹⁹ Mark Lemley & Kimberly Moore, *Ending Abuse of Patent Continuations*, 84 B.U. L. Rev. 63, 65 (2004)(footnote omitted).

²⁰ Harold C. Wegner, *First to File Patent Drafting: A Practitioner’s Guide*, § 2:30, *Pre-Grant (Preissuance) Patentability Challenges* (Thomson Reuters 2017), to be available on Westlaw.com (discussing 35 USC § 122(e) and 37 CFR § 1.290(a)) (“[A] third party may take advantage of the *free* preissuance third party submission of prior art under 35 USC § 122(e) that may be used in the first instance to attempt to block the grant of a patent and, even if a patent is granted, a properly drafted preissuance submission may pave the way for a successful PGR or IPR attack.

V. PRACTICE CHANGES TO OBTAIN THE RCE PROBLEM

A. Amendment to the Rules of Practice

It is proposed that the *Rules of Practice in Patent Cases* be amended to require as a condition for filing a Request for Continued Examination that an inventor sign a paper acknowledging the Request where that paper explains *why* the Request has been filed, and why such a Request is Necessary.²¹

A requirement for information of this sort has precedent.²²

It is proposed that a requirement be added that an inventor “file a statement explaining why the filing of a request under this section is

“A preissuance third party submission of prior art that includes a discussion of that prior art represents a unique tool available to challenge patent applications prior to grant. This tool may be used to explain prior art that will encourage the patent applicant to narrow its claims. Or, the preissuance submission may force the patent applicant to make amendments or arguments that may come back to haunt the applicant later at the time of a Post Grant Review of Inter Partes Review.”)

²¹ For example, if prior art was recently discovered that should be cited, this would be one good reason. Of course, it is implicit that one could in any event file a continuing application under 35 USC § 120.

²² *Tafas v. Doll*, 559 F.3d 1345, 1357 (Fed. Cir. 2009) (Prost, J.), *vacated on other grounds*, 328 Fed.Appx. 658 (Fed. Cir. 2009) (“This court has previously recognized the validity of two USPTO rules that place upon applicants the burden of submitting information in response to an examiner’s request. *See Star Fruits*, 393 F.3d at 1282-84 (Rule 105); *see also In re Epstein*, 32 F.3d 1559, 1570 (Fed.Cir.1994) (Plager, J., concurring) (Rule 56).”

necessary.”²³ Provided the statement is filed, there would be no *ex parte* examination of the reasons that are provided.²⁴

²³ The revised rule would read as follows (additions shown in bold underlined text):

“37 CFR § 1.114 Request for continued examination.

“(a) If prosecution in an application is closed, an applicant may request continued examination of the application by filing a submission and the fee set forth in § 1.17(e) prior to the earliest of:

“(1) Payment of the issue fee, unless a petition under § 1.313 is granted;

“(2) Abandonment of the application; or

“(3) The filing of a notice of appeal to the U.S. Court of Appeals for the Federal Circuit under 35 U.S.C. 141 , or the commencement of a civil action under 35 U.S.C. 145 or 146 , unless the appeal or civil action is terminated.

“(b) Prosecution in an application is closed as used in this section means that the application is under appeal, or that the last Office action is a final action (§ 1.113), a notice of allowance (§ 1.311) , or an action that otherwise closes prosecution in the application.

“(c) A submission as used in this section includes, but is not limited to, an information disclosure statement, an amendment to the written description, claims, or drawings, new arguments, or new evidence in support of patentability. If reply to an Office action under 35 U.S.C. 132 is outstanding, the submission must meet the reply requirements of § 1.111 .

“(d) If an applicant timely files a submission and fee set forth in § 1.17(e) , the Office will withdraw the finality of any Office action and the submission will be entered and considered. If an applicant files a request for continued examination under this section after appeal, but prior to a decision on the appeal, it will be treated as a request to withdraw the appeal and to reopen prosecution of the application before the examiner. An appeal brief (§ 41.37 of this title) or a reply brief (§ 41.41 of this title), or related papers, will not be considered a submission under this section.

“(e) The provisions of this section do not apply to:

“(1) A provisional application;

“(2) An application for a utility or plant patent filed under 35 U.S.C. 111(a) before June 8, 1995;

“(3) An international application filed under 35 U.S.C. 363 before June 8, 1995, or an international application that does not comply with 35 U.S.C. 371;

“(4) An application for a design patent;

“(5) An international design application; or

“(6) A patent under reexamination.

“**(f)(1) A sole inventor or any joint inventor shall sign and file a statement explaining why the filing of a request under this section is necessary.**

(2) If a statement under the foregoing paragraph is not filed within two months from the date of the filing of this Request, the Request shall be considered as a nullity and never having been filed.”

²⁴ There are multiple purposes for the requirement that the inventor explain why the RCE is being filed. First, if the reason is that an Examiner has been arbitrary in denying entry of an

It should also be noted that an RCE is not the only way to maintain prosecution, as a traditional continuation under 35 USC § 120 is left untouched by the proposed amendment.

B. A Sharply Increased RCE Fee

It is proposed that the fee for an RCE should be set at \$ 5,000.00 as a means to rein in the excessive, routine filing of RCE's. Congress determined that the PTO "may establish appropriate fees" for an RCE filing.²⁵ The fact that the PTO set the RCE fee at \$ 1200, much higher than a regular filing fee, manifests the fact that an "appropriate" fee is not governed by relationship to the cost of the activity. Without a high RCE fee, it is doubtful whether the significant reduction in RCE filings that is needed will be achieved.

C. An Honest RCE Process

The main reform needed for the RCE practice is to treat an RCE filing as any other paper in an application, and simply continue to examine the application but with reopened prosecution. This would entirely eliminate the "bonus" disposal

amendment, an accumulation of RCE statements focusing on the same Examiner could provide basis for an investigation of that Examiner. Second, the requirement for an inventor's signature would mitigate patent practitioners from filing unnecessary RCE's without scrutiny by the inventors. There would be no paperwork problem for the Office because the statements would not be examined. (But, of course, if there is a question of veracity that can be raised in *inter partes* proceedings or in litigation.)

²⁵ 35 USC § 132(b), first sentence ("The Director may establish appropriate fees for such continued examination ***").

that has been created through imaginative bookkeeping at the Patent Office that gave double disposal credit when an RCE was filed.

Unless the bonus examination credits such as a “disposal” are eliminated, it is in every Examiner’s interest to deny entry of amendments or arguments. Without elimination of the bonus disposal an Examiner has every incentive to procedurally deny open prosecution.

VI. OTHER TOOLS TO FACILITATE EXAMINATION

The Examiner should control situations where the scope of subject matter is very broad or where the applicant has unduly multiplied the number of claims. An Examiner is not without procedural tools to sharply limit the scope of his examination where an egregious number of claims is presented. If the applicant presents plural categories of claims, such as product and process or a method of use of the product, a restriction requirement should be considered.²⁶ A broad generic invention can also be subject to an election of species.²⁷ Such an election

²⁶A successful restriction requirement would limit the applicant to one of the various categories of claims. 37 CFR § 1.142(a)(“If two or more independent and distinct inventions are claimed in a single application, the examiner in an Office action will require the applicant in the reply to that action to elect an invention to which the claims will be restricted ***. Such requirement will normally be made before any action on the merits ***.”).

²⁷ 37 CFR § 1.146, first sentence (“In the first action on an application containing a generic claim to a generic invention (genus) and claims to more than one patentably distinct species embraced thereby, the examiner may require the applicant in the reply to that action to elect a species of his or her invention to which his or her claim will be restricted if no claim to the genus is found to be allowable.”). If the Examiner knocks out any claim that reads on the elected species, this effectively ends the prosecution of that application. (The applicant, of course, may file a continuing application under 35 USC § 120 to seek protection for nonelected subject matter.)

requirement may drastically expedite prosecution.²⁸ Or, if an applicant presents, say, 200 claims in an application, consideration should be given to a rejection of all claims on the basis of undue multiplicity where the applicant should be required to elect a certain number of claims for further prosecution.²⁹ On an *ad hoc* basis an Examiner may find it useful to require “information” under 37 CFR § 1.105 relevant to the application.³⁰ As seen from *Star Fruits*, failure to comply with a

²⁸ For example, if a generic claim reading on the elected species is anticipated or rendered obvious by a prior art disclosure of an unrelated species versus the elected species but nevertheless one within the scope of that generic claim, then the applicant would, *if there is support*, be forced to limit the claim to a scope that excludes the anticipated or obvious species.

²⁹ This ground of rejection should only be used in egregious situations and not in a case where the Examiner arbitrarily limits the number to under, say, twenty claims, as occurred in the *Wakefield* case which was taken as a signal by the Patent Office to abandon use of the “undue multiplicity” rejection. *In re Wakefield*, 422 F.2d 897, 900 (CCPA 1970)(Lane, J.)(reversing the Patent Office)(“The examiner rejected all the appealed claims for undue multiplicity under 35 U.S.C. § 112 and required that applicants either reduce the number of claims to fifteen or select fifteen claims for further examination on the merits.”). Cf. *In re Chandler*, 319 F.2d 211, 225 (CCPA 1963)(Almond, J.)(“The right of applicants to freedom of choice in selecting phraseology which truly points out and defines their inventions should not be abridged. Such latitude, however, should not be extended to sanction that degree of repetition and multiplicity which beclouds definition in a maze of confusion. The rule of reason should be practiced and applied on the basis of the relevant facts and circumstances in each individual case.”); cf. *Tafas v. Doll*, 559 F.3d 1345, 1363 (Fed. Cir. 2009)(Prost, J.)(dictum)(“Subject to the arguable requirement that an applicant cannot ‘obscure’ his invention by ‘undue multiplicity,’ our precedent does not suggest that there is a limit on the number of claims. *In re Clark*, 97 F.2d 628, 631 (CCPA 1938); see also *In re Wakefield*, 422 F.2d 897, 900 (CCPA 1970) (‘[A]n applicant should be allowed to determine the necessary number and scope of his claims....’); *In re Chandler*, 319 F.2d 211, 225 (CCPA 1963) (‘[A]pplicants should be allowed reasonable latitude in stating their claims in regard to number and phraseology employed. The right of applicants to freedom of choice in selecting phraseology which truly points out and defines their inventions should not be abridged.’).”)

³⁰ Under 37 CFR § 1.105, Requirements for information, the following provisions are included:

requirement for information may result in abandonment of the application.³¹ The scope of such “information” goes beyond prior art issues necessary to support a rejection.³² “Information” may be required where it is “reasonably necessary” for

(a)(1) In the course of examining or treating a matter in a *** application, the examiner *** may require the submission *** of such information as may be reasonably necessary to properly examine or treat the matter, for example:

* * *

(2) Requirements for factual information known to applicant may be presented in any appropriate manner, for example:

(i) A requirement for factual information;

(ii) Interrogatories in the form of specific questions seeking applicant's factual knowledge; or

(iii) Stipulations as to facts with which the applicant may agree or disagree.

(3) Any reply to a requirement for information pursuant to this section that states either that the information required to be submitted is unknown to or is not readily available to the party or parties from which it was requested may be accepted as a complete reply.

* * *

(c) A reply, or a failure to reply, to a requirement for information under this section will be governed by §§ 1.135 and 1.136.

³¹ *Fruits S.N.C. v. U.S.*, 393 F.3d 1277 (Fed. Cir. 2005).

³² *See Star Fruits*, 393 F.3d at 1281-82 (“Under 37 C.F.R. § 1.105 the Office can require

information that does not { "pageset": "Sa4 directly support a rejection. An agency's interpretation of its own regulations is entitled to substantial deference and will be accepted unless it is plainly erroneous or inconsistent with the regulation. *See Eli Lilly & Co. v. Bd. of Regents of the Univ. of Washington*, 334 F.3d 1264, 1266 (Fed.Cir.2003).”)

the examination.³³ As per *Star Fruits*, failure to comply with the requirement is basis for a holding of abandonment.

VII. CONCLUSION

Congress made a serious mistake in providing a virtually open ended statutory basis for patent applicants to be compelled to file continuing applications through the “RCE”.

³³ See *Star Fruits*, 393 F.3d at 1280 (“The threshold for requiring information from applicants under 37 CFR 1.105 is that the information required is reasonably necessary to treat a matter in an application. The matter may or may not be related to patentability.”).