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COMMENTS OF THE SECTION ON PATENT, TRADEMARK AND COPYRIGHT LAW OF THE DISTRICT OF COLUMBIA BAR ON CHANGES TO PATENT RULES IN 37 CFR 1.57 AND 1.97-1.99 PROPOSED BY U.S. PATENT AND TRADEMARK OFFICE

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SUMMARY OF COMMENTS ON
PROPOSED NEW RULE 1.57 AND 1.97-1.99

The adoption of an objective "but for" test for materiality in new Rule 1.57 is acceptable and desirable. However, the words "should have known" should be deleted from the new rule to eliminate problems associated with imputed knowledge.

The procedure under new Rule 1.97 is in need of change. This rule states that any information disclosure statement that does not comply with PTO procedural requirements under Rule 1.97 will be deemed not to satisfy the aßplicable duty of disclosure, and returned to applicant. These provisions should be eliminated for several reasons; (1) they are inconsistent with new 1.57(c) which says that the PTO will not evaluate compliance with 1.57, (2) they are inconsistent with law requiring a showing of intent to support any alleged violation of the duty of disclosure and (3) they are contrary to public policy because the "return" provision would tend to conceal from the public information intended by applicants to be disclosed.

COMMENTS ON PROPOSED

NEW RULES 1.57 AND 1.97-1.99

(REVISED 6/13/89)

Introduction:

The concept of an ethical duty of disclosure had its origins in court decisions requiring a high degree of candor and good faith in dealings with the PTO. The purpose of the duty was to improve patent reliability in terms of both validity and scope of protection. Subsequently procedures were established by the PTO in part to implement the duty of disclosure and in part to improve the efficiency of the examining corps. It is important in evaluating the proposed new rules not to lose sight of the distinction between the ethical requirements imposed by the duty of disclosure and the purely mechanical PTO administrative requirements for implementing the duty. The two are not the same, and should not be confused or intermingled in any way, shape or form.

Rule 1.57

The duty of disclosure as now expressed in Rule

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1.57 is generally acceptable, except as noted below. The "but for" standard of disclosure is reasonable, and should eliminate the abuses that resulted from the excessively broad interpretation of Rule 1.56. Under the standards of Rule 1.57, to establish a violation of the ethical duty of disclosure, one must establish that information not disclosed would be sufficient to render a claim unpatentable, thereby emphasizing the fundamental statutory standard of patentability.

The Federal Circuit in its recent opinion in Merck & Co. Inc. v. Danbury Pharmaceutical, Inc. (Fed. Cir., May 2, 1989) refused to apply the objective "but for" standard, relying instead on subjective reasonable examiner standard expressed in present Rule 1.56. It is now recognized, after intense study by the ABA/PTC section, AIPLA and other bar organizations, and by the PTO itself, that Rule 1.56 poses a danger to the patent system because it superimposes an ethical standard that is subject to overly broad interpretation on the traditional statutory requirements for obtaining enforceable patents. The result is seen in the now infamous decision, A.B. Dick v. Burroughs Corp., 230 USPQ 849 (Fed. Cir. 1986). It is time to bring certainty back to the patent law and to return to the standards traditionally applied in obtaining enforceable patents. Ethical standards must be kept high, but to the extent possible, this end should be accomplished by enforcement of the rules of ethics, not

only by holding unenforceable patents on valuable, objectively patentable technology. For these reasons adoption of the objective "but for" standard in Rule 1.57 is important to the patent system.

Nevertheless there are some clarifying amendments that should be made to Rule 1.57 and the other proposed rules to make them fair and reasonable to practitioners as well as to the PTO.

I.

In proposed Rule 1.57(b), line 6, the words "or should have known" should be deleted. The Federal Circuit has established that the duty of disclosure is violated only when one intentionally fails to inform the PTO of important information. One cannot intentionally withhold information unless one is both (a) aware of the information and (b) aware of its applicability. Thus proposed Rule 1.57 should indicate that actual knowledge is required of both the information and of its applicability before one can violate the duty of disclosure. In this regard it is important that under the proposed rules there is no PTO sanction for violating the duty of disclosure. Issues relating to the duty of disclosure will be examined exclusively by the Courts. The Courts do not need the guidance of the PTO concerning equitable remedies. They are well able to interpret facts to equitably determine

whether a violation of the duty of disclosure ought to be found under a "should have known" extension of the basic rule.

II.

Rule 1.57(b), line 9, should be amended as follows: after "cancelled" add --or amended--.

Proposed Rule 1.57(b) states "This duty continues with respect to any pending claim until it is cancelled...". In this context the term "cancelled" should include an amendment of the pending claim that would render the claim patentable over the information in question, since there is no difference in practice between cancelling one claim and substituting another, and amending a claim.

It appears that the Rule offers an option with respect to disclosure. One may either disclose information that is believed to render claims unpatentable or cancel or amend the claims in question so that they are no longer unpatentable in view of the information in question. While it may be preferable to disclose relevant information for evaluation by the PTO, the option of amending rather than disclosing should be taken into account when questions of inequitable conduct under the Rule are raised.

<u>Rule 1.97 - PTO Procedure</u>

A fundamental difference between Rules 1.57 and Rule 1.97 should be made clear. Rule 1.57 establishes an ethical duty, but expressly states there will be no evaluation as to compliance. Thus there is no PTO sanction for violating the Rule 1.57 duty, except in the few enumerated circumstances. Of course in a Court action, a violation of the duty imposed by Rule 1.57 may lead to unenforceability under the Court's equitable powers.

In contrast, Rule 1.97 is purely PTO procedure. The sanction for failure to fully comply with the terms of the Rule (i.e. late filing or incomplete filing of Information Disclosure Statements) is that the PTO will refuse to consider the information filed in violation of the Rule. However, a failure to fully comply with PTO procedure is not necessarily the same as a violation of the ethical duty of disclosure under Rule 1.57. That is, failure to comply with the purely administrative provisions of Rule 1.97 does not and should not necessarily imply inequitable conduct.

For example, assume that an applicant acting timely and in good faith becomes aware of important information that the applicant believes may render a claim unpatentable. The applicant seeks to file this information at the PTO but, even though he acts timely and in good faith, the prior art reaches the PTO after a Notice of Allowance is issued. Consequently the PTO refuses to consider the information and issues a patent

which proves to be invalid. Under these circumstances, there is no inequitable conduct on the part of the applicant because he has acted in good faith and has clearly established an intent to disclose the information. The PTO, acting in accordance with its procedure under proposed Rule 1.97, refuses to consider the information filed after the Notice of Allowance, and thereby may issue an invalid patent. This is not inequitable conduct since the applicant lacked intent to mislead the PTO, and so it should be possible for the patent to be "repaired" in accordance with conventional reexamination or reissue procedures.

The key point here is the distinction between ethical duties and procedural rules designed to assist the PTO in its examination function. Violation of the ethical duty established by Rule 1.57 requires a proscribed mental state -- an intent to mislead. Failure to fully comply with PTO procedures is a factual matter that is entirely independent of a person's mental state. Innocent failures to comply with PTO procedures must be expected occasionally in the ordinary course of business, and the PTO should not therefore impute a malevolent intent to every failure to comply. Yet the proposed rules seem to be drafted with precisely that assumption. The rules of PTO procedure in this sensitive area of disclosure should not be written with such a negative bias. They should be entirely neutral.

If a practitioner exhibits a pattern of behavior that suggests an intent to violate the rules, then the PTO should consider investigating whether that particular practitioner is violating the PTO canons of ethics. But such situations ought to be handled on a case-by-case basis, and should not be dealt with in the tone of the general rules of practice.

The point of this discussion is to focus on an obvious flaw in proposed Rule 1.97 - specifically, paragraphs (h)(1) and (2). These provisions state that any information disclosure statement which does not comply with the provisions of 1.98 will be "deemed not to satisfy any applicable duty of disclosure owed under Section 1.57"...and "returned to the applicant".

This improperly confuses failure to fully comply with a PTO procedure -- a simple fact -- with inequitable conduct -- which requires deceptive intent.

Sections 1.97(h)(1) and (2) should be deleted entirely for the following reasons:

1. They are inconsistent with 1.57(c). This Section says "no" evaluation as to compliance with this Section will be made, yet 1.97(h)(1) is an evaluation as to compliance with 1.57.
2. A failure to comply with any of the terms of procedural Rules 1.97 or 1.98 cannot invariably be "deemed" a violation of the ethical duty to disclose under 1.57

without a showing of an intent to deceive the PTO.

3. Section 1.97(h)(2) is contrary to public policy. There is no benefit in returning prior art to the applicant. The public benefits from having such prior art placed into the patent file because no business person would consider taking any action with respect to a patent without checking its file. Any prior art submitted by the applicant and appearing in this file would be important information to one interested in the subject patent. Returning such prior art would tend to conceal relevant information from the public. Furthermore, the process of returning the prior art would be a pointless burden on the PTO, occupying manpower that could be better utilized for other purposes. The practice that is followed today should be continued. Prior art cited but not considered by the PTO should be placed in the patent file for inspection by anyone who is interested.

Other Changes Needed In Proposed Rule 1.97

I.

Rule 1.97(f), line 15, should be amended as follows: after "first" insert --unless either occurs less than three months after an application is filed, in which case the statement will be considered as timely filed--. This amendment is necessary because occasionally a Notice of Allowance or final rejection is issued less than three months after the filing of an application. While this may occur only rarely, applicants should not be unnecessarily burdened by unexpectedly quick action by the PTO. Consequently any Information Disclosure Statement filed within three months of the filing of an application should be considered regardless of whether a Notice of Allowance or final rejection has been mailed.

II.

Rule 1.97(g)(1) should be deleted in its entirety. This section of the Rule states that one must pay a fee if he does not disclose to the U. S. PTO information contained in a communication from a foreign PTO within three months of the date that the foreign patent office mailed the communication. This is unreasonable, since an applicant acting in good faith

may not even be aware until several months later that any information has been mailed by a foreign patent office. The period of time permitted before the PTO prescribed "late" fee is due should not be measured from such a fundamentally irrelevant date as the mailing date. It should be measured from the date on which the applicant (or other party) has actual knowledge of the information AND its materiality - i.e. the standard expressed in paragraph (g)(2) for information derived from any source other than a foreign patent office.

The duty of disclosure is an ethical concept that is based upon the desirability of applicants disclosing to the PTO in good faith applicable information of which they are aware. The provisions of proposed 1.97(g)(1) suggest that the PTO can impose sanctions (e.g. the "late" fee) on those who, in good faith, fail to disclose within a set time period information of which they may be totally uninformed. This seems utterly contrary to the equitable and ethical foundation of the duty of disclosure as established by the courts.

For example, consider the issuance of an action by the EPO. Assume that the EPO case in question has a counterpart case filed in the U. S. PTO by either a U.S. or a Japanese attorney. Under those circumstances, the European attorney who receives the action from the EPO normally will have no knowledge

whatsoever of the filing of a U. S. case. Thus, when he receives the EPO action, he is not a person with a duty of candor under 1.57. Consequently, neither the date of issuance of the EPO action nor the date on which it is received by such a European attorney should begin the three-month period under proposed Rule 1.97(g)(1). The three-month period should begin only when a person having the duty of disclosure under proposed 1.57 actually becomes aware of the information, and then only after that person has had a reasonable time to evaluate the information with respect to the claims then in the U. S. application to determine if there is a duty to submit the information. The PTO should not attempt to extend the duty of disclosure beyond reasonable limits merely for its own procedural convenience. For these reasons proposed 1.97(g)(1) should be deleted in its entirety.

The PTO should accept all information disclosed provided it is over a statement by the relevant party that he is disclosing the information "within three months of having become aware of its applicability". This is consistent with 1.97(g)(2) and proposed 1.57(c) which seeks to avoid evaluations as to compliance with duty of disclosure provisions.

III.

Rule 1.97(g)(2), line 1, after "first" insert --actual-- and line 5, after "statement" insert --and of their importance--. Delete the remaining part of this paragraph. These changes to the Rule are necessary because one is only required to disclose information when he has actual knowledge of that information and of its applicability. Only from that time does a duty to disclose exist, and therefore it is only from that time of complete knowledge of prior art and its applicability that the three-month period in question should apply. The comment regarding the information not being cited by a foreign patent office is irrelevant because of the preceding remarks regarding the deletion of paragraph 1.97(g)(1).

IV.

Concerning Rule 1.98(a)(2), an interpretation is required as to what constitutes a "concise explanation". It is understood from the current MPEP that a concise explanation simply includes a reference to the pertinent figure of a patent or a reference to the column and paragraph where relevant information occurs. Such information is found in European Search Reports, so that if one files a copy of a European

Search Report together with the prior art cited, the appropriate statement of relevancy is included in the citation. Similarly, if one simply states that a reference was "cited by an examiner at a foreign patent office in a related foreign application", then that statement should be sufficient for the U. S. PTO to consider the information in question.

Translations

Concerning the submission of translations, the comments accompanying the proposed Rules state as follows:

> But if the individual has the ability to translate the foreign language into English and has done so for the purposes of reviewing the information relative to the claimed invention, the translation would be considered "readily available" to the individual.

This statement may be misleading because outside the United States it is quite common for patent engineers to be fluent in English as well as their native language. That means they may read and understand a foreign language reference without writing down a specific translation. Writing down the translation, of course, requires a great deal of work beyond merely reading and understanding the

reference. The comment above can be interpreted to mean that such people with the "ability" to translate the language will be required to supply a written translation. This would be an unreasonable and burdensome requirement. Consequently the comment above should be interpreted to mean that a copy of a translation need only be filed when one exists in written form.

Proposed 1.63

As an additional minor point, proposed 1.63(a)(1) specifies that the Oath or Declaration must be dated. There appears to be no reason for requiring that the Oath or Declaration be dated. Although it is conventional to include a date when one executes a document, no specific purpose is served by the date in the Patent Declaration. In the case of U.S. applications based on foreign filed cases, the foreign priority date and the U.S. filing date are the only dates of concern. With respect to U.S. applications, only the U.S. filing date and the date of invention (as opposed to the date of signing the Declaration) are important. Consequently the date on a Declaration serves no purpose. If the PTO is concerned about "stale" Declarations, the Declaration itself could be amended to take this into account. For example, the Declaration could be amended to indicate that the

applicant understands the application will be filed within three months of the date on which the Declaration is executed. In any event, the date of execution of the oath or declaration should not be considered a matter of major importance. If it is omitted inadvertently, such omission should not render the oath or declaration defective. Rather one should be able to indicate the date --if required-- simply by providing a statement supplying the date over the signature of a registered practitioner.