

# REPORT

## **Final Rules Implementing Provisions of the 1999 Omnibus Reform Act Relating to Commonly Owned 102(e)/103 Prior Art, Regularization of Provisional Applications, Continued Examination, and Suspension of Action**

September 19, 2000

As discussed in our November 29, 1999 Special Report on last year's Omnibus Reform Act, numerous issues in that legislation require rulemakings by the Patent and Trademark Office (PTO) to implement the statutory changes. Two of those rulemakings were promptly accomplished -- the modification to patent and trademark fees and the implementation of the invention promotion services legislation.

On March 20, 2000, the PTO published a set of interim rules implementing certain other aspects of the legislation relating to provisional applications, the elimination of commonly owned §102(e) prior art from obviousness determinations, and the establishment of continued examination of patent applications. Those interim rules went into effect on May 29, 2000, and were the subject of our March 31, 2000 Special Report. On August 16, 2000, the PTO published final rules on these subjects, adopting the interim rules with some changes. The final rules also include provisions relating to suspension of action by the PTO.

The PTO is in the process of issuing final rules on other aspects of the Omnibus Reform Act. We will report on those additional final rules in the future. Meanwhile, this Special Report outlines some of the more significant aspects of the

August 16, 2000 final rules, including aspects adopted from the interim rules.

### **I. Exclusion of Commonly Owned §102(e) Prior Art From Obviousness Determinations**

The Omnibus Reform Act eliminated §102(e) prior art from being applied to establish obviousness under §103, where the subject matter of the 102(e) prior art and the claimed invention were, at the time the claimed invention was made, owned by the same entity or subject to an obligation of assignment to the same entity. This change in the statute went into effect on November 29, 1999, and applies to all patent applications, including continuing applications, filed on or after that date. The PTO has now amended Rule 104(c)(4) to reflect that change. However, the rule fails to refer to the effective date of the legislation. Thus care should be taken to avoid reliance on Rule 104(c)(4) in regard to §102(e)/103 prior art for applications filed before November 29, 1999.

### **II. Regularization of Provisional Applications**

The Act eliminated the requirement that a regular (nonprovisional) application be filed before a weekend or holiday on which the one year

September 19, 2000

anniversary of the filing of an underlying provisional application falls. A regular application can now claim priority from a provisional application even when the regular application is filed on the next succeeding business day after the one year anniversary of the provisional filing date that falls on a weekend or holiday. This conforms provisional application priority practice to foreign priority practice. Rule 1.7(b) has been added to reflect this aspect of the legislation.

The Act also permits the conversion of a provisional application to a nonprovisional application. Rule 53(c)(3)<sup>1</sup> has been added to address this aspect of the legislation. It requires (1) a \$130 conversion fee, in addition to the regular nonprovisional application filing fees; (2) an oath or declaration by the applicant; (3) a surcharge (presently \$130 for large entities and \$65 for small entities) if the nonprovisional application filing fee or the oath or declaration were not present on the provisional application filing date; (4) that at least one claim be added to the application if one is not already present; and (5) that the conversion take place before abandonment of the provisional application or expiration of the one year life of the provisional application. As the final rule cautions, however, such a conversion will eliminate up to a year of patent term, since the 20-year term of a patent based on a converted application will run from the provisional filing date, whereas the 20-year term of a patent based on a regular application claiming priority from the provisional application will run from the regular application filing date. In view of the additional expense and reduction in patent term, we expect that it will usually be more appropriate to claim priority from provisional applications rather than converting them to regular applications.

In addition, Rule 78(a)(3) is amended to confirm that a provisional application on which a priority claim is based in a regular U.S. application must be entitled to a filing date, and that the basic filing fee must have been paid and any required English-language translations must have been filed in the provisional application. However, it is still possible to claim priority to a provisional application that has been abandoned, so long as the regular application is filed within the requisite year.

### **III. Continued Examination of Patent Applications**

The main focus of the present rulemaking is on the establishment of a procedure for continued examination of patent applications after a final rejection or allowance without the need to file a continuation application. As a result of this new procedure, Continued Prosecution Application (CPA) practice under Rule 53(d) will be severely limited after a transitional period.

#### **A. Purpose**

New Rule 114<sup>2</sup> has been added, and other related rules have been amended, to provide applicants the opportunity to request continued examination of their applications in circumstances where prosecution has been closed and such continued examination normally would have been unavailable without the filing of a continuation application. Filing a Request for Continued Examination (RCE) with an accompanying submission causes the PTO to withdraw the finality of any pending final rejection and enter and consider the submission (e.g., amendments, evidence, arguments, Information Disclosure Statements or the like) filed with the RCE. Similarly, filing of an RCE can require the Patent Office to enter and consider a submission after an *Ex Parte Quayle* Action closing prosecution, after

<sup>1</sup> Changed in the final rule as compared to the interim rule.

<sup>2</sup> Changed in the final rule as compared to the interim rule.

September 19, 2000

allowance, after payment of the Issue Fee (if a Petition to Withdraw the Application From Issue is filed with the RCE and granted before issuance), or even when the application is under appeal to the PTO Board of Patent Appeals and Interferences ("the Board"). An RCE thus in many cases will eliminate the need for a Rule 53(d) CPA.

### **B. Cost**

The fee for filing an RCE and submission is the same as the basic new application filing fee, without any fees for excess claims or multiple dependent claims that were previously presented and paid for. Thus the fee for a large entity is presently \$690, and the fee for a small entity is presently \$345 (these fees will increase to \$710 and \$355, respectively, as of October 1, 2000). Unlike a CPA filing fee, the fee for filing an RCE may not be deferred, but must be paid at the time the RCE is filed.

### **C. Effect on Patent Term, Exclusion of 102(e)/103 Prior Art, and Provisional Royalty Rights**

The patent term guarantee provisions of the Act do not apply to applications filed before May 29, 2000, and an RCE is not a new application. Thus, a patent resulting from an RCE of an application filed prior to May 29, 2000 will not be entitled to patent term adjustment under the Act, whereas a patent resulting from a continuing application filed on or after May 29, 2000 that is based upon a parent application filed prior to May 29, 2000 will be entitled to patent term adjustment. Moreover, even for applications filed on or after May 29, 2000, time spent in prosecution following the filing of an RCE will not be considered in calculating patent term extensions under 35 U.S.C. §154(b)(1)(B) for patent applications pending more than three years, but will only be considered under other provisions of 35 U.S.C. §154, e.g., patent term extensions

resulting from the specific PTO delays set forth in 35 U.S.C. §154(b)(1)(A). Time spent prosecuting a continuing application, on the other hand, will be considered under all provisions of 35 U.S.C. §154 in calculating patent term extensions (although time spent prosecuting the parent application will not then be considered for a patent issuing on the continuing application).

At the same time, the §102(e)/103 prior art exclusion provisions of amended Rule 104(c)(4) apply only to applications filed on or after November 29, 1999; thus, those provisions will apply to continuing applications filed on or after that date, but not to RCE's of applications filed prior to that date. On the other hand, provisional royalties will continue to accrue during continued examination of applications filed on or after November 29, 2000, whereas they will be re-initiated with the publication of a continuing application.

Thus there will be a need to consider whether a continuing application under Rule 53(b) or a CPA (if available) is more desirable than an RCE for any given application and set of circumstances.

### **D. Availability of Continued Examination**

Under Rule 114, RCE's may be filed on or after May 29, 2000, in utility, plant and reissue applications filed after June 7, 1995, and in PCT U.S. National Stage Applications with an international filing date after June 7, 1995. RCE's may not be filed in provisional or design patent applications, or during the pendency of an appeal to the Court of Appeals for the Federal Circuit or a civil action to obtain a patent. They may only be filed after prosecution is closed, and before abandonment of the application. As defined in Rule 114(b), prosecution is closed if the application is under appeal, or if the last Office Action is a final action, a notice of allowance, or an action (e.g., an Ex Parte Quayle Action) that

September 19, 2000

otherwise closes prosecution. There is no limit on the number of RCE's that may be filed in a given application.

Because RCE's are not new applications, erroneous filing of an RCE when it is not available will not be treated as the filing of a continuing application. It thus may not avoid abandonment of the application in which it is erroneously filed. Thus care must be taken in determining whether an RCE is permissible in any given case.

Unlike a CPA, an RCE may not be used to change inventors. Any change of inventors must be by means of the procedure set forth in Rule 48.

### **E. Availability of Continuing Applications**

A summary of the availability of Rule 53(b) continuing applications, CPA's and RCE's appears in Appendix A. A flowchart for deciding on the availability of these three options appears in Appendix B. The details of such availability are further discussed below.

#### **1. Rule 53(b) Applications**

Continuation, divisional and continuation-in-part applications under Rule 53(b) remain available despite the implementation of Rule 114.

#### **2. Rule 53(d) (CPA) Applications**

Continuation and divisional CPA's under Rule 53(d), while still available under some circumstances, are no longer available under other circumstances. For example, CPA's remain available for design patent applications. They also remain available in regular U.S. applications filed before May 29, 2000, and in U.S. National Stage PCT applications having an international filing date before May 29, 2000. CPA's are no longer available in regular applications, including continuing applications, filed on or after May 29, 2000, or U.S. National Stage PCT applications

having an international filing date on or after May 29, 2000.

Because the actual filing date of a CPA does not appear on most papers in the file, special care will need to be taken to file a Rule 53(b) continuation or an RCE in applications in which a CPA was filed on or after May 29, 2000. If a CPA is incorrectly filed in an application for which it is not available, the filing will be treated by the Patent Office as an RCE (with the above-noted effect on the patent term guarantee).

### **3. Effect on Divisional Application Practice**

While the amended rules do not so state, the PTO has indicated that RCE's may not be used to change an election in an application. Thus it appears that an RCE is not available to substitute for a divisional application to change an election of species or an election of restricted claims. Furthermore, the PTO will likely use this limitation to prevent entry of such significant changes to claims as might be construed to constitute a change of a constructively elected invention, even in the absence of a prior Restriction Requirement or Election of Species Requirement.

### **F. Procedures At Different Stages of Prosecution**

RCE's will generally be used after final rejection, during appeal to the Board, after an *Ex Parte Quayle* Action, after allowance, and after issue fee payment. The procedure in each of these time periods is discussed below.

#### **1. After Final Rejection But Before Appeal to the Board**

An RCE may be filed after final rejection to obtain withdrawal of the finality of the rejection and entry and consideration of an accompanying submission (e.g., amendment, Information

September 19, 2000

Disclosure Statement, evidence, or the like). The RCE itself will not act to stop the time period running unless an otherwise complete response to the Final Rejection is filed. Thus unlike a Notice of Appeal, it cannot be filed alone in order to obtain more time for filing another paper at a later date.

**2. After Appeal to the Board but Before the Board's Decision**

An RCE may be filed with a submission after a Notice of Appeal, Appeal Brief or Reply Brief has been filed. Such a filing is treated as a request to withdraw the appeal and to reopen prosecution of the application before the Examiner. Thus it cannot be used to submit a supplemental appeal brief or supplemental reply brief without withdrawing the appeal.

**3. After the Board's Decision on Appeal**

An RCE may be filed with a submission after a Decision on Appeal by the Board, but before the filing of a Notice of Appeal to the Court of Appeals for the Federal Circuit or commencement of a civil action to overturn the Board's Decision. However, because the Examiner is bound to follow the Decision of the Board in the absence of new amendments or evidence, filing an RCE with mere submission of additional arguments but no amendments or new evidence after an adverse Decision on Appeal will be ineffective.

An RCE may also be filed after an appeal to the Court of Appeals for the Federal Circuit or a civil action is terminated, but only if the application is still pending. This would require the presence of allowed claims at that time, however, since an application is otherwise abandoned upon termination of an unsuccessful appeal or civil action.

**4. After an *Ex Parte Quayle* Action**

An RCE may be filed with a submission after issuance of an *Ex Parte Quayle* Action closing prosecution on the merits. This will act to reopen prosecution to obtain entry and consideration of a submission such as broadening amendments or an Information Disclosure Statement.

**5. After Allowance But Before Payment of the Issue Fee**

An RCE may be filed with a submission after allowance but before payment of the Issue Fee, to obtain entry and consideration of a submission such as broadening amendments or an Information Disclosure Statement. As indicated in final Rule 313(a)<sup>3</sup>, a Petition to Withdraw the Application from Issue is not required under these circumstances to toll the period for paying the Issue Fee.

**6. After Payment of the Issue Fee**

An RCE may be filed after payment of the Issue Fee. However, at this stage the RCE must be accompanied by a successful Petition to Withdraw the Application From Issue -- filed at the earliest possible time in view of the PTO's quick issuance of many patents -- in order to avoid issuance of the application as a patent before the petition is granted.

**IV. Suspension of Action by the Office**

The PTO has amended Rule 103<sup>4</sup> to provide for a limited suspension of action after the filing of an RCE or a CPA, and to implement previously proposed changes to this rule regarding limited suspension of action under other circumstances.

<sup>3</sup> Changed in the final rule as compared to the interim rule.

<sup>4</sup> The March 20, 2000 interim rules included no amendments to Rule 103.

September 19, 2000

Similar to the prior rule, amended Rule 103(a) provides that, on request of the applicant, the PTO may grant a suspension of action by the PTO for good and sufficient cause. A petition for suspension of action under Rule 103(a) must specify a period of suspension not exceeding six months, include a showing of good and sufficient cause for suspension of action, and include a \$130 petition fee. The PTO will not suspend action if reply by applicant to an office action is outstanding.

New Rules 103(b) and 103(c) provide that, on request of the applicant, the PTO may grant a suspension of action by the PTO upon filing of a CPA or RCE for a period not exceeding three months. Any request for suspension of action must be filed with the CPA or RCE, specify the period of suspension, and include a \$130 processing fee. A request for suspension of action does not substitute for the submission (or fee) required in conjunction with an RCE to comply with new Rule 114. The period of suspension may be used to prepare and file a supplement to a previously filed submission in an RCE, or a document in a CPA, e.g., a declaration containing test data or a further amendment. Since applicant need not advise the PTO of applicant's reasons for the requested suspension, it appears that suspension under these new rules will be liberally granted.

Rules 103(d), (e) and (f) generally correspond to prior Rules 103(b), (c) and (d). Rule 103(d) provides that the PTO will notify applicant if the PTO, on its own initiative, suspends action on an application. Rule 103(e) provides for suspension of action for public safety or defense. Rule 103(f) provides that the PTO will suspend action by the PTO for the entire pendency of an application if the PTO has accepted a request to publish a statutory invention registration in the application, except for purposes relating to patent interference proceedings.

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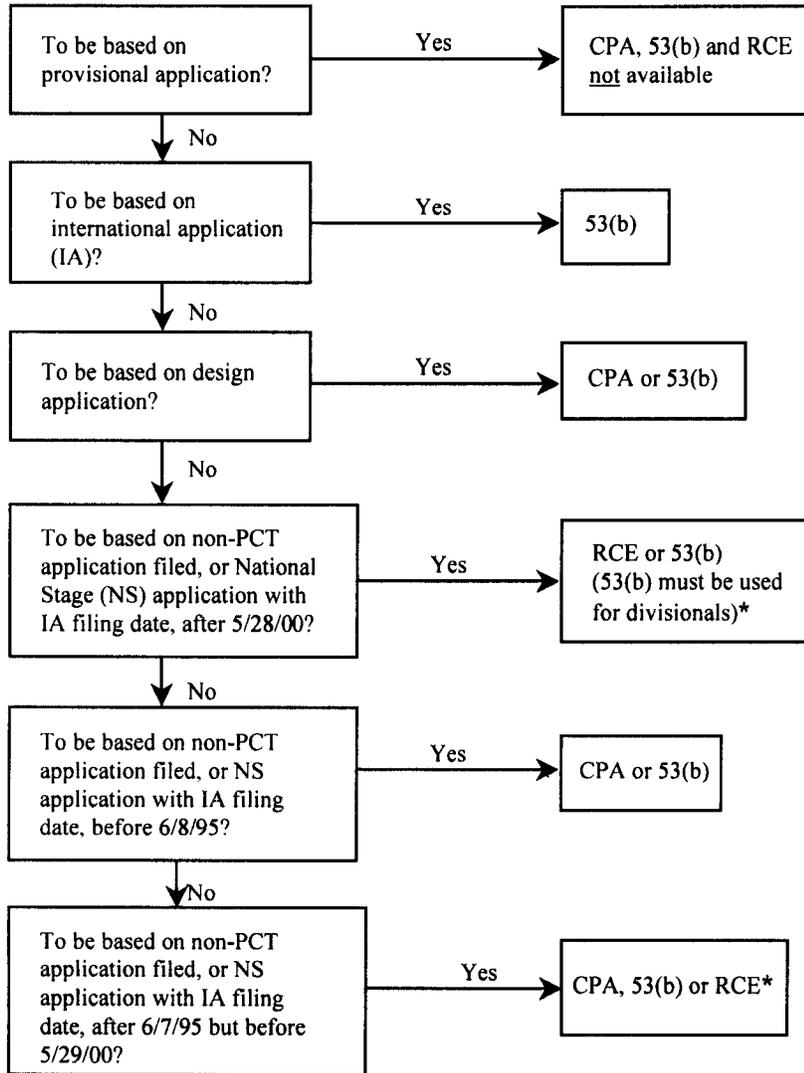
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**APPENDIX B**

CPA, 53(b) or RCE?



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\*Choose between RCE and continuing application under case-specific circumstances by considering issues of patent term protection, avoidance of commonly owned 102(e)/103 prior art, avoidance of excess claims fees, and maximizing of provisional royalty rights.