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July 9, 2024

*Via Federal eRulemaking Portal at www.regulations.gov
Docket No. PTO-P-2024-0003*

*Attn: Susy Tsang-Foster, Senior Legal Advisor, Office of Patent Legal Administration; and
Nicholas Hill, Legal Advisor, Office of Patent Legal Administration*

Re: Request for Comments on Notice of Proposed Rulemaking for Terminal Disclaimer Practice to Obviate Nonstatutory Double Patenting

The PTAB Bar Association (“Association”) thanks the United States Patent and Trademark Office (the “Office”) for this opportunity to comment on the proposed rule “Terminal Disclaimer Practice To Obviate Nonstatutory Double Patenting,” (“Proposed Rule”), *available at* <https://www.federalregister.gov/documents/2024/05/10/2024-10166/terminal-disclaimer-practice-to-obviate-nonstatutory-double-patenting>, which outlines significant proposed changes to amend the rules of practice for an acceptable terminal disclaimer filed by a patent applicant or patent owner to obviate nonstatutory obviousness-type double patenting (“OTDP”).

The PTAB Bar Association is a voluntary bar association of over 700 members engaged in private and corporate practice and in government service. Members represent a broad spectrum of individuals, companies, and institutions involved in practice before the Patent Trial and Appeal Board (“PTAB” or “Board”) and in patent, administrative and appellate law more generally. Per its bylaws, the Association is dedicated to helping secure the just, speedy and inexpensive resolution of every PTAB proceeding. Accordingly, the Association strives to present a neutral perspective representing all parties with an interest in PTAB proceedings.

The Association provides the following comments on the Proposed Rule.

Patent rights have their foundation in our Constitution, Article I, Section 8, Clause 8, which authorizes Congress to create legislation to secure exclusive rights to inventors for their discoveries. The introduction to the Manual of Patent Examination and Procedure acknowledges that “[t]he provisions of the statutes can in no way be changed or waived by the USPTO.” *See* M.P.E.P., Introduction (Statutes). The overwhelming and vast majority of our membership, both those whose primary practice is *inter partes* matters and those whose involvement in PTAB matters is primarily *ex parte* appeals, expressed grave concerns regarding the proposed rule.

The Association also notes that a small number of members expressed a minority view that supports the proposed rule, advocating that an inventor only receive a single patent for one invention. The minority view submits that patent thickets permitted multiple infringement suits asserting essentially the same patented invention, requiring expenditure of significant resources to invalidate the same subject matter at the Board through repeated IPRs, or to litigate to obtain a finding of unpatentability based on collateral estoppel, or to avoid litigation by settlement.¹ The minority view further submits that the proposed rule will inspire patent owners to continually right size claim scope in their continuations. The majority view, however, was that the current proposed rule was not a valid pathway to address this issue and would have undesirable far-reaching consequences, as discussed in the sections below.

Although the Association has endeavored to comment on the new unenforceability provision associated with terminal disclaimers that has a high likelihood of negatively affecting practice before the PTAB, to the extent any aspect of the proposed rule is not specifically addressed below, such silence should not be construed as support for that aspect of the proposed rule, nor construed as an indication that such aspect is noncontroversial.

I. PROPOSED TERMINAL DISCLAIMER CHANGES ARE NOT A PROPER EXERCISE OF OFFICE AUTHORITY

The Office proposes changes to terminal disclaimer practice by requiring the disclaimant to agree that the subject patent would not be enforceable if any claim in a reference patent tied directly or indirectly to the subject patent by a terminal disclaimer is found invalid or unpatentable under 35 U.S.C. §§ 102 or 103 or statutorily disclaimed in response to a challenge.

Proposed Rule: The USPTO proposes to amend § 1.321(c)(3) and (d)(3) to require that a terminal disclaimer filed to obviate nonstatutory double patenting include an agreement by the disclaimant that the patent in which the terminal disclaimer is filed, or any patent granted on an application in which the terminal disclaimer is filed, will be enforceable only if the patent is not tied and has never been tied directly or indirectly to a patent by one or more terminal disclaimers filed to obviate nonstatutory double patenting in which: (1) any claim has been finally held unpatentable or invalid under 35 U.S.C. 102 or 103 in a Federal court in a civil action or at the USPTO, and all appeal rights have been exhausted; or (2) a statutory disclaimer of a claim is filed after any challenge based on 35 U.S.C. 102 or 103 to that claim has been made. (Terminal Disclaimer Practice To Obviate Nonstatutory Double Patenting, 89 Fed. Reg. 40439, 40445 (proposed May 10, 2024).)

¹ We recognize that USPTO’s recently published “Drug Patent and Exclusivity Study” reported, “simply quantifying raw numbers of patents and exclusivities is an imprecise way to measure the intellectual property landscape of a drug product because not every patent or exclusivity has the same scope,” and therefore, the “simple counts of patents can be misleading when every patent is counted equally, because the number of patents does not provide a clear picture of the landscape without a review of the scope of the claims in each patent.” [Drug Patent and Exclusivity Study](#), USPTO, 57 (2024).

A. Using Terminal Disclaimer Rule Change to Drive a Policy Position Is Not a Valid Exercise of the Office’s Authority

The Association is concerned that the Proposed Rule seeks to use the terminal disclaimer rule change to effectuate a substantive policy outcome.

The current proposal is perceived as a renewed attempt by the Office to restrict continuation application practice by discouraging applicants from filing terminal disclaimers as well as continuing applications, as discussed below (*see* §§ III.A-B, *supra*). As such, some members have noted a concern that the Proposed Rule is inconsistent with 35 U.S.C. § 120. Moreover, should the Office seek to impose any such policy change, implementing a terminal disclaimer rule change would not be an appropriate avenue. Under *Tafas v. Doll*,² the Federal Circuit held that the Office has procedural rulemaking authority but not substantive rulemaking authority.

In *Tafas*, the Court gave *Chevron*³ deference to the Office in evaluating whether procedural rules were in accord with the Office’s interpretation of the statutory provision providing delegated authority. *Tafas*, 599 F.3d at 1354. But recently the Supreme Court overruled the *Chevron* doctrine in its decision in *Loper Bright Enterprises v. Raimondo*, No. 22-451. And even if one were to assume that *Chevron* deference were to apply to an agency’s interpretation of a statute (which it no longer does), because there is no statute for OTDP, the Office’s rule interpretation of judicial decisions would be given little consideration under *de novo* review by an Article III court.

The Proposed Rule cites *In re Van Ornum*⁴ as allegedly supporting its authority to impose this new requirement on terminal disclaimers, but our members disagree *Van Ornum* supports this rulemaking. At issue in *Van Ornum* was the validity of 37 C.F.R. § 1.321(b), which conditions enforceability on common ownership. In upholding the validity of that rule, the court noted that the rule required the same language that had been required by the C.C.P.A. in *In re Griswold*.⁵ Indeed, the court noted that the rule had been proposed in 1970, after the *Griswold* decision, which was cited in the corresponding notice of proposed rulemaking. *Id.* at 945. The court agreed with *Van Ornum* that the rule was substantive, but found it to be within the USPTO’s authority because it “clearly relates to application processing within the PTO in a manner consistent with statutory and case law, which is its principal business.” *Id.*

Notably, *Van Ornum* did not hold that the USPTO has unrestricted rulemaking authority to require terminal disclaimers to include language placing conditions on enforcement. Rather, the court merely held that the specific condition at issue—which was found to be based on and consistent with case law—was within the Office’s authority. In contrast, this Proposed Rule does not implement recent case law, and is not supported by any existing statute or case law.

The Office suggests these restrictions on its authority are avoided because the Proposed Rule requires a condition on enforceability rather than a stipulation of invalidity, but to a patent owner,

² *Tafas v. Doll*, 559 F.3d 1345, 1352 (Fed. Cir. 2009) (citing *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1335 (Fed. Cir. 2008)).

³ *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc., et al.*, 467 U.S. 837 (1984).

⁴ *In re Van Ornum*, 686 F.2d 937 (C.C.P.A. 1982).

⁵ *See Van Ornum*, 686 F.2d at 944-45 (citing to *In re Griswold*, 365 F.2d 834 (C.C.P.A. 1966)).

those semantics are a distinction without a difference. What patent rights remain in a “valid” patent if they cannot be enforced against anyone?

B. The Proposed Rule Is Contrary to Statute and Federal Circuit Precedent

For example, the effect of the Proposed Rule would be directly at odds with 35 U.S.C. § 253, which holds that “[w]hen a claim of a patent is invalid the remaining claims shall not thereby be rendered invalid.” The Proposed Rule would not only violate the requirement to treat claims of the same patent independently but would go further by effectively making claims of different patents fall together.

Moreover, the Proposed Rule also would be inconsistent with Federal Circuit precedent, which states that filing a terminal disclaimer does not amount to an admission of obviousness of the subject patent.⁶ As another example, in *Motionless Keyboard Co. v. Microsoft Corp.*, the Federal Circuit held that “[a] terminal disclaimer is simply not an admission that a later-filed invention is obvious.”⁷ And in *Ortho Pharm. Corp. v. Smith*, the Federal Circuit soundly rejected the argument that the filing of a terminal disclaimer is an admission that the claims between the two patents are obvious.⁸

Thus, an underlying premise of the Proposed Rule is an erroneous assertion that all claims of patents tied by terminal disclaimers are actually obvious variants of one another: “This action is being taken to prevent multiple patents directed to obvious variants of an invention” from being asserted against a party. 89 Fed. Reg. at 40439. “The current state of the law exposes competitors attempting to enter the market to potentially high costs because they may have to defend against patents to obvious variants of a single invention despite the presence of terminal disclaimers.” *Id.* at 40441. The Proposed Rule also repeatedly refers to the claims of tied patents as claims that “vary in only minor ways.” *See, e.g., id.* at 40439.

But under existing precedential Federal Circuit caselaw, which is binding on the Office, applicants may file a terminal disclaimer as an expedient way to secure allowance, even though the terminally disclaimed claims may well be patentably distinct from the reference claims. The Proposed Rule would deprive applicants of this expediency, and instead lead applicants to avoid filing terminal disclaimers whenever possible.

The Proposed Rule purports to avoid the issue of admissions of obviousness because the disclaimant agrees that the tied patents are unenforceable, not that they are obvious. *Id.* at 40440. From the standpoint of the inventor/applicant, this is a distinction without a difference. A single claim found invalid or unpatentable renders any patents tied by terminal disclaimer unenforceable. The patents being deemed unenforceable as opposed to invalid would not matter to an inventor/applicant, who invested significant resources into obtaining the patents and is left without the exclusive protective rights the patents provide.

⁶ *See, e.g., SimpleAir, Inc. v. Google LLC*, 884 F.3d 1160, 1167-1168 (Fed. Cir. 2018).

⁷ *See Motionless Keyboard Co. v. Microsoft Corp.*, 486 F.3d 1376, 1385 (Fed. Cir. 2007).

⁸ *Ortho Pharm. Corp. v. Smith*, 959 F.3d 936, 941 (Fed. Cir. 1992).

C. The Proposed Rule Changes Lack Clarity

Our members have expressed concern regarding the clarity of the proposed language providing that unenforceability would be triggered if the subject patent is tied to a reference patent “in which a statutory disclaimer of a claim is filed after any challenge ... to that claim has been made.” 89 Fed. Reg. at 40445.

The question is the meaning of “any challenge.” Is a “challenge” limited to formal challenges such as a petition for *inter partes* review or post-grant review? Would it include requests for *ex parte* reexamination filed by a third party? Does it include any invalidity contention served by a party in litigation? Does the “challenge” exclude requests for *ex parte* reexamination filed by the patent owner or in a statement made in a request for reissue?

Another question raised by our members is whether the requirements of the proposed new terminal disclaimer would apply when a patent holder preemptively files a terminal disclaimer where there is not an outstanding OTDP issue. For example, some patent holders evaluating the impact of the decision of *In re Collect, LLC*⁹ have considered filing preemptive terminal disclaimers in their portfolios. It is not readily apparent whether the language of the Proposed Rule would require a patent holder preemptively filing a terminal disclaimer to submit to the new unenforceability provision.

Aside from the new unenforceability provision in the Proposed Rule, members of the Association have generally voiced some agreement with the following changes proposed to the language of 37 C.F.R. § 1.321:

- We generally agree that the proposed changes to the language in 37 C.F.R. § 1.321 to replace patentee, applicant, assignee, or grantee with “disclaimant” clarifies the rule.
- We generally agree that the proposed changes in the language to provide that 37 C.F.R. § 1.321 applies to all applications regardless of their filing date (*i.e.*, before or after September 16, 2012) is helpful.
- We also generally agree that the proposed change in language providing that a terminal disclaimer can be filed in a patent that is not subject to a reexamination proceeding is helpful.

However, members do not see the need for replacing “judicially created double patenting” with the phrase “nonstatutory double patenting” in the rule, as proposed. Doing so only underscores that no statute is involved and that the existing practice is a judicially equitable rule that the USPTO does not have the authority to expand.

In sum, our members do not support the Proposed Rule’s expansion of the legal effect of OTDP to render unenforceable terminally disclaimed patents because the Office does not have authority to issue the Proposed Rule.

II. THE PROPOSED RULE’S IMPACT ON AIA TRIALS

⁹ *In re Collect, LLC*, 81 F.4th 1216 (Fed. Cir. 2023)

The Proposed Rule for terminal disclaimers may substantially impact *Inter Partes* Review (IPR) and Post-Grant Review (PGR) with unintended consequences.

One stated policy goal of the Proposed Rule is to create economies in district court litigation so that parties charged with infringement of multiple related patents would only have to invalidate one patent in order to resolve litigation. “That means to resolve a dispute where there are multiple patents tied by terminal disclaimers, competitors could focus on addressing the validity of the claims of a single patent.” 89 Fed. Reg. at 40440. The Proposed Rule is “intended to promote competition by lowering the cost of challenging patents tied by terminal disclaimers, resulting in reduced barriers to market entry and lower costs for consumers.”¹⁰ *Id.*

The Association is concerned that if the Proposed Rule is adopted, the PTAB will likely see ***an increase in IPR and PGR filings*** due to new, unintended opportunities for litigation gamesmanship. Instead of—or in addition to—challenging only a specific patent for which a petitioner faces an actual risk of infringement (“Patent A”), the petitioner may be motivated to also challenge other, potentially weaker patents that are tied via a terminal disclaimer to Patent A (“Patent B”). Thus, even if a petitioner faces no real risk of infringing Patent B—a patent which, in the absence of the Proposed Rule, the petitioner would never have challenged—the petitioner may now be strongly motivated to challenge Patent B (and other similarly situated patents) in an attempt to render Patent A unenforceable. As a result, parties will be incentivized to analyze patent portfolios and cherry pick a claim of a reference patent that may be vulnerable to an invalidity challenge in an IPR, in order to render all patents directly or indirectly tied to that patent enforceable.

Moreover, there appears to be nothing in the statutory estoppel provisions of 35 U.S.C. § 315(e) to prevent the same petitioner or real party-in-interest from doing the following: (i) filing an IPR against all claims of asserted Patent A, (ii) losing the IPR in a Final Written Decision in which all claims of Patent A are held not unpatentable, (iii) filing an IPR against non-asserted Patent B, (iv) winning the IPR against only a single claim of Patent B, and (v) thereby obtaining unenforceability of all claims of Patent A by operation of the rule. The statutory estoppel provisions of 35 U.S.C. § 315(e) are limited to serial attacks against the same “claim in a patent” based on a statutory “ground” that a petitioner can raise in an IPR. However, the Proposed Rule would enable a patent challenger to leapfrog from one patent to another and achieve unenforceability of an asserted patent by attacking a non-asserted patent.

Furthermore, the one-year deadline to file an IPR under § 315(b) applies only to the specific patent for which an infringement complaint is served (here, Patent A). Thus, irrespective of whether a petitioner chose to file an IPR against asserted Patent A, the petitioner would be able file an IPR

¹⁰ The Notice refers to a comment suggesting that this could lower drug prices for drugs. *Id.* But the number of patents is not always an accurate indicator of litigation or consumer costs. For example, a recent USPTO study concluded that, for drug products, the “raw number of patents and exclusivities is an imprecise way to measure the intellectual property landscape.” Drug and Patent Exclusivity Study, USPTO, 57 (2024). Although the study examined drug patents, it noted that covering a single product with multiple patents is a “common practice in many innovative industries.” *Id.* Thus, for this additional reason, challenging a single patent tied by a terminal disclaimer will not necessarily lower litigation or consumer costs.

against non-asserted Patent B outside of the one-year deadline, win cancellation of a single claim of Patent B, and thereby have all claims of asserted Patent A rendered unenforceable by operation of the Proposed Rule. Petitioners would thus be able to file IPRs against secondary patents (like Patent B) long after the infringement complaint for Patent A would have barred an IPR against Patent A. Even if the petitioner were to have been found to infringe one or more claims of Patent A, a subsequent invalidity finding as to Patent B could nullify that infringement finding, without any invalidity challenge to Patent A.

In sum, the proposed rule creates an incentive for petitioners to file IPRs against secondary patents not otherwise challenged. The proposed rule also creates a way for petitioners to circumvent the estoppel provision of § 315(e) and the time-bar of § 315(b) which otherwise would have shielded a patent. In addition to being contrary to PTAB principles of economy, integrity of the patent system, and efficient administration of the Office, these are additional reasons the Proposed Rule is contrary to existing law and therefore beyond the Office's authority.

III. THE PROPOSED RULE'S IMPACT ON CONTINUING EXAMINATION

A. The Unenforceability Provision of the Proposed Rule Will Drive More *Ex Parte* Appeals

Over the past decade, the PTAB has admirably taken dramatic action to reduce the *ex parte* appeals backlog from a high of 26,570 in 2012, to just over 4,000 last year, while also reducing the average pendency from almost 3 years to only 1 year. The Association applauds the PTAB's efforts with the backlog, but harbors concerns that the Proposed Rule will reverse this trend.

The Proposed Rule will likely increase the number of appeals to the PTAB in multiple ways. For example, applicants will be incentivized to appeal OTDP rejections to avoid having to file a terminal disclaimer. Additionally, applicants will be incentivized to appeal rejections in "parent" applications in order to reduce the need to file a continuing application that could require a terminal disclaimer.

In our members' experience, examiners often raise OTDP rejections in continuation applications even where the claims in the subject application are patentably distinct over the claims in the reference patent. Under current, long-standing terminal disclaimer practice, applicants may decide not to challenge such rejections because filing a terminal disclaimer in a continuing application to obviate OTDP over a reference parent patent currently comes with few downsides – 1) possibly giving up patent term adjustment, 2) requiring that the patents be and remain commonly owned, and 3) paying a relatively small fee of \$170. Under the current terminal disclaimer fee schedule, the cost of filing a terminal disclaimer is less than the cost of challenging an OTDP rejection on the merits.

But with the Proposed Rule, the downsides become far greater in magnitude, with far more uncertainty, and with no added benefit to applicants. Patent families covering valuable or even revolutionary technologies could crumble overnight based on an unknowingly weak claim therein. Thus, with the Proposed Rule, filing terminal disclaimers could jeopardize entire patent families with far-reaching consequences that are severe and difficult to predict.

Thus, many applicants will understandably be unwilling to submit a terminal disclaimer and will instead—as the Proposed Rule acknowledges—try to avoid a terminal disclaimer by arguing against the rejection and/or amending the claims, *e.g.*, presenting claim construction arguments and undertaking a claim-by-claim analysis in accordance with MPEP § 804 to distinguish the claims on the merits.

Although the Proposed Rule acknowledges this likely applicant behavior in its economic impact analysis (89 Fed. Reg. at 40446), it does not acknowledge that at least some applicants who are not successful before an examiner will pursue *ex parte* appeals to the PTAB on the issue of OTDP, district court litigation against the Office, and appeals from adverse *ex parte* decisions to the Federal Circuit. Indeed, when OTDP turns on claim construction, an *ex parte* appeal to the PTAB may be necessary.

The Office estimates that under the Proposed Rule, only 20% of small entity applicants facing a double patenting rejection will decline to file a terminal disclaimer. 89 Fed. Reg. at 40446 (“The USPTO estimates that approximately 20% of applicants and patent owners . . . will opt not to file a terminal disclaimer”). However, the Office did not explain how this estimate was made. The Office did not provide statistical information or other data to explain what factors were considered to support this estimate.

Our members question the Office’s estimate that 80% of small entity applicants will undertake the risks associated with filing a terminal disclaimer with the proposed condition on enforceability without even trying to avoid doing so. Therefore, members have conveyed that the Office’s estimate of the impact of the Proposed Rule is far too low.

It seems far more likely that a majority of applicants facing an OTDP rejection will pursue options that do not require filing a terminal disclaimer, including pursuing *ex parte* appeals. On this point, over the period from January 2023 to June 2024, the PTAB affirmance rate for OTDP rejections was 76% (out of 73 *ex parte* appeals challenging an OTDP rejection).¹¹ This statistic suggests that at least 25% of OTDP rejections should be challenged in an appeal. Moreover, to the extent the reversal rate is lower than that for other grounds of rejection, it could be that the applicants did not devote significant resources to challenging the OTDP rejections because of the relatively low stakes of filing a terminal disclaimer under current terminal disclaimer practice. Under the Proposed Rule applicants would have good reason to devote more resources to challenge OTDP rejections when possible.

More *ex parte* appeals will also be driven by how the Proposed Rule introduces significant ethical and malpractice concerns. The Proposed Rule, as explained hereafter, works to transform the legal effect of a terminal disclaimer from a requirement to keep patents commonly owned to an all-or-nothing enforceability risk to every member of a group of patents that are tied “directly or indirectly” by terminal disclaimers. This drastic change means that applicants will no longer (for legal and malpractice reasons) regard filing a terminal disclaimer as a relatively routine item used to move prosecution along, but instead consider terminal disclaimers to require rigorous analysis of the merits of each OTDP rejection for each claim. Entering a legally invalid terminal disclaimer will have large ethical and malpractice liability implications for every

¹¹ Data from LexisNexis® PatentAdvisor®, PTAB Decisions Module, June 20, 2024.

registered practitioner, even if it is signed by an applicant, because the terminal disclaimer will affect the validity of the issued patent for its entire lifetime.

Because of this, Applicants and their representatives cannot, for ethical and malpractice reasons, simply acquiesce with an Examiner's finding of OTDP.

In addition, the Proposed Rule introduces significant inequalities due to the differing claim interpretation standards between prosecution and litigation. Based on the Association's collective experience negotiating with examiners on OTDP, most rejections fail to follow the rigorous analysis detailed in the MPEP, thus requiring detailed responses that point out the failures to follow this analysis. Often OTDP depends on claim construction, and so differences in what the broadest reasonable interpretation of a claim term is drive the dispute over whether OTDP is present or not. Note that because OTDP can be found under the broadest reasonable interpretation (BRI) standard, more OTDP rejections would be sustained by the PTAB and Federal Circuit than under the current *Phillips* standard¹² used by the PTAB in IPR proceedings. Thus, under the Proposed Rule, a patent invalidated under *Phillips* would invalidate another terminally disclaimed related patent where the disclaimer was required under BRI, which does not appear to be a just or congruent result.

Claim construction issues are frequently brought to the PTAB for resolution during *ex parte* examination in *ex parte* appeals. Thus members would expect to see an increase in OTDP patent appeals where claim construction is the issue.

Currently, many applicants do not substantively contest an OTDP rejection during an *ex parte* appeal but focus the appeal on the statutory grounds of rejection. While the reasons for this are unclear, doing this guarantees a case will be summarily affirmed on OTDP rejections, it is a consistent historical practice. From January 2023 to June 2024, the affirmance rate for OTDP rejections was 76% (out of 73 *ex parte* appeals where OTDP was one of the issues).¹³ Historically, OTDP rejections at the PTAB have had the highest rate of affirmance by the Board over all of the statutory grounds of rejections except Section 101 rejections. This high rate of affirmance is driven by this historical choice by many applicants to not substantively contest the OTDP rejection during an *ex parte* appeal. This result, therefore, does not mean that the examiner's rejections are good, but rather that applicants have chosen not to contest them. The 20% reversal rate for at least one claim for OTDP rejections (affirmed-in-part and reversed cases) reflects the rate at which applicants who have chosen to fight the OTDP rejection at the Board are winning on appeal, not how many cases involving OTDP that applicants actually chose to contest. Thus, the Office's 20% number is very likely a significant undercount of potential OTDP rejections that would be contested under the Proposed Rule just looking at PTAB decision data alone.

While members cannot predict how many more *ex parte* appeals would be generated based on OTDP alone, the members submit that the extremely high ethical and legal implications to practitioners and applicants will drive a rigorous review of the majority of future OTDP

¹² *Phillips v. AWH Corp.*, 415 F.3d 1303, 1314-15 (Fed. Cir. 2005); *see also* 37 C.F.R. § 42.100.

¹³ Data from LexisNexis® PatentAdvisor®, PTAB Decisions Module, June 20, 2024.

rejections issued by examiners, resulting in corresponding higher rates of *ex parte* appeals of those OTDP rejections.

The second category of *ex parte* appeals incentivized by the Proposed Rule pertains to rejections in “parent” applications (*e.g.*, not limited to OTDP rejections). Perhaps intentionally, the Proposed Rule would deter the common practice of taking initially allowable or narrower claims in a “parent” patent and pursuing additional claims in a continuation application. Our members expect that the Proposed Rule will encourage at least some applicants to instead try to obtain all desired claims in a “parent” application, including pursuing *ex parte* appeals of rejected claims that might otherwise be pursued in a continuing application. The Association’s collective experience indicates that a substantial rise in *ex parte* appeals in this category is likely, across entities of all sizes, because the escalating costs of continued examination surpass those of *ex parte* appeals, particularly under the Office’s proposed fee-setting for 2025. 89 Fed. Reg. at 23,226. Should the examining corps maintain its current rate of forwarding *ex parte* appeals to the Board, the Association expects that the number of appeals the Board will need to adjudicate will increase proportionally with the number of appeal notices filed.

Therefore, members anticipate that the Proposed Rule would increase the number of *ex parte* appeals, not just of OTDP rejections, and perhaps significantly so. In 2023, the Office received 4,343 *ex parte* appeals per year and achieved a one-year pendency. With the Proposed Rule, the Office would likely see increases in *ex parte* appeals that would proportionally require more APJs and resources not accounted for in this Proposed Rule to maintain the one-year appeal pendency. As a result, the ability to protect innovation would be reduced.

Based on our collective experience, the Proposed Rule may not actually reduce the number of filings in a patent family. Members expect that the Proposed Rule would incentivize applicants to draft claims that prompt or motivate examiners to issue a restriction requirement in applications as a strategy to avoid filing terminal disclaimers during prosecution.

Applicants may withhold certain applications from issuing in order to allow other applications in the same patent family with more desirable claims to issue. This strategy could create inefficiencies by promoting a backlog of patent applications in which the applicant is reluctant to accept applications having less desirable allowed claims to issue.

Furthermore, the Proposed Rule is at cross purposes with the Office’s proposed change in fee structure for filing terminal disclaimers. Under that proposed change, fees for filing terminal disclaimers go up dramatically the later a terminal disclaimer is filed. One stated purpose for the proposed fee structure is to aid with examiner workloads by encouraging applicants to file terminal disclaimers early, before an examiner takes up an application. But with the Proposed Rule, any filing of a terminal disclaimer carries with it significant consequences for later enforceability, meaning that, as discussed herein, applicants will not file terminal disclaimers early, and will fight OTDP rejections, thereby increasing examiner workloads. Further, the fee differential implicitly reflects a recognition by the Office that examiner OTDP rejections will become more contentious later in prosecution, thereby increasing caseloads and costs for both the Office and applicants.

B. A Sudden Increase in *Ex Parte* Appeals Will Likely Have Other Negative Consequences

The Association is concerned that the terminal disclaimer rule change will have a significant impact on pendency of appeals before the PTAB.

Increasing rates of *ex parte* appeals would not be a significant concern if the Office has sufficient resources to decide those appeals at the increased rate within a reasonable time. To the extent that the Office does not acquire personnel needed to handle an increased appeal rate, the pendency for *ex parte* appeals would be expected to grow significantly, reminiscent of past backlogs until sufficient resources have been acquired and are able to make progress in reducing the resulting new backlog. The Association is concerned that the Proposed Rule will erode or reverse the tremendous success the Office has made to reduce the appeals backlog of the recent past and to reduce the average appeal pendency.

As explained previously, contrary to the Office's projection that only 20% of small entity patent applicants facing OTDP objections will choose not to file a terminal disclaimer with the new unenforceability provision (89 Fed. Reg. at 40446), members expect that a much higher percentage (*e.g.*, perhaps as high as 80%) of applicants will decline to file terminal disclaimers. Moreover, the proposed rule will disproportionately impact small entities, who have limited resources to contest OTDP rejections.


Furthermore, the Office's economic impact analysis does not address the impact on small entities who choose to file the new terminal disclaimer. Some portion of applicants who file terminal disclaimers will have patent portfolios that are later rendered unenforceable by virtue of one or more claims being found invalid/unenforceable. That is a significant economic impact that is not addressed in the Proposed Rule. Moreover, the Proposed Rule fails to address the negative economic impact to small entities who may lose valuable patent rights as a consequence of filing a terminal disclaimer pursuant to the new Proposed Rule.

The Association is also concerned that the terminal disclaimer change will cause many applicants to simply abandon their cases or not file applications in the first place because of the significantly increased cost of prosecuting an application to obtain desired claims to avoid filing a terminal disclaimer. If the cost to obtain desirable claims becomes prohibitive due to the need to appeal and prosecute applications for an extended period of time, small entities may find themselves unable to afford the cost of patenting and will instead decide to forego patenting or abandon their applications, leading to a loss of further investment in the underlying innovation and stifling startup, small, and diverse companies.

IV. CONCLUSION

The Association and its members are committed to improving all aspects of PTAB practice, and we look forward to continuing to work with the Director and the Office to improve PTAB procedures. We appreciate this opportunity to provide feedback on this important issue and hope these comments aid in the development of guidelines and/or regulations.

Submitted on behalf of the PTAB Bar Association, by:



Monica Grewal, President