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June 26, 2024

Via Email: Kathi.Vidal@uspto.gov

Director Kathi Vidal
United States Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313

Re: Comments on Proposed Terminal Disclaimer Rule (Docket No. PTO-P-2024-0003)

Dear Director Vidal,

The National Association of Patent Practitioners (NAPP) is a nonprofit trade association for patent agents and patent attorneys. NAPP represents hundreds of member patent practitioners across the country who specialize in patent practice before the United States Patent and Trademark Office (the “USPTO”). The practices of the practitioner members are focused primarily on patent prosecution, namely practice before the USPTO. Many of our members represent small businesses and individuals. As part of NAPP’s mission, we aim to create a collective nationwide voice to address issues relating to patent-prosecution practice. Additional information about NAPP can be found at www.napp.org.

NAPP submits the following comments for consideration of the USPTO. NAPP welcomes this opportunity to assist and hopes that the USPTO will consider the suggestions. NAPP is available to answer questions, comment further (formally or informally), or assist in any other way considered useful, upon request.

These comments relate to Docket No. PTO-P-2024-0003, the Request for Comments on the Notice of Proposed Rulemaking (the “NPRM”) regarding Terminal Disclaimers (TDs), specifically the proposal to require patent applicants to agree, as a condition for allowing an application in which a double-patenting rejection is made and not overcome, that all patents and claims in other patents within the same family of applications would be unenforceable if any single patent claim is invalidated.

We have significant concerns about the proposed rule. Detailed comments on the proposal are provided below. Generally, we are concerned that the proposed rule overreaches and undermines the goals and value of the US patent system. We think the rule is not well-justified, will undermine innovation, will increase the costs for prosecuting patent applications, and will increase USPTO examination workload.

Comment 1. The USPTO is not authorized to add new conditions of patentability except when authorized by statute or, for equitable matters like this one, when authorized by case law.

The proposed rule adds a condition for the grant of a patent, without basis in court decisions or statute. By contrast, in *In re Van Ornum*, 686 F.2d 937 (C.C.P.A. 1982) (*en banc*), a case in which the USPTO’s controlling court agreed that the USPTO could enact a terminal disclaimer rule that included a common-ownership requirement, the court relied heavily on the fact that “a long line of double patenting decisions in this court which extended over many years” had held that “the theory of harassment by multiple assignees underlay double patenting.” By contrast, there is no case, much less a “long line of ... decisions,” in which the courts considered assertion of claims of different patents of a family subject to a terminal disclaimer as being any kind of problem or as contributing to the court-established double-patenting doctrine, beyond common ownership.

Indeed, to the contrary, the controlling court has held that “filing of a terminal disclaimer simply serves the statutory function of removing the rejection of double patenting, and raises neither a presumption nor estoppel on the merits of the rejection.” *Quad Envtl. Techs. Corp. v. Union Sanitary Dist.*, 946 F.2d 870, 874 (Fed. Cir. 1991). The proposed rule would, in effect, reverse this presumption, requiring applicants to agree that the claims connected by terminal disclaimer are equally subject to the same rejection. In another example, the USPTO’s controlling court held that the USPTO cannot “group” claims for application of a rejection during examination unless the claim language is parallel so as to justify application of the same rejection. *Hyatt v. Dudas*, 551 F.3d 1307 (Fed. Cir. 2008) (disapproving a practice of rejecting claims in “groups” even though they had dissimilar limitations). A “tied” claim may have extra limitations that do not justify its invalidation when a reference claim is invalidated.

The courts, not the USPTO, ought to be the only ones allowed to create new equitable doctrines. The USPTO is not an adjudicator of equity and has never, to our knowledge, innovated new equitable doctrines before. The terminal disclaimer rule should match existing equitable principles.

In short, unenforceability mandates ought to be reserved for court-recognized equitable doctrines. The USPTO should leave this matter to Congress or to the courts.

Comment 2. The proposed rule is contrary to at least the spirit of 35 U.S.C. § 282.

Part (a) of Section 282, the statute’s “in general” section, suggests that claims should be evaluated independent from one another, stating, “[e]ach claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims.” This is consistent with a long line of case law to the same effect.

Although Section 282 technically applies to validity rather than unenforceability and refers to the *presumption* of validity, the statute evidences at least a Congressional policy of treating claims separately and individually. The proposed rule contradicts this principle, requiring applicants to agree that the claims connected by terminal disclaimer are “grouped” and equally subject to the same invalidity reason as any other claim.

In this regard, there is no *practical* difference between holding a claim completely unenforceable, permanently, and holding it invalid. Court approval of the common-ownership requirement simply allowed the USPTO to enact a rule requiring applicants to agree that their claims would be unenforceable if not commonly owned, but a claim could become enforceable again if common ownership is re-established. The instant proposed rule would render claims permanently unenforceable.

Comment 3. The proposed rule contradicts 35 U.S.C. § 120.

This statute says that a continuation application is given the “same effect” as an original application. The “same effect” rule applies to all purposes, so a continuing application must be treated the same as the original application.

Under the proposed rule, however, a claim put in a continuation application would not be given the “same effect” as the same claim put in an original application. Under the proposed rule, the USPTO *would not* issue the claim if put in a continuation application unless the applicant agreed to allow the claim to be held unenforceable if a different claim is invalidated. By contrast, if the same claim is put in the original application, the USPTO *would* issue it without demanding the same disclaimer. Thus, the USPTO rule would not give a continuation application “the same effect” as the original application.

The courts have authorized different treatment to the extent of permitting required reduction of the term of a patent or required common ownership, but not otherwise. *See* Comment 1 above.

Comment 4. The USPTO should limit the rule to specific claims that the examiner held were an obvious variant of the previous patent, not all claims in the application.

If the USPTO insists on proceeding with this rule, the USPTO should limit the rule so that it applies only to those claims that the examiner considers obvious variants. Current USPTO practice requires that an applicant’s terminal disclaimer must apply to all claims of a patent, if even one claim is an obvious variant. There is no valid reason for this. A terminal disclaimer can easily state which claims must be terminally disclaimed, and the double-patenting rejection identifies which claims the to-be-terminally-disclaimed claims are obvious variants of.

In view of the sharply increased consequences of terminal disclaiming a patent, the USPTO should ensure that any new and harsh rule applies only to those claims that are obvious over one

another. A patent owner ought not to be required to agree to unenforceability of patent claims that are *not* obvious over an invalidated claim, yet adoption of the rule without this proposed exception, that can easily happen in many instances.

Comment 5. The USPTO should change the rule to confirm that it does not apply to instances where an applicant voluntarily disclaims a patent claim, even after challenge.

Also, if the USPTO insists on proceeding with this rule, the USPTO should drop the portion of the rule that requires an applicant to agree in the terminal disclaimer that the patent would be invalidated if applicant files a statutory disclaimer of a “tied” claim after any challenge based on anticipation or obviousness to that claim has been made. *See* proposed § 1.321(d)(3)(ii)(B). This “or” portion of the rule should be dropped. The NPRM says that “the proposed agreement cannot be avoided by filing a statutory disclaimer of a claim under 35 U.S.C. 253(a) after any challenge based on 35 U.S.C. 102 or 103 to that claim has been made.”

Finalizing this part of the rule would discourage settlements of disputes and sharply increase litigation costs.

Comment 6. The USPTO should change the rule to remove the references to “has never been tied.”

Also, if the USPTO insists on proceeding with this rule, the USPTO should drop the portions of the rule that refer to previous but withdrawn “ties.” The rule allows applicants to withdraw terminal disclaimers only while an application is under prosecution. If an applicant withdraws a terminal disclaimer in such circumstances, it should be treated the same as if it had never been filed. There is no apparent reason to allow invalidating of a claim of a different patent that the applicant has shown, successfully to the examiner, to have sufficiently different limitations so as to justify withdrawal of the terminal disclaimer. For example, if an applicant amends the patent to include different limitations and withdraws the terminal disclaimer, and the examiner issues the application as a patent, then the USPTO has agreed that the claims differ, and invalidation of certain claims does not logically justify invalidating other claims.

Comment 7. The rule will require that patent applicants fight double-patenting rejections fiercely, increasing cost and increasing USPTO workload.

Under current law and procedure, patent applicants have little incentive to fight double-patenting rejections. Patent families typically are not owned separately, and it is too easy to overcome such rejections by filing a terminal disclaimer. Indeed, as the USPTO recognizes, “[t]he filing of a terminal disclaimer to obviate a rejection based on nonstatutory double patenting is not an admission of the propriety of the rejection.” MPEP 804.02(II).

By contrast, the proposed rule would increase the level of risk by requiring applicants to agree that, if any one claim is invalid at some future date, it would cause loss of all rights to all claims (or many other claims). This will clearly motivate patent applicants to fight hard to overcome all double-patenting rejections, resulting in more appeals and more requests for consideration or RCEs. This will increase USPTO workload sharply. It will also predictably increase applicant costs. The USPTO has not taken into account the increase in cost from applicants fighting double-patenting rejections.

The proposed rule would also encourage applicants to file more non-continuing patent applications to mitigate potential risks, thereby increasing costs without increasing innovation. For example, instead of consolidating a given set of related inventions in a single application and addressing different aspects of the disclosed inventions in continuations or divisions, applicants will have incentive to file separate applications. This will increase applicant cost. It will also make double-patenting analysis harder for examiners, because detecting related material is much harder when there are different disclosures compared to detecting double patenting within a given family.

The proposed rule will also encourage applicants to include more claims in any original application, because, if a restriction requirement is made, no double-patenting rejection can be made per 35 U.S.C. § 121. This prevents the current, efficient process of filing an initial group of claims and addressing other claims in continuation applications once core issues of patentability have become clarified via prosecution of the original application. Such predictable adaptations to current practice to account for the proposed rule, if enacted, will further increase applicant cost and USPTO workload.

Because of the increase in risk arising from enforcement, the proposed rule likely will also discourage some inventors from filing patent applications at all, leading to less disclosure of innovations and more reliance on trade secret protection, thus slowing the pace of technological progress.

The increase in cost will not be limited to USPTO proceedings. Applicants will have incentive to fight invalidation attempts in post-grant proceedings or in court, even for claims that have little value, which will further increase cost well after patent prosecution concludes.

Comment 8. The NPRM does not properly support the conclusion that the proposed rule would promote competition or lower consumer costs.

The NPRM states: “The proposed rule is intended to promote competition by lowering the cost of challenging groups of patents tied by terminal disclaimers, resulting in reduced barriers to market entry and lower costs for consumers.” The NPRM also states, “The proposed rule furthers the objectives of Executive Order 14036 on ‘Promoting Competition in the American Economy,’ 86 FR 36987 (July 14, 2021).”

There is no evidence that these goals would be achieved. Allowing patent claims to be challenged more easily does not necessarily result in “reduced barriers to market entry or lower costs for consumers.” The above statements do not identify any specific objective of Executive Order 14036. The NPRM lacks reasoning on how the proposed rule furthers the above-stated objectives.

Such unsupported statements should not be used to justify a proposed rule. NAPP respectfully requests the USPTO identify the specific objectives to which the NPRM is referring and explain how the proposed rule aligns with them.

Comment 9. The USPTO should not “promote competition” at the expense of weakening the patent system.

The NPRM states: “The proposed rule is intended to promote competition by lowering the cost of challenging groups of patents tied by terminal disclaimers, resulting in reduced barriers to market entry and lower costs for consumers.” NAPP understands that the USPTO must consider means of “promoting competition,” but it should not do so at the cost of weakening the patent system. The central role of the USPTO is to *implement* the patent system. The “intention” of “promoting competition” has no limit. In theory, the USPTO could “promote competition” by *any* policy that makes patents harder to obtain. In the extreme, the USPTO could “promote competition” by simply refusing to issue all patents. Of course, NAPP does not advocate for such; the point is that the PTO should not use the stated general goal of “promoting competition” as justification for this rule without consideration of the economic effects of reducing the value of the patent system.

The USPTO should stick to its business of implementing the patent system fairly and should not undertake efforts to alter the balance of patenting versus competition, as such changes in economic policy ought to be left to Congress.

Comment 10. The NPRM does not estimate the cost of reduced innovation and does not properly consider the burden on patent applicants.

The proposed rule would strongly tilt the balance of power between patent protection and the public domain, thereby weakening patent protection substantially. The USPTO does not take into account the costs to the economy from reduced innovation.

The proposed rule would reduce the incentive to patent, which in turn would diminish the incentive to innovate and disclose innovations, contrary to the goals of the patent system, which aims (according to the U.S. Constitution) to promote the useful arts by encouraging the disclosure of innovations.

The USPTO should add balance by considering drag to the U.S. innovation ecosystem resulting from this proposed rule. The NPRM lacks economic analysis of the balance between promotion of competition by reducing patents and the promotion of innovation by promoting patents.

The USPTO should also add balance by considering the additional burdens on the public and on patent applicants, including direct increases in costs caused by this rule as well as increased costs arising from the need for increased USPTO workload, which will inevitably be passed to applicants and patentees. *See Comment 7 above.*

Comment 11. The NPRM does not adequately consider impact on small business.

Start-ups and small businesses in particular are well-recognized as the fuel of the U.S.'s innovation engine. Such businesses typically have a few patents or patent families available to defend their innovative ideas. In many instances, application of the proposed rule could result in a company having its entire portfolio decimated, which would damage the economy significantly. Such businesses also tend to describe multiple inventions per filed application as a mechanism to save on the most expensive part of obtaining a patent, patent preparation cost. This rule will result in a massive increase in patent preparation costs for small businesses and solo inventors as they will have to pay for one focused patent per invention rather than a more cost effective "omnibus" patent application built with a patent family development strategy in mind. This increased financial burden will also cause small businesses and solo inventors to delay some filings, increasing the likelihood of a less financially constrained entity to leverage the First-to-File system and beat the original inventor to the Office.

The NPRM (Sec. IV.B) purports to make a special analysis of the impact of the rule on small business, which in effect estimates an approximately \$25 million cost of added responses to office actions containing non-statutory double-patenting rejections, offset by about \$1 million saved on terminal disclaimer fees. But the analysis does not count the cost of appeals, which are much more significant, and it does not count the cost arising from the loss of patents that could be enforced absent the rule, nor the loss in business opportunities arising from the loss of patent protection.

Conclusion

Thank you for considering NAPP's views on this critical issue. NAPP urges the USPTO to reconsider and abandon this proposed rule to maintain the integrity of our patent system.

If the USPTO maintains this proposal, it should be limited in several ways: (1) to apply only to specific claims held obvious (*see* Comment 4), (2) to not apply to claims disclaimed voluntarily at any time (*see* Comment 5), and (3) to not apply to withdrawn terminal disclaimers (*see* Comment 6).

Sincerely,



Richard Baker

President of the National Association of Patent Practitioners