

The U.S. Patent and Trademark Office's Proposed Information Disclosure Statement Rules: Too Novel and Nonobvious¹

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INTRODUCTION

“[D]ramatic and complex”² change is in the air at the United States Patent and Trademark Office (PTO or “the Office”). Currently, the PTO is swamped. In fiscal year 2006, the Office received a record 440,000 patent applications, but examiners only completed 332,000.³ In an effort to increase efficiency and cut costs, the Office has proposed at least four major patenting procedural changes.⁴ And, to put it mildly, much of the world outside of the PTO is not pleased with the proposals.⁵ The purpose

1. Aside from their common, intuitive meanings, the terms “novel” and “nonobvious” are key statutory standards of patentability. *See* 35 U.S.C. §§ 102–03 (2006). They encapsulate the heart of my argument: while novelty and nonobviousness are essential to inventions, stark departures from the customary administrative rules will have dreadful side effects on the U.S. patenting system.

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2. Letter from Michael K. Kirk, Executive Dir. of the Am. Intellectual Prop. Law Ass’n, to Jon W. Dudas, Under Sec’y of Commerce for Intellectual Prop. and Dir. of the U.S. Patent & Trademark Office 1 (Sept. 6, 2006) (<http://www.uspto.gov/web/offices/pac/dapp/opla/comments/ab95/aippla.pdf>) [hereinafter AIPLA letter]. *See generally* U. S. PATENT AND TRADEMARK OFFICE, PERFORMANCE AND ACCOUNTABILITY REPORT: FISCAL YEAR 2006, available at <http://www.uspto.gov/web/offices/com/annual/2006/2006annualreport.pdf>.

3. Press Release, U.S. Patent & Trademark Office, Fiscal 2006: A Record-Breaking Year for the USPTO (Dec. 22, 2006) (<http://www.uspto.gov/web/offices/com/speeches/06-73.htm>) [hereinafter Record-Breaking Year].

4. *See* Changes to Information Disclosure Statement Requirements and Other Related Materials, 71 Fed. Reg. 38,808 (July 10, 2006) (to be codified at 37 C.F.R. pt. 1); Changes to Practice for Petitions in Patent Applications to Make Special and for Accelerated Examination, 71 Fed. Reg. 36,323 (June 26, 2006); Changes to Practice for Continuing Applications, Requests for Continued Examination Practice, and Applications Containing Patentably Indistinct Claims, 71 Fed. Reg. 48 (Jan. 3, 2006) (to be codified at 37 C.F.R. pt. 1); Changes to Practice for the Examination of Claims in Patent Applications, 71 Fed. Reg. 61 (Jan. 3, 2006) (to be codified at 37 C.F.R. pt. 1).

5. For example, see the many public “comments” that have been posted on the PTO Web site, submitted in response to the various proposed changes. *See* U. S. Patent and Trademark Office, Comments on Changes, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/ab95/ids.htm> [hereinafter Comments from Public]; U. S. Patent and Trademark Office, Comments Regarding Claims Practice, http://www.uspto.gov/web/offices/pac/dapp/opla/comments/fpp_claims/claims_comments.html [hereinafter Claims Comments]; U. S. Patent and Trademark Office, Comments Regarding Continuation Practice, http://www.uspto.gov/web/offices/pac/dapp/opla/comments/fpp_continuation/

of this Note is to focus analysis on one of the four—the PTO’s proposed rule changes to the Information Disclosure Statement (IDS) in patent applications. While somewhat lesser-publicized than the proposed changes to “continuing applications,”⁶ PTO implementation of this prospective set of new IDS regulations would greatly impact the daily practice of patent attorneys and applicants.⁷

The status quo IDS system has its drawbacks. Currently, an applicant has the duty to disclose certain known information to the PTO. Information that an examiner would find relevant for evaluation of the patent application must be submitted to the PTO in an IDS.⁸ However, some applicants have been submitting too much information for the examiners to efficiently handle.⁹ Also, information is often inconveniently disclosed to the PTO well after the examiners have concluded their own search for relevant references.¹⁰ If IDS submissions arrive too late, examiners will often wastefully duplicate applicants’ search efforts and experience.

The proposed rules are meant to alleviate these problems.¹¹ They are intended to “encourage”¹² submission of timely and concise IDSs under the threat of extensive additional disclosure requirements.¹³ The number of patent applicants potentially impacted is enormous. According to PTO estimates, at least 66,000 applications in fiscal year 2006 would have automatically triggered mandatory additional disclosures under the new rules, requiring formal, written explanations for each of their cited IDS documents.¹⁴

A flaw in the PTO’s plan is that the PTO is enlisting the proverbial fox to guard the henhouse.¹⁵ As rationalized by the PTO, applicants would now be required to filter out “irrelevant information” from their own IDS submissions so that PTO examiners could “be able to focus upon the more relevant information, and perform a more efficient, effective examination.”¹⁶ Not only would applicants be required to disclose all known

continuation_comments.html [hereinafter Continuation Comments].

6. Changes to Practice for Continuing Applications, Requests for Continued Examination Practice, and Applications Containing Patentably Indistinct Claims, 71 Fed. Reg. at 48. See Claims Comments, *supra* note 5.

7. See Changes to Information Disclosure Statement Requirements and Other Related Materials, 71 Fed. Reg. at 38,808.

8. Duty to Disclose Information Material to Patentability, 37 C.F.R. § 1.56 (2000).

9. See Changes to Information Disclosure Statement Requirements and Other Related Materials, 71 Fed. Reg. at 38,809.

10. *Id.*

11. See *id.* at 38,808.

12. *Id.* at 38,808–09.

13. See *id.* at 38,810.

14. The PTO estimates that “approximately” fifteen percent of submitted IDSs contain over twenty documents. See Changes to Information Disclosure Statement Requirements and Other Related Materials, 71 Fed. Reg. at 38,810. There were 440,000 applications submitted in fiscal year 2006. Record-Breaking Year, *supra* note 3. The “at least” precedes the 66,000 number because passing the twenty documents triggering threshold is just one of the several ways that mandatory “explanations” for all documents are required under the new rules. See Changes to Information Disclosure Statement Requirements and Other Related Materials, 71 Fed. Reg. at 38,810.

15. This idiom was often used by retired Indiana University School of Law–Bloomington Professor Roger Dworkin in his lectures to comically express a serious conflict of interest problem.

16. Changes to Information Disclosure Statement Requirements and Other Related

references potentially damaging to the patentability¹⁷ of their claims,¹⁸ applicants may soon be expected to screen their own knowledge and independent background search findings for the most damaging information to their applications and then explain to the PTO why the information is so damaging.¹⁹ These proposed IDS rules effectively force applicants to be their own de facto examiners for a critical portion of the patent prosecution process.

Sudden jumps in the burden of filing applications due to the triggering of additional disclosure requirements under the proposed rules could cost companies millions²⁰ as well as weaken the enforceability of future patents.²¹ Resulting incentives will drive patent applicants to intentionally remain ignorant regarding existing information related to their inventive ideas.²² The logic underlying this rational ignorance is that by not learning of a reference, the applicant does not discover the damaging information therein, thus foreclosing any duty to disclose the reference to the PTO.²³ Unfortunately, the cost for ignorance will be poorly written patents, as well as uninformed decision making regarding whether or not to even proceed with the costly patent application process.²⁴ Furthermore, even with attempts for the relative safety of ignorance, circumstances completely out of applicants' control, such as previous knowledge and experience,²⁵ could still automatically trigger new penalty-like requirements.

The Patent Office needs to recognize the danger of being “too novel and nonobvious” while creating administrative policy. When planning new rules affecting the entire U.S. patent system, the PTO should be very careful not to upset aspects of the system that are currently working well. Minor procedural differences early in the patenting pipeline will have major impacts down the road—and the PTO's proposed

Materials, 71 Fed. Reg. at 38,809.

17. The term “patentability” refers broadly to the substantive requirements for an invention to qualify for patent protection. See BLACK'S LAW DICTIONARY 1158 (8th ed. 2004) (“patentability search”). See generally 35 U.S.C. §§ 101, 102, 103 (2006) (explaining utility, novelty, and nonobviousness, respectively).

18. See 37 C.F.R. § 1.56 (2000).

19. See IDS Changes, *supra* note 4, at 38,810.

20. See, e.g., Letter from Bart Eppenauer, Chief Patent Counsel, Microsoft Corp., to Hiram H. Bernstein, Comm'r for Patents, U. S. Patent and Trademark Office 6 (Sept. 8, 2006) (<http://www.uspto.gov/web/offices/pac/dapp/opla/comments/ab95/microsoft.pdf>) [hereinafter Microsoft letter] (estimating that the cost to Microsoft for following the proposed IDS rules will be an additional twenty to thirty million dollars).

21. See discussion *infra* Part II, explaining the resulting danger of increased inequitable conduct allegations and a likely change in the applicability of 35 U.S.C. § 282 (2002), the presumption of validity.

22. See generally Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 Nw. U. L. REV. 1495, 1497 n.6 (2001) (“The basic idea of rational ignorance is that any person will spend only a certain amount of time or money to obtain a piece of information. If obtaining that information costs more than the information is worth, an individual will (or should) rationally choose to remain ignorant.”).

23. See 37 C.F.R. § 1.56 (requiring disclosure only of “known” information).

24. See discussion *infra* Part II, explaining the resulting costs of skipping patentability searches.

25. See 37 C.F.R. § 1.56 (omitting distinction between information uncovered during the patent prosecution process and information previously known).

IDS rules are far greater than “minor.”²⁶ These rules would have costly side effects.²⁷ While there may be short-term cost savings at the Office,²⁸ implementation of the proposed rules would be a terrible mistake overall.

Many in the legal community and in various sectors of industry are up in arms.²⁹ They argue that, in the case of the proposed IDS changes, the reforms should be kept simple and the burden of prior art³⁰ examination should stay with the PTO. Fortunately, it is not too late for the PTO to amend its proposed plan. A large number of helpful ideas have been presented to the PTO by concerned users of the patent system.³¹ For example, a much less abrasive solution would be to simply adjust patent billing rates to reflect the examination burdens of submitted IDSs.³²

The Part to follow brings the reader up to speed on the currently applicable law as well as the proposed IDS rule changes. In Part II, the discussion turns to foreseeable problems resulting from PTO implementation of the proposed IDS rules. However, the purpose of this Note is not only to provide constructive feedback to the PTO and its policymakers; it is also to assist the judiciary and the patenting public. Therefore, this Note concludes in Part III with suggestions for the judiciary, useful coping tactics for practitioners, and alternative administrative solutions.

I. MECHANICS OF THE CURRENT SYSTEM AND THE PROPOSED CHANGES

Within the broader category of patent law are subcategories of patent prosecution and patent litigation. Patent prosecution covers the process of bargaining for patent rights with the Patent and Trademark Office.³³ Patent litigation involves the battle for enforcement of patent rights in court. The two subcategories are inherently tied together. For example, a patent’s written prosecution history is often the subject of later patent litigation arguments. Errors in the prosecution of a patent largely affect the rights that the patent holder can later claim against an accused infringer. This Note covers a potentially changing aspect early in the patent prosecution process, which will likely have future prosecution and litigation ramifications. This Part presents the current relevant law, followed by the proposed IDS rule changes.

26. See generally Changes to Information Disclosure Statement Requirements and Other Related Materials, 71 Fed. Reg. 38,808 (July 10, 2006) (to be codified at 37 C.F.R. pt. 1).

27. See discussion *infra* Part II.

28. See Changes to Information Disclosure Statement Requirements and Other Related Materials, 71 Fed. Reg. at 38,810.

29. See Comments from Public, *supra* note 5.

30. “Prior art” is a patenting term of art. “Art” in the patent context refers to a field of endeavor. BLACK’S LAW DICTIONARY, *supra* note 17, at 118. “Prior art” includes public knowledge, which can be in the form of publications, patents, public uses, and general common knowledge, available by the critical date. See *id.* at 119. The “critical date” is the date of invention for the purposes of 35 U.S.C. § 102(a) (2006) (the novelty requirement) and one year before the filing date for § 102(b) (the statutory bar). Thus, prior art is technical information existing before the invention that is relevant for the evaluation of the patent claims.

31. See *supra* note 5.

32. See *infra* Part III for a thorough explanation of many of the more useful proposed solutions.

33. See BLACK’S LAW DICTIONARY, *supra* note 17, at 1258 (“prosecution” fourth definition entry).

A. Current System

In order for the Office to effectively evaluate³⁴ patent applications, individuals “associated with the filing and prosecution of the patent”³⁵ are required to act with candor and good faith.³⁶ Within this broad requirement is the duty of applicants to disclose all known information that is material to the patentability of their applications.³⁷ This first sub-Part clarifies the extent of a patent applicant’s duty to disclose potentially damaging information, with respect to the application’s claims, to the PTO; how to distinguish which information must be disclosed; and the way in which disclosed information is to be delivered to the PTO. Subsequently, this sub-Part presents the doctrine of inequitable conduct, a patent litigation defense which can stem from a breach of the duty to disclose during patent prosecution.

One of the earliest steps in the patenting process is a patentability search. There is no legal requirement that a patent applicant make such a search³⁸ to see if the inventive idea is already in the realm of prior art. However, conducting a search for relevant prior art can be helpful when drafting a patent application in at least two important ways. Firstly, it is inefficient to write claims without knowing if the claims are written too broadly and invalidated by previously existing technology.³⁹ Knowledge of existing prior art helps a drafter to know where the broadest claim boundaries may lie.⁴⁰ Secondly, the rest of the patent prosecution process can be quite expensive.⁴¹

34. See Duty to Disclose Information Material to Patentability, 37 C.F.R. § 1.56(a) (2000) (presenting the underlying policy goals for the duty).

35. *Id.* § 1.56(c)(1)–(2). See RONALD B. HILDRETH, A PRACTITIONER’S GUIDE: PATENT LAW § 20:5 (3d ed. 2006); MANUAL OF PATENT EXAMINING PROCEDURE § 2001.01 (Magdalen Y. C. Greenlief ed., 8th ed., rev. 5 2006) [hereinafter MANUAL] (“Individuals having a duty to disclose are limited to those who are substantially involved in the preparation or prosecution of the application,” which includes the patent attorney or agent and the inventor(s), but excludes typists, clerks, and other assisting personnel.) (internal quotation marks omitted).

36. See *Molins PLC v. Textron, Inc.*, 48 F.3d 1172 (Fed. Cir. 1995); 37 C.F.R. § 1.56; Todd M. Becker, Note & Comment, *Attorney-Client Privilege Versus the PTO’s Duty of Candor: Resolving the Clash in Simultaneous Patent Representations*, 71 WASH. L. REV. 1035 (1996).

37. See 37 C.F.R. § 1.56(a).

38. See *Frazier v. Roessel Cine Photo Tech, Inc.*, 417 F.3d 1230, 1238 (Fed. Cir. 2005) (“[A]s a general rule, there is no duty to conduct a prior art search, and thus there is no duty to disclose art of which an applicant could have been aware.” (quoting *FMC Corp. v. Hennessey Indus., Inc.*, 836 F.2d 521, 526 n.6 (Fed. Cir. 1987))); MANUAL, *supra* note 35, § 609.

39. See ROBERT C. FABER, LANDIS ON THE MECHANICS OF PATENT CLAIM DRAFTING (5th ed. 2003).

40. See Frank A. DeLucia & Carl B. Wischhusen, *Patent Specification Drafting*, in FUNDAMENTALS OF PATENT PROSECUTION 2006: A BOOT CAMP FOR CLAIM DRAFTING & AMENDMENT WRITING 69–105 (2006); Robert C. Faber, *Patent Claim Writing*, in FUNDAMENTALS OF PATENT PROSECUTION 2006: A BOOT CAMP FOR CLAIM DRAFTING & AMENDMENT WRITING 125–45 (2006); Lock See Yu-Jahnes, *An Introduction to Claim Drafting*, in FUNDAMENTALS OF PATENT PROSECUTION 2006: A BOOT CAMP FOR CLAIM DRAFTING & AMENDMENT WRITING 107–23 (2006).

41. See, e.g., Lemley, *supra* note 22, at 1498 (estimating the cost of prosecution to be between \$10,000 and \$30,000 per patent in 2001); Patent Hawk, Prior Art Search, <http://www.patenthawk.com/search.htm> (advertising a rate of \$160 per hour for each patent

Knowledge of the prior art gives an applicant a rough idea of the potential claim scope early in the prosecution process, aiding in the decision of whether or not to go through with the application filing.

Once a patentability search has begun, patent prosecutors must disclose certain findings to the PTO.⁴² As statutorily defined in 37 C.F.R. §1.56, information must be disclosed if it is “material to patentability” and is not cumulative to information already of record with the PTO.⁴³ Information “material to patentability” either (1) establishes a prima facie case of unpatentability, or (2) conflicts with a position taken by the patent applicant when asserting an argument relevant to patentability.⁴⁴ A breach of this duty to disclose includes omissions of known material information, as well as affirmative misrepresentations.⁴⁵

A prima facie case of unpatentability exists when a patent claim, given its broadest reasonable meaning in light of the full application, compels the conclusion that the claim is unpatentable by a preponderance of the evidence.⁴⁶ Reasons for unpatentability include a lack of the requisite novelty or nonobviousness when considering the prior art.⁴⁷ Furthermore, such a case for prima facie unpatentability can be made by references acting either by themselves or in combination with other references.⁴⁸ Thus, technically speaking, a reference may be “material to patentability” even if it presents only a partial prima facie case for unpatentability.⁴⁹

Code of Federal Regulations § 1.56 is only a “starting point” for determining which information is material to patentability.⁵⁰ Case law clarifies that the scope of information “material to patentability” is broader than the scope of information that would actually invalidate a patent.⁵¹ In 1992, the older “reasonable examiner” standard for materiality was clarified by the PTO’s current 37 C.F.R. § 1.56, elucidated above.⁵² However, the new rule “was not intended to constitute a significant substantive break”

search).

42. See Duty to Disclose Information Material to Patentability, 37 C.F.R. § 1.56 (2000); David Hricik, *Aerial Boundaries: The Duty of Candor as a Limitation on the Duty of Patent Practitioners to Advocate for Maximum Patent Coverage*, 44 S. TEX. L. REV. 205 (2002).

43. The “not cumulative” requirement in the 1992 revision of § 1.56 codified the common law position. See also *Engel Indus. v. Lockformer Co.*, 946 F.2d 1528, 1534 (Fed. Cir. 1991).

44. See 37 C.F.R. § 1.56(b).

45. See *Glaxo Inc. v. Novopharm Ltd.*, 52 F.3d 1043, 1048 (Fed. Cir. 1995); DONALD S. CHISUM, CRAIG A. NARD, HERBERT F. SCHWARTZ, PAULINE NEWMAN & F. SCOTT KIEFF, *PRINCIPLES OF PATENT LAW: CASES AND MATERIALS* 1081 (1998).

46. See 37 C.F.R. § 1.56(b).

47. See *Conditions for Patentability; Novelty and Loss of Right to Patent*, 35 U.S.C. § 102 (2002); *Conditions for Patentability; Non-Obvious Subject Matter*, 35 U.S.C. § 103 (2004).

48. See 37 C.F.R. § 1.56(b)(1).

49. See, e.g., *Critikon, Inc. v. Becton Dickinson Vascular Access Inc.*, 120 F.3d 1253 (Fed. Cir. 1997) (ruling that a reference was material because it could potentially be used in combination with other information in a nonobviousness rejection).

50. *Am. Hoist & Derrick Co. v. Sowa & Sons*, 725 F.2d 1350, 1362–63 (Fed. Cir. 1984).

51. See *Critikon, Inc.*, 120 F.3d at 1255–59 (holding that the omitted information was sufficiently material to render a patent unenforceable, but not invalid).

52. *Digital Control Inc. v. Charles Mach. Works*, 437 F.3d 1309, 1314–16 (Fed. Cir. 2006) (explaining the current standard of “material to patentability”). See also *Duty of Disclosure*, 57 Fed. Reg. 2021 (Jan. 17, 1992) (to be codified at 37 C.F.R. pts. 1 & 10) (revising the duty of disclosure).

in the standard.⁵³ Therefore, applicants must disclose known information that a “reasonable examiner” would want to consider when deciding whether a claimed invention is patentable.⁵⁴

Information that falls within an applicant’s duty to disclose should be submitted to the PTO in an Information Disclosure Statement.⁵⁵ Each IDS should include a list and copy of the relevant parts “of all patents, publications, applications, or other information submitted for consideration” by the PTO.⁵⁶ Sources of information material to patentability include foreign or domestic patents and publications, as well as known U.S. public uses, public knowledge, and sales of the claimed invention, or embodiments that teach⁵⁷ claimed aspects of the invention.⁵⁸

Under the current rules, applicants can submit as many references as they deem necessary, and there is no need to summarize or characterize English-language sources.⁵⁹ Furthermore, information submitted within an IDS is not construed to be an admission of materiality to patentability.⁶⁰ The underlying policy reasoning is that “[i]t is in the best interest of the Office and the public to permit and encourage individuals to cite information to the Office without fear of making an admission against [their own] interest,”⁶¹ because applicants will be more inclined to disclose sources which could be useful to examiners if the self-penalizing costs for disclosure are reduced. Applicants can also submit follow-up IDSs as new information surfaces without admitting materiality.⁶²

As a reward to applicants for filing thorough and accurate IDSs, a legal presumption of validity attaches to the resulting patents.⁶³ Furthermore, PTO examiners

53. *Dayco Prods., Inc. v. Total Containment, Inc.*, 329 F.3d 1358, 1363–64 (Fed. Cir. 2003) (quoting *Hoffman La Roche, Inc. v. Promega Corp.*, 323 F.3d 1354, 1366 n.2 (Fed. Cir. 2003)).

54. *See Digital Control Inc.*, 437 F.3d at 1315–16 (explaining that there are several tests for what is material to patentability, but the reasonable examiner standard may be the broadest and most useful); *Critikon, Inc.*, 120 F.3d at 1257–59.

55. *Cf.* MANUAL, *supra* note 35, § 2001.04 (“If the noncompliance [with §§ 1.97, 1.98] is intentional . . . the applicant will have assumed the risk that the failure to submit the information in a manner that will result in its being considered by the examiner may be held [by courts] to be a violation [of the duty to disclose].”). *See generally* Filing of Information Disclosure Statement, 37 C.F.R. § 1.97 (2007); Content of Information Disclosure Statement, 37 C.F.R. § 1.98 (2007).

56. 37 C.F.R. § 1.98(a)(1), (2).

57. “Teach” is a term of art, meaning both discloses and enables one of ordinary skill in the art to reproduce an element’s function in the context of the claimed application. *See* 35 U.S.C. § 112 (2006).

58. *See* Conditions for Patentability; Novelty and Loss of Right to Patent, 35 U.S.C. § 102 (2006); Conditions for Patentability; Non-Obvious Subject Matter, 35 U.S.C. § 103 (2006).

59. A “concise explanation” of the relevance of sources not in English must also be included. 37 C.F.R. § 1.98(a)(3).

60. 37 C.F.R. § 1.97(h).

61. Duty of Disclosure, 57 Fed. Reg. 2021, 2022 (Jan. 17, 1992) (to be codified at 37 C.F.R. pts. 1 & 10).

62. *See* 37 C.F.R. §§ 1.97–1.98; *Ulead Sys., Inc. v. Lex Computer & Mgmt. Corp.*, 351 F.3d 1139 (Fed. Cir. 2003).

63. *See* Presumption of Validity; Defenses, 35 U.S.C. § 282 (2006) (“A patent shall be presumed valid.”). *See generally* Jay P. Kesan & Marc Banik, *Patents as Incomplete Contracts: Aligning Incentives for R&D Investment with Incentives to Disclose Prior Art*, 2 WASH. U. J.L.

acknowledge and explicitly list on the issued patents the references that they considered during the examination.⁶⁴ This acknowledgement on issued patents serves as support to bolster a patent holder's position in later patent litigation because it shows evidence that the patent was deemed valid over the listed prior art. Opponents have the burden to disprove validity by clear and convincing evidence when arguing over references disclosed during the patent prosecution.⁶⁵ However, the patent's validity presumption does not extend with the same strength over prior art that was not disclosed by the applicant. This newly discovered prior art is more damaging to a patent's validity.⁶⁶ As a result, the IDS system facilitates prompt, uniform, and complete submission of material information, with certainty to applicants that the submissions will be inspected by PTO examiners.⁶⁷

The PTO is burdened by but benefits from thorough applicant-sponsored patentability searches and extensive applicant knowledge of the prior art through the duty to disclose in an IDS. The burden to the PTO is that examiners are required to evaluate each IDS reference,⁶⁸ which can be overwhelming with lengthy listings. Furthermore, the current IDS rules do not require applicants to explain why the references are included or even to admit that the references are material.⁶⁹ Therefore, fixed funding and limited time can restrict the examiners' abilities to properly inspect the IDS documents. Conversely, PTO efficiency is harmed both by too few and too many disclosures.⁷⁰ Examiners benefit from thorough IDS lists of prior art by attaining leads for their own patentability searches as well as references to support their examination decisions.

While evidence of examiners signing off on prior art references is the "carrot," the judicially created doctrine of inequitable conduct is the "stick" to ensure that the PTO receives honest and accurate IDS submissions.⁷¹ The inequitable conduct defense in patent infringement suits is closely intertwined with the sufficiency of the applicant's disclosure in the Information Disclosure Statement. Deficiencies in the IDS open the door to inequitable conduct allegations.⁷² If it is shown that an applicant had breached the duty to disclose with regard to just one claim, then all claims of an otherwise valid

& POL'Y 23, 26 n.10 (2000) (proposing an improved patent system that does more than simply impute a "general presumption of validity associated with every patent in 35 U.S.C. § 282," but instead one in which "a court will not invalidate a patent based on disclosed prior art unless it is convinced that no reasonable examiner would have allowed the patent in light of the disclosed prior art").

64. MANUAL, *supra* note 35, § 609.06 ("A citation listed on [a standard IDS form] and considered by the examiner will be printed on the patent."); *id.* § 609.01.

65. *See, e.g.,* Beckson Marine, Inc. v. NFM, Inc., 292 F.3d 718, 725 (Fed. Cir. 2002).

66. *See generally* Connell v. Sears, Roebuck & Co., 722 F.2d 1542, 1549 (Fed. Cir. 1983).

67. *See generally* MANUAL, *supra* note 35, § 609.

68. Filing of Information Disclosure Statement, 37 C.F.R. § 1.97(c), (d) (2000).

69. *Id.* § 1.97(h).

70. *See* Microsoft letter, *supra* note 20.

71. *See generally* Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co., 324 U.S. 806, 814–16 (1945) (setting forth the policy justifications for the inequitable conduct doctrine); Digital Control Inc. v. Charles Mach. Works, 437 F.3d 1309, 1315 (Fed. Cir. 2006) (explaining the history of the inequitable conduct doctrine).

72. *See supra* note 55. *See, e.g.,* McKesson Info. Solutions, Inc. v. Bridge Med., Inc., 487 F.3d 897, 913 (Fed. Cir. 2007) (setting forth a recent explanation of the inequitable conduct doctrine and upsetting patent prosecutors everywhere).

patent can be rendered unenforceable against an infringer.⁷³ Even the enforceability of separate patents stemming from the same original applications may be affected.⁷⁴ With these dramatic consequences, it is not surprising that allegations of inequitable conduct are common defensive tactics employed during infringement suits.⁷⁵ Any significant changes to IDS rules will inevitably impact future use of the inequitable conduct defense.

The determination of inequitable conduct consists of a two-prong test. The first prong requires the presence of minimum threshold levels of materiality and intent.⁷⁶ The second prong involves a judicial balancing of the totality of circumstances.⁷⁷

In the first-prong analysis, materiality is established in the same manner as “material to patentability” is determined with regard to the duty to disclose.⁷⁸ “Materiality” refers to a failure to disclose information “material to patentability” or the submission of false material information.⁷⁹ Historically, suppression of information has been as fraudulent as affirmative misrepresentation.⁸⁰ In either case, the threshold level of materiality is low.⁸¹

“Intent” refers to an applicant’s intention to deceive the PTO.⁸² The level of actual intent may be extremely low, especially when the materiality of the omission or

73. *Critikon, Inc. v. Becton Dickinson Vascular Access, Inc.*, 120 F.3d 1253, 1255–59 (Fed. Cir. 1997); *Smith Int’l, Inc. v. Hughes Tool Co.* 759 F.2d 1572 (Fed. Cir. 1985). *See generally* HILDRETH, *supra* note 35, at § 20:1.

74. *See, e.g.*, *Fox Indus., Inc. v. Structural Pres. Sys., Inc.*, 922 F.2d 801, 803–04 (Fed. Cir. 1990). *But see* *Baxter Int’l, Inc. v. McGaw, Inc.*, 149 F.3d 1321, 1330–32 (Fed. Cir. 1998) (holding that a divisional patent was not invalidated by a related patent stemming from the same initial application).

75. *Burlington Indus., Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (Fed. Cir. 1988); *Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 876 n.15 (Fed. Cir. 1988) (quoting *Burlington Indus., Inc.*, 849 F.2d at 1422); Letter from Marylee Jenkins, President of the New York Intellectual Property Law Association, to the U.S. Patent & Trademark Office (Sept. 7, 2006) (<http://www.uspto.gov/web/offices/pac/dapp/opla/comments/ab95/nyipla.pdf>) [hereinafter NYIPLA letter] (“Inequitable conduct is almost always an issue in patent litigation, and many times the basis of a charge of inequitable conduct is the failure to cite a relevant reference during prosecution.”).

76. *See Kingsdown Med. Consultants, Ltd.*, 863 F.2d at 872 n.5 (Fed. Cir. 1988); *cf.* *FMC Corp. v. Manitowoc Co.*, 835 F.2d 1411, 1415–16 (Fed. Cir. 1987) (holding that the complete absence of deceptive intent negates allegations of inequitable conduct without regard to the materiality of an omission or commission).

77. *J.P. Sevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1559–60 (Fed. Cir. 1984) (two-part test).

78. Duty to Disclose Information Material to Patentability, 37 C.F.R. § 1.56 (2000).

79. *Id.*

80. 1 C. BRUCE HAMBURG, PATENT FRAUD AND INEQUITABLE CONDUCT § 1.05, at 1–32 (2d ed. 1981).

81. *See* *Purdue Pharma L.P. v. Endo Pharms., Inc.*, 438 F.3d 1123, 1133 (Fed. Cir. 2006) (“[W]e stress that the [threshold] level of materiality is not especially high.”).

82. *PerSeptive Biosystems, Inc. v. Pharmacia Biotech, Inc.*, 225 F.3d 1315, 1318 (Fed. Cir. 2000); *Elk Corp. of Dallas v. GAF Bldg. Materials Corp.*, 168 F.3d 28, 30 (Fed. Cir. 1999); *Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 872 (Fed. Cir. 1988) (citing *J.P. Sevens & Co.*, 747 F.2d at 1559).

misrepresentation is strong enough.⁸³ For example, intentionally avoiding to read an on-hand document containing material information satisfies the intent element.⁸⁴ Evidence of culpability is often circumstantial and does not require direct evidence.⁸⁵ Furthermore, even the absence of a credible explanation for an omission of known information “material to patentability” allows a judge to infer deceptive intent.⁸⁶ Thus, the bar for the culpability element is minimal as well.

Under the second prong of the inequitable conduct test, levels of materiality and deceptive intent are to be weighed in the context of all relevant facts and circumstances to determine if the patentee’s conduct should render the patent unenforceable.⁸⁷ Factors that courts consider include the degree of materiality and magnitude of circumstantial evidence. Within this balancing analysis, a high level of materiality can offset a low level of intent, and *visa versa*,⁸⁸ resulting in a finding of inequitable conduct.

Once inequitable conduct has been found, the decision is difficult to overturn. Procedurally, the determination of materiality and deceptive intent are considered issues of fact, equitable in nature, and thus do not entitle an accused applicant to a jury trial.⁸⁹ Furthermore, district court decisions are not easily reversed when inequitable conduct has been found. Determinations of inequitable conduct are reviewed by the Federal Circuit under the abuse of discretion standard.⁹⁰ District court findings on materiality and intent are subject to the clearly erroneous standard.⁹¹

Often the benefits to defendants for alleging inequitable conduct—even on weak grounds—outweigh the costs. Defendants alleging inequitable conduct can be subject to sanctions only if the allegations are “so lacking in substance as to constitute a waste of time and resource[s]”⁹² This threat of sanctions has proven a largely ineffective deterrent, such that “the habit of charging inequitable conduct in almost every major patent case has become an absolute plague.”⁹³ Strategically speaking, inequitable

83. See, e.g., *McKesson Info. Solutions, Inc. v. Bridge Med., Inc.*, 487 F.3d 897, 912 (Fed. Cir. 2007); *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1181 (Fed. Cir. 1995) (citing *Kingsdown Med. Consultants, Ltd.*, 863 F.2d at 876).

84. *Brasseler, U.S.A. I, L.P. v. Stryker Sales Corp.*, 267 F.3d 1370, 1380 (Fed. Cir. 2001).

85. *Frazier v. Roessel Cine Photo Tech, Inc.*, 417 F.3d 1230, 1235–36 (Fed. Cir. 2005); *Bruno Indep. Living Aids, Inc. v. Acorn Mobility Servs., Ltd.*, 394 F.3d 1348, 1354 (Fed. Cir. 2005).

86. *Bruno Indep. Living Aids, Inc.*, 394 F.3d at 1352, 1354 (Fed. Cir. 2005) (finding sufficient deceptive intent for not disclosing knowledge of a prior art admittedly “similar in design and function” to the claimed invention).

87. See *Baxter Int’l, Inc. v. McGaw, Inc.*, 149 F.3d 1321, 1327 (Fed. Cir. 1998); LAWRENCE M. SUNG & JEFF E. SCHWARTZ, *PATENT LAW HANDBOOK: 2006–2007 EDITION* § 3:1 (2006).

88. See *Halliburton Co. v. Schlumberger Tech. Corp.* 925 F.2d 1435, 1439 (Fed. Cir. 1991); *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1363 (Fed. Cir. 1984).

89. See *Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 876–77 (Fed. Cir. 1988).

90. *GFI, Inc. v. Franklin Corp.*, 265 F.3d 1268, 1273 (Fed. Cir. 2001); *Akron Polymer Container Corp. v. Exxel Container, Inc.*, 148 F.3d 1380, 1384 (Fed. Cir. 1998).

91. FED. R. CIV. P. 52(a); *Kingsdown Med. Consultants, Ltd.*, 863 F.2d at 872.

92. HILDRETH, *supra* note 35, at §20:2 (citing *Fiskars, Inc. v. Hunt Mfg. Co.*, 221 F.3d 1318 (Fed. Cir. 2000)); see also 28 U.S.C. § 1927 (2000).

93. *Kingsdown Med. Consultants, Ltd.*, 863 F.2d at 876 n.15 (quoting *Burlington Indus.*,

conduct, based on undisclosed damaging prior art, may be a far better defense than simply citing an invalidating reference. The reference alone may only invalidate some of the patent's claims, while willful omission by the applicant may make the entire patent unenforceable.⁹⁴

To prevent allegations of inequitable conduct, patent prosecutors are encouraged to err on the side of caution regarding IDS submissions.⁹⁵ Applicants are advised, that “[w]hen in doubt, it is desirable and safest to submit information. Even though the attorney, agent, or applicant doesn't consider it necessarily material, someone else may see it differently [T]he question of relevancy in close cases, should be left to the examiner and not the applicant.”⁹⁶ Under the current system, therefore, the default position for applicants is to disclose references with borderline materiality.⁹⁷

From the PTO's perspective, the current system is inefficient. Too many patent attorneys submit irrelevant references and submit references too late.⁹⁸ The result is that the most relevant information is “obscured.”⁹⁹ The PTO has proposed a solution.

B. PTO's Proposed IDS Rules

With the goals of improving efficiency, promoting innovation, and enhancing the quality of patents, the Patent and Trademark Office introduced a proposal on July 10, 2006, to change the rules pertaining to information disclosure statements.¹⁰⁰ The new plan is to have IDS rules “encourage” applicants to provide the PTO with only the most relevant information, and to do so quickly.¹⁰¹ There are several facets of the new plan, including additional disclosure requirements for so-called “explanations,” “non-cumulative descriptions,” and “patentability justifications,” each of which will be discussed in turn. The proposed safe harbor provision will be presented subsequently.

As with the current 37 C.F.R. § 1.97, applicability of the proposed rule requirements differs depending upon the time of IDS submission relative to the patent application's position in the prosecution pipeline.¹⁰² There are four sequential periods to consider: (1) the first time period starts with the application filing and ends either by

Inc. v. Dayco Corp., 849 F.2d 1418, 1422 (Fed. Cir. 1988)).

94. See HAMBURG, *supra* note 80, § 1.05.

95. See LaBounty Mfg., Inc. v. U.S. Int'l Trade Comm'n, 958 F.2d 1066, 1076 (Fed. Cir. 1992); U.S. Indus. v. Norton Co., 210 USPQ 94, 107 (N.D.N.Y. 1980).

96. MANUAL, *supra* note 35, § 2004, ¶ 10 (internal quotation marks omitted).

97. See NYIPLA letter, *supra* note 75 (“The standards of relevance and materiality have changed over the years, and a consequence of this has been a tendency on the part of patent practitioners to avoid determining what is relevant and instead leave it up to an Examiner to make that determination.”).

98. See Changes to Information Disclosure Statement Requirements and Other Related Materials, 71 Fed. Reg. 38,808, 38,809 (July 10, 2006) (to be codified at 37 C.F.R. pt. 1).

99. U.S. Patent & Trademark Office, Proposed Rule Changes to Focus the Patent Process in the 21st Century, <http://www.uspto.gov/web/offices/pac/dapp/opla/presentation/focuspp.html>.

100. *Id.*

101. See Changes to Information Disclosure Statement Requirements and Other Related Materials, 71 Fed. Reg. at 38,809.

102. Compare Filing of Information Disclosure Statement, 37 C.F.R. § 1.97 (2000), with Changes to Information Disclosure Statement Requirements and Other Related Materials, 71 Fed. Reg. at 38,812.

the first office action¹⁰³ or else three months after filing, whichever is sooner; (2) the second period starts after the first period and ends with a PTO allowance notice; (3) the third period ends with payment of the issuance fee; and (4) the fourth period concludes with the end of prosecution.¹⁰⁴

During the first period, an additional “explanation” would be required for certain “triggering references,” which include: (1) documents over twenty-five pages in length, (2) documents not written in English, and (3) *all* IDS documents submitted, if the total number of documents filed exceeds the threshold number of twenty.¹⁰⁵ Each “explanation” would specifically identify the features, showings, and teachings that required the reference to be listed in the IDS, as well as the page and line numbers where the specific material portions could be located.¹⁰⁶ The explanation would also include any “correlations” between IDS documents and information about the invention written in the patent application.¹⁰⁷

After the first period, the burden of additional disclosure requirements would rapidly increase. On top of explanations required for IDS references, the proposed rules demand the additional requirement of “non-cumulative descriptions.”¹⁰⁸ This feature would call for the applicant to distinguish new references from those that have been previously placed on the record. Applicants must also specifically point out which features, showings, and teachings are not cumulative and why they were deemed important enough to cite.¹⁰⁹ For IDS references filed after the start of the third period, additional “patentability justifications” are required; they provide “explanations,” “non-cumulative descriptions,” as well as reasons why the new IDS references do not invalidate the application’s “independent” invention claims.¹¹⁰

The PTO’s proposed rules block several possible ways to minimize the burdens that they impose. The various additional required explanations and non-cumulative descriptions are required to be “meaningfully” different for each reference.¹¹¹ If they appear to be *pro forma* explanations, the examiner will have the option not to consider them.¹¹² Previously cited references must be re-clarified in new additional disclosures to account for amendments made to claims.¹¹³ And, in continuation patent applications, references cited in the original applications are counted toward the sum total of references with regard to the twenty-reference triggering threshold.¹¹⁴

103. “Office action” refers to a formal communication between the examiner and patent applicant, usually stating the reasons why the application was denied. *See* BLACK’S LAW DICTIONARY, *supra* note 17, at 1115 (“office action”).

104. *See* Changes to Information Disclosure Statement Requirements and Other Related Materials, 71 Fed. Reg. at 38,812.

105. There are some narrow exceptions to this requirement. *See id.* at 38,810.

106. *Id.* at 38,814.

107. *Id.* at 38,810–12.

108. *Id.* at 38,810.

109. *Id.*

110. *Id.* at 38,815.

111. *Id.*

112. *Id.* at 38,815, 38,821.

113. *See id.* at 38,821.

114. *See id.* at 38,808–23.

A “safe harbor”¹¹⁵ provision, to be added to 37 C.F.R. § 1.56, has been proposed as well.¹¹⁶ Applicants would be protected from allegations of breaching their duty to disclose if they submit IDSs that are compliant with the new requirements and do so in good faith. Good faith in this context has been defined as “making reasonable inquiry” and having “a reasonable basis for the statement” made in the explanations, non-cumulative descriptions, and patentability justifications.¹¹⁷

In theory, disclosing references early and choosing to carefully disclose only the most important, non-cumulative references could save patent applicants the most time—assuming that triggering references can possibly be avoided. Unfortunately, in reality, because of the influence of early decisions on the development of later patent issues, the IDS situation is far more complicated than the PTO assumes.

II. SIDE EFFECTS FROM THE PTO’S SOLUTION

The Patent Office’s goals are noble, but the proposed rules effectively force applicants to make inopportune decisions early in the patenting process, which will resonate throughout the resulting patents’ lives. The problem discussion to follow covers the long-run harms of applicants adjusting their filing strategy to compensate for the proposed IDS rules. This strategy will inevitably be influenced by considerations of minimizing the monetary costs to applicants while maximizing the quality and scope of the patent claims, as well as attempting to avoid adding written prosecution history—a rich potential source for opponents’ allegations of inequitable conduct.¹¹⁸

The proposed IDS rules create sudden jumps in costs to applicants when the triggering thresholds are passed. Cost discontinuities occur in two forms. Applicants will have to pay the additional time and monetary costs to practitioners¹¹⁹ for producing viable and defensible “explanations,” “non-cumulative descriptions,” and “patentability justifications” for the IDS references.¹²⁰ Secondly, applicants will receive the burden of additional public correspondence between applicants and the PTO examiners—extra prosecution history that will stay with a patent’s record.¹²¹

115. In general, a “safe harbor” refers to a “provision (as in a statute or regulation) that affords protection from liability or penalty.” BLACK’S LAW DICTIONARY, *supra* note 17, at 1363 (second entry for “safe harbor”).

116. Changes to Information Disclosure Statement Requirements and Other Related Materials, 71 Fed. Reg. 38,808, 38,811–12 (July 10, 2006) (to be codified at 37 C.F.R. pt. 1).

117. *Id.* at 38,811, 38,820.

118. See, e.g., Letter from Thomas DiLenge, Vice President and Gen. Counsel, Biotech. Indus. Ass’n, to John J. Doll, Comm’r for Patents, U.S. Patent & Trademark Office (Sept. 12, 2006) (<http://www.uspto.gov/web/offices/pac/dapp/opla/comments/ab95/bio.pdf>) [hereinafter BIO letter]; Letter from Stuart L. Watt, Vice President and Law and Intellectual Prop. Officer, Amgen Inc., to John J. Doll, Comm’r for Patents, U.S. Patent & Trademark Office (Sept. 8, 2006) (<http://www.uspto.gov/web/offices/pac/dapp/opla/comments/ab95/amgen.pdf>) [hereinafter Amgen letter].

119. Alternatively, if applicants decide to prosecute *pro se*, there will still be the time costs.

120. Changes to Information Disclosure Statement Requirements and Other Related Materials, 71 Fed. Reg. at 38,810–12.

121. See Letter from P. Martin Simpson, Jr., Univ. Counsel for the Univ. of Cal., to John J. Doll, Comm’r for Patents, U.S. Patent & Trademark Office (Sept. 7, 2006)

Undoubtedly, because of the discontinuity in costs, applicants will actively seek to not trigger the additional disclosure requirements necessary for documents greater than twenty-five pages in length; documents written in foreign languages; documents discovered after the first IDS period; or all documents, if the total number of documents is greater than twenty.¹²²

Consider, for example, the discontinuity in cost to the applicants if the twenty-reference threshold is crossed. The resulting applicant burden could skyrocket from providing zero explanations to providing explanations for absolutely all references disclosed in the IDS.¹²³ This twenty-reference threshold effectively limits the number of prior art references that applicants will want to disclose. Unfortunately, the proposed rules have zero influence over the scope of references existing in the world that an applicant would have to disclose if known.

With triggering prior art available, enactment of the proposed rules and the disclosure requirements leave three main options for applicants: (1) stop looking at the prior art before the twenty-reference threshold is met and avoid viewing other triggering references;¹²⁴ (2) conduct a thorough prior art search, but disclose fewer known references in the IDS; or (3) conduct a thorough prior art search and provide any triggered additional disclosure to the PTO (and public). For applicants, each choice has serious downsides.

Many public comments submitted to the PTO regarding the proposed IDS changes suggest that the proposed rules will lead applicants to the first option—an intentional decrease in the thoroughness of applicant-sponsored patentability searches and understanding of the prior art. The PTO wants to encourage applicants to conduct patentability searches, narrow their findings to the most applicable references, and submit those references in IDSs; but instead, applicants will choose to remain intentionally uninformed.¹²⁵ To ensure sufficient ignorance, applicants will not opt to first find a large pool of references and then siphon that group down to the best seventeen or so.¹²⁶ Instead, prior art searches will be halted after the first seventeen-or-

(http://www.uspto.gov/web/offices/pac/dapp/opla/comments/ab95/univ_of_calif.pdf) [hereinafter UCal letter].

122. Changes to Information Disclosure Statement Requirements and Other Related Materials, 71 Fed. Reg. 38,808, 38,810–12 (July 10, 2006) (to be codified at 37 C.F.R. pt. 1).

123. *See id.* at 38,810.

124. *See* Letter from Thomas M. Spielbauer, Intellectual Prop. Counsel, 3M Innovative Props Co., to Jon W. Dudas, Under Sec’y of Commerce for Intellectual Prop. & Dir. of the U.S. Patent & Trademark Office 4 (Sept. 8, 2006) (<http://www.uspto.gov/web/offices/pac/dapp/opla/comments/ab95/3m.pdf>) [hereinafter 3M letter].

125. Letter from Greg H. Gardella, Chairman of the Intellectual Prop. Law Revisions Comm., Minn. Intellectual Prop. Law Ass’n, to Jon W. Dudas, Under Sec’y of Commerce for Intellectual Prop. & Dir. of the U.S. Patent & Trademark Office 2 (Sept. 6, 2006), (<http://www.uspto.gov/web/offices/pac/dapp/opla/comments/ab95/mipla.pdf>).

126. I say “seventeen or so” because strategically speaking, it seems logical that applicants, seeking to ensure that the total number of mandatory IDS citations will not exceed twenty, would want to leave some non-triggering IDS reference slots open for unexpected findings of prior art. For example, if a patent attorney finished her patentability search finding seventeen total references, and her inventor-client subsequently found another three sources needing to be disclosed, then the total number of sources would still not breach the triggering threshold of twenty. This “seventeen or so” cutoff number is an estimate and could vary. The number would be a function of the likelihood of unplanned prior art discoveries that would need to be

so references are discovered that could possibly be considered non-cumulative and “material to patentability.” Siphoning down a larger pool to a smaller group of the most “material” references would leave open the chance that there would be more than twenty references that could be argued to meet the required duty-to-disclose standards. However, instead of siphoning, with the ignorance approach the PTO will not get a succinct IDS list of the most valuable references. Instead it will only receive a list of the first seventeen-or-so that potentially meet the mandated-disclosure standards.

Unfortunately for applicants, the statutory standards are vague regarding which prior art information that courts consider required to be disclosed.¹²⁷ To make matters worse, the vital distinguishing standards of “not cumulative” and “material to patentability” are fact-specific terms of art. The standard for “material to patentability” only requires a low level of materiality to satisfy the threshold for inequitable conduct, and opponents in litigation have the benefit of hindsight.¹²⁸ Furthermore, “unless the documents are identical, the context of cumulative is subjective and open to the varying views of the beholder.”¹²⁹ After meticulously combing references known to the applicant, but not disclosed during prosecution, skilled attorneys in opposition to the patent holder will be able to argue that aspects of practically any discarded reference would have been material to a reasonable examiner. Therefore, to reduce the potential for misconduct allegations, a new level of cautiousness will inhibit inventors’ use of prior art, including applicant-sponsored patentability searches.

The ignorance approach would be far less efficient for applicants than the status quo under the current rules. With fewer, less material references, estimates of claim scope and boundaries by claim drafters will have to be made from a narrower perspective.¹³⁰ Less informed decisions regarding whether to proceed with patenting will be made, resulting in higher rates of error in planning decisions. Also, patent claims will be written with less knowledge of the prior art. More patents will be found unpatentable

disclosed. For purposes of this Note, the inexact number of “seventeen or so” will be used to illustrate the point that the strategically comfortable cutoff would likely be some number fewer than twenty, even if the PTO allows up to twenty.

127. See discussion *supra* Part I.A.

128. See 3M letter, *supra* note 124, at 2.

129. Microsoft letter, *supra* note 20, at 5 (“[T]he Rule 56 ‘materiality’ standard remains uncertain and there is no definitive standard for the applicant or for the court for determining what is non-cumulative.”) (internal quotation omitted); see also Letter from Manny W. Schecter, Assoc. Gen. Counsel of Intellectual Prop. Law, IBM Corp., to John J. Doll, Comm’r for Patents, U.S. Patent & Trademark Office 4 (Sept. 8, 2006) (<http://www.uspto.gov/web/offices/pac/dapp/opla/comments/ab95/ibm.pdf>) [hereinafter IBM letter] (noting that “cumulative” is an unclear standard); 3M letter, *supra* note 124, at 2 (noting that “cumulative” and “material” are both terms of art).

130. Cf. *supra* text accompanying notes 63-67 (explaining the applicants’ incentives to pay for optional patentability searches).

upon the extremely rigorous examination of high-stakes patent litigation.¹³¹ There will be a decrease in confidence and certainty in patent standing.¹³²

The second and third options for dealing with patent applications where triggering references are known provide footholds for litigation opponents employing the inequitable conduct defense.¹³³ Upon finding a triggering reference, the applicant must decide whether or not to fully disclose and meet the additional disclosure burdens. However, with the inequitable conduct doctrine, patent prosecutors are damned if they do and damned if they don't. For example, "[e]ach time an applicant submits only a portion of a reference, a skilled attorney will imply in litigation that something significant was omitted."¹³⁴ Conversely, "[e]ach explanation provided by an applicant as required under the proposed rules will be challenged as being inadequate or in error."¹³⁵ Finding triggering references will lead applicants to nasty outcomes either way.

Those choosing the third option, thorough patentability searches with full additional disclosures, will not necessarily be rewarded with the same presumption-of-validity "carrot" provided under the current system. Section 282 of the Code¹³⁶ will not be changed, but under the proposed system, applicants satisfying the additional disclosure requirements must specifically point to page and line numbers¹³⁷ within the cited IDS references. Those particular aspects of the prior art will be examined closely, but will the presumption of validity extend as strongly to the portions of the references not pinpointed? It is at least foreseeable that under the proposed rules, courts will only find narrow portions of cited references fully covered by the presumption of validity—as opposed to the more general, blanket presumption of validity under the current system that would have covered the whole of each reference cited in the IDS.

The threat of applicant impropriety under the proposed rules is a legitimate concern. The new rules shift the screening portion of the "burden to examine" from examiners without interest conflicts¹³⁸ to interested parties.¹³⁹ If triggering references are found,

131. See Letter from Susan Barbieri Montgomery, Chair, Am. Bar Assoc. Section of Intellectual Prop. Law, to John J. Doll, Comm'r for Patents, U.S. Patent & Trademark Office 3 (Sept. 12, 2006) (http://www.uspto.gov/web/offices/pac/dapp/opla/comments/ab95/aba_ipl.pdf) [hereinafter ABA letter]. Insufficient prior art search will lead to higher rates of invalidity or unenforceability.

132. See BIO letter, *supra* note 118, at 5. The proposed IDS changes will negatively affect patent confidence and certainty.

133. See ABA letter, *supra* note 131, at 3 ("[T]he proposed rules will expose Applicants to a possible greater risk of having to defend charges of inequitable conduct . . ."). The proposed rules would result in frequent unfounded allegations of inequitable conduct. See 3M letter, *supra* note 124, at 4. There are costs to applicants in the form of both inequitable conduct and prosecution history with the proposed rules. See UCal letter, *supra* note 121, at 1.

134. Amgen letter, *supra* note 118, at 2 ("[P]atent applications related to biotechnology inventions frequently involve IDS submissions of substantially more than twenty references. . . .").

135. *Id.*

136. 35 U.S.C. § 282 (2002).

137. Changes to Information Disclosure Statement Requirements and Other Related Materials, 71 Fed. Reg. 38,808, 38,814 (July 10, 2006) (to be codified at 37 C.F.R. pt. 1).

138. See IBM letter, *supra* note 129. Examiners have less of a conflict of interest than applicants.

the new rules create ethical conflicts for patent attorneys, “requiring them to take positions potentially adverse to their clients’ interests”¹⁴⁰ The regulation stating that IDS references are not an admission of materiality would be undermined because applicants would be required to explain the materiality of the references that they submit.¹⁴¹ This divergence of Office and practitioner incentives will fuel stonewalling and hurt candor.¹⁴² Thus the proposed IDS rules directly undercut the current policy meant to mitigate patent attorney conflicted interests.

The burden to deal with triggered additional disclosure requirements would fall disproportionately on the shoulders of knowledgeable inventors and those in the fields of highly published arts. From the start, patent applicants with differing knowledge and experience would not be treated the same because the duty to disclose does not distinguish between sources found in a patentability search and those already known.¹⁴³ Knowledgeable patent applicants would be at an inherent disadvantage because their preexisting knowledge of prior art would more likely include triggering references than the preexisting knowledge of more naïve applicants.¹⁴⁴ Furthermore, certain technology fields have more publications than others, resulting in a higher volume of relevant information “material to patentability.” The biotech industry, for example, is especially concerned about the ramifications of the proposed rules for this reason.¹⁴⁵ Searchers in “hot” fields would reach the twenty-reference threshold at a faster rate than searchers in less densely populated fields of art.

Perhaps as a way of compensating applicants for the increased burdens of the proposed IDS rules, the PTO has also proposed the safe harbor provision.¹⁴⁶ As explained above, to achieve safe harbor applicants must act in good faith and comply with the proposed rules. However, this proposed safe harbor does not actually add any new protection.¹⁴⁷ Proof of applicants acting in “good faith” alone would currently be sufficient safety, because the inequitable conduct defense requires deceptive intent.¹⁴⁸

139. See Letter from Mark G. Bocchetti, Dir. of the Patent Legal Staff, Eastman Kodak Co., to John J. Doll, Comm’r for Patents, U.S. Patent & Trademark Office 1–2 (Sept. 8, 2006) (<http://www.uspto.gov/web/offices/pac/dapp/opla/comments/ab95/kodak.pdf>) [hereinafter Kodak letter].

140. *Id.* at 1. The proposed rules would create ethical conflicts for patent attorneys.

141. See BIO letter, *supra* note 118. Limiting the number of IDS references effectively undermines 37 C.F.R. § 1.97(h) (2007), which states that including a reference in an IDS does not admit materiality.

142. For an analogous example, consider the lack of quality and forthrightness resulting from the incentives structure in discovery processes. See, e.g., Stephan D. Easton, *Can We Talk?: Removing Counterproductive Ethical Restraints upon Ex Parte Communication Between Attorneys and Adverse Expert Witnesses*, 76 IND. L.J. 647, 671–73 (2001) (“While formal discovery is one way to gather information . . . it has significant limitations. Chief among these limitations is the involvement of the other attorney. . . . [T]he attorney will often do everything she ethically can do to limit the amount of information that flows to her opponent.”); Charles R. Nesson, *Incentives to Spoliate Evidence in Civil Litigation: The Need for Vigorous Judicial Action*, 13 CARDOZO L. REV. 793 (1991).

143. See 37 C.F.R. § 1.56 (2000).

144. See ABA letter, *supra* note 131, at 4.

145. See BIO letter, *supra* note 118, at 4–5.

146. See discussion *supra* Part I.B.

147. See BIO letter, *supra* note 118, at 6.

148. See AIPLA letter, *supra* note 2, at 5 (“The proposed ‘safe harbor’ does not provide any

Furthermore, “the proposed safe harbor is an illusion”¹⁴⁹ because, as the recent Federal Circuit opinion in *Digital Control, Inc. v. Charles Machine Works* reiterated, courts are bound by judicial precedent, not the PTO’s administrative rules.¹⁵⁰ Thus, there is no guarantee that a court would even abide by the proposed safe harbor were it enacted.

Therefore, while the proposed rules might lighten the workload of the PTO,¹⁵¹ there is no such thing as a free lunch. There are harsh side effects to this approach. Applicants will pay the costs and then some. Attempts to hide from the triggering references will result in riskier strategic decision making and weaker patents. When triggering references cannot be avoided, applicants will be forced to choose between dishonesty, leading to allegations of inequitable conduct; or honesty, also inevitably leading to allegations of inequitable conduct.

III. LESS NOVEL AND MORE OBVIOUS APPROACHES

Fortunately, all is not lost. Many of the critical problems have been foreseen by forward-looking law firms, legal associations, companies, and individuals who have written to inform the PTO. There have been several clever ideas suggested which would meet the PTO’s goals without the harsh costs associated with the proposed plan. However, even if the proposed IDS rules are enacted by the PTO, the judiciary may still be able to mitigate the damaging effects. As a last resort, practitioners can take tactical steps to minimize the negative impacts. This Part suggests less drastic solutions for the PTO, advice for the judiciary, and coping tips for practitioners, should the proposed rules be enacted.

A. Suggestions for the PTO

Less procedural history would be created if the PTO would allow applicants to employ European-style relevance ratings¹⁵² to classify IDS references instead of longer written “explanations.”¹⁵³ Applicants could simply rank and rate their information using a number scale. While applicants would still be screening the IDS references and admitting materiality, there would be less written paperwork that later litigation opponents could use and there would be lower preparation costs required.

Another idea is to create a stronger “safe harbor” provision within 37 C.F.R. § 1.56.¹⁵⁴ A stronger safe harbor would clearly and undisputedly spell out what applicants would need to do to qualify for protection. However, even if the PTO were

safety not already accorded by court decisions.”)

149. *Id.* (internal quotation marks omitted).

150. 437 F.3d 1309, 1314–16 (Fed. Cir. 2006).

151. *See* Changes to Information Disclosure Statement Requirements and Other Related Materials, 71 Fed. Reg. 38,808, 38,809 (July 10, 2006) (to be codified at 37 C.F.R. pt. 1).

152. For example, relevance ratings of levels one to five, where one is the least “material to patentability.” *Cf.* European Patent Office, *Search Procedure*, <http://www.epo.org/about-us/jobs/working-at-the-epo/work-of-an-examiner/search.html> (providing an example of a letter-based rating system).

153. *See* Amgen letter, *supra* note 118 (proposing European style number ratings for IDS references).

154. Letter from Michael F. Morgan, Colgate-Palmolive Co., to John J. Doll, Comm’r for Patents, U.S. Patent & Trademark Office 2 (Sept. 6, 2006) (<http://www.uspto.gov/web/offices/pac/dapp/opla/comments/ab95/colgatepalmolive.pdf>) [hereinafter Colgate letter].

to provide such a provision, it would still need to be implemented by the judiciary.¹⁵⁵ Practitioners would want to be assured that there was a real benefit to be had for compliance.

The strict twenty-reference threshold proposal needs revision. One helpful suggestion for the PTO is to distinguish between electronically searchable documents and other prior art.¹⁵⁶ With modern computer search and screening techniques, electronically searchable documents would be less burdensome for the PTO to inspect. Also, to reduce the harm of the twenty-reference triggering threshold, the PTO could simply raise the threshold limit to a higher number.¹⁵⁷ Perhaps a threshold of forty or fifty references would allow applicants to perform a thorough patentability search without fear that they would inadvertently trigger the additional disclosure requirements. Having a threshold, albeit a higher one, would still discourage completely wasteful IDS filings, but would be less costly to knowledgeable applicants and those in fields of art where relevant publications are plentiful.

Arguably the ideal solution would meet the PTO's efficiency and quality goals with the minimal amount of change to the current, stable rules. This way, the harmful ramifications mentioned¹⁵⁸ and those that are unforeseen would be minimized. The time necessary for the patenting community to adjust to the subtle changes would be reduced with less novel and more obvious rules.

A better approach might be to ease into any new system. Perhaps small steps could gradually be applied toward a system-wide transition. If it became apparent that the new methods produced less than positive results, further adjustments or a change back to the prior rules would not be as costly. For example, the PTO's approach was first-rate when it participated in the "Peer-to-Patent Project," where the Office cooperated with small-scale tests of a new *inter partes* approach to patent examination.¹⁵⁹

155. Cf. *Digital Control, Inc.*, 437 F.3d at 1309–20 (maintaining judicial discretion for implementing C.F.R. rules).

156. See Microsoft letter, *supra* note 20, at 3 (proposing that the PTO distinguish between different reference formats by noting the difference between electronically searchable and not).

157. See NYIPLA letter, *supra* note 75, at 5 (proposing that the twenty-reference triggering condition be raised to at least fifty IDS references).

158. See *supra* Part II.

159. U.S. PATENT AND TRADEMARK OFFICE: 2007–2012 STRATEGIC PLAN 13 (2007), available at <http://www.uspto.gov/web/offices/com/strat2007/stratplan2007-2012.pdf> (“[I]n fiscal year 2006, the USPTO cooperated with a private sector-led group that chose to focus on so-called ‘peer review’ as a possible means of improving the quality of patent application packages received by the USPTO. Private sector-initiated and -led efforts may provide the USPTO with important data and feedback that will help us, as stewards of the public trust, improve patent, trademark, and other [intellectual property] systems for the benefit of all.”); The Peer to Patent Project: Community Patent Review, <http://dotank.nyls.edu/communitypatent/>; see also The Peer to Patent Project, Press Release August 29, 2006, http://dotank.nyls.edu/communitypatent/pressrelease_082906.html.

Instead of the PTO's Rube Goldberg¹⁶⁰ approach, Ockham's razor¹⁶¹ should be applied. One basic, yet effective, way to achieve the PTO's goals, presented by many independently commenting parties, is to simply raise the rates.¹⁶² Triggering references could cost applicants additional fees to compensate examiners for the added burden of inspection. Concepts such as prejudicial billing and variable rates are not new to the Office.¹⁶³ Once the twenty-document threshold is crossed, applicants could pay for each additional reference. Furthermore, triggering references over twenty-five pages in length, documents in foreign languages, and documents submitted after the first IDS period could each incur *pro rata* costs. This additional IDS filing fee system would be analogous to the current policy with regard to the costs of different types and numbers of patent claims.¹⁶⁴ Additional monetary IDS filing costs would deter wasteful submissions. But, if applicants wanted to err on the side of caution, they could opt to pay additional examination fees.

A corollary idea, to keep the costs to applicants down, is that the PTO could give applicants the choice of whether or not to have triggering references inspected. The PTO could opt not to inspect every submitted IDS reference.¹⁶⁵ Applicants could separate their most important twenty for inspection and examiners could choose whether or not to cover more. The presumption of validity¹⁶⁶ would simply not extend to the uninspected references. If issued patents listed all IDS references that were submitted and distinguished between which references were and were not inspected, then competitors to the patent holder could assume the burden of the additional examinations. Materially significant, unexamined references would also be available for opposing parties to submit for reexaminations by the PTO.¹⁶⁷

160. Originally the name of a popular American cartoonist who drew hilarious sketches of overly complicated inventions, "Rube Goldberg" appears in modern dictionaries as an adjective describing devices "accomplishing by extremely complex roundabout means what actually or seemingly could be done simply." WEBSTER'S THIRD NEW INTERNATIONAL DICTIONARY OF THE ENGLISH LANGUAGE UNABRIDGED 1983 (Philip B. Gove et al. eds., 1981) [hereinafter WEBSTER'S DICTIONARY]; see also The Official Website of Rube Goldberg, <http://www.rube-goldberg.com> (providing Rube Goldberg invention cartoon examples).

161. "[T]he philosophic rule that entities should not be multiplied unnecessarily." WEBSTER'S DICTIONARY, *supra* note 160, at 1561. Or, as said another way, "all things being equal, the simplest solution tends to be the best one."

162. Kodak letter, *supra* note 139, at 10 (proposing plan for applicants to pay an additional fee for excess IDS documents and late IDS submissions); IBM letter, *supra* note 129, at 5 (proposing plan for applicants to pay a fee proportional to the amount of documents exceeding a threshold number); cf. 3M letter, *supra* note 124, at 4 (proposing an option for applicants to pay more money for IDS documents over twenty or else follow the proposed requirements).

163. See, e.g., MANUAL, *supra* note 35, §§ 1.16, 608.01(i)(c) (fee differentiation). Monetary costs for claims differ depending upon the number and type of claims above certain threshold limits.

164. See BIO letter, *supra* note 118, at 10 (proposing an IDS document fee analogous to current claim fees).

165. See ABA letter, *supra* note 131 (proposing to not require the PTO to consider every cited IDS reference); cf. MANUAL, *supra* note 35, § 609.

166. 35 U.S.C. § 282 (2002).

167. 37 C.F.R. §§ 1.510–1.570 (2000).

B. Thoughts for the Judiciary

If the proposed rules are implemented, a second line of defense against the ill side-effects would be wise jurisprudence. With regard to the PTO's administrative rules, the judiciary has discretion. Both the Supreme Court and Federal Circuit have already demonstrated that they have the power to create doctrines¹⁶⁸ and the ability to disregard the C.F.R. rules of the patent system.¹⁶⁹ Furthermore, with implementation of a new system of PTO rules, there would be a justifiable reason for courts to amend their precedents and update the case law to create a new stability.

Changes to the IDS requirements are not fair unless they are accompanied by corresponding changes in the doctrine of equitable conduct.¹⁷⁰ One solution to the problems created by the proposed IDS rules would be for the judiciary to reduce the scope of actions that would qualify for the first prong of the inequitable conduct test. The requisite threshold levels of "materiality" and "intent" could be raised to reflect a patent system where the PTO actively seeks to receive twenty or fewer documents on an IDS. The intentionally deceptive culpability requirement could be raised to reflect the Model Penal Code's definition of "purposeful."¹⁷¹ Additionally, the judicial balancing in the second prong of the inequitable conduct test could take into account the change in burdens produced by any new IDS rules.

The judiciary could help patent applicants by developing a test to clearly identify which references are "material to patentability" and "not cumulative." "Material to patentability" for nonobviousness determinations could be presumed limited to references that teach a minimum of at least two claim elements or limitations.¹⁷² "Cumulative" could be presumptively defined as any two references that teach the same claimed elements. Any reference that teaches elements A, B, C would be cumulative to any reference that teaches A, B, C, and D. With clear, judicially supported standards, the uncertainty in the determination of which prior art would necessarily be included in an IDS would dissipate.

A third judicial solution would be to increase the cost to defendants for making unsubstantiated allegations of inequitable conduct—and disincentivize abuse of the duty of candor's "stick."¹⁷³ For example, perhaps a defendant alleging inequitable conduct would have to post a bond, similar to the requirement in corporate law derivative suits, used to prevent allegations for nuisance settlements.¹⁷⁴ Also, courts

168. For example, courts created the doctrine of inequitable conduct. *See* Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co., 324 U.S. 806 (1945) (setting forth the policy justifications for the inequitable conduct doctrine); *Digital Control, Inc. v. Charles Mach. Works*, 437 F.3d 1309, 1315 (Fed. Cir. 2006) (explaining the history of the inequitable conduct doctrine).

169. *See Digital Control, Inc.*, 437 F.3d at 1316–20.

170. Amgen letter, *supra* note 118, at 3.

171. MODEL PENAL CODE § 2.02(2) (defining the various levels of culpability).

172. I recommend the number two because case law already holds that prior art teaching two elements of a claim can be deemed material to patentability, despite the fact that the prior art can not invalidate the patent alone. *See Critikon Inc. v. Becton Dickinson Vascular Access Inc.*, 120 F.3d 1253, 1255–59 (Fed. Cir. 1997). This bar is low enough.

173. *See supra* notes 71–97 and accompanying text.

174. *See, e.g.,* N.Y. BUS. CORP. LAW §§ 626, 627 (2003).

could more actively discourage those who would present unsubstantiated or thinly supported inequitable-conduct allegations by more stringently sanctioning attorneys who recklessly misapply the doctrine.

C. Ideas for Practitioners

If the proposed IDS rules are enacted by the PTO, it may take some time for the judiciary to adjust. In the interim, it may be necessary for practitioners to be creative—to test the boundaries of the new rules.

IDS references can be tailored not to trigger. The proposed rules are triggered by quantitative values of information that do not necessarily have a fixed format. The concept of how much information fills precisely twenty-five pages is not clear.¹⁷⁵ As many present-day students have discovered, concepts such as strict page limits are antiquated. For example, through the miracle of the cut-and-paste feature in Microsoft Word, the sentence “This is an experiment.” was easily replicated over and over again. One hundred pages of double-spaced, twelve-point text in the Times New Roman font equated to just over thirty-five pages of the same text when single-spaced in ten-point font. Today, scanning, cutting-and-pasting, and font shrinking can be easily and effortlessly done.

Another loophole in the rules is that applicants may be able to publish their own “conglomerate” prior art documents, composed of several smaller reference sources.¹⁷⁶ For example, it would not be too hard to literally combine twenty single-page references into a combined document. The conglomerate document could then be “published” on the Internet with each internal reference clearly citing its original source and date of publication. The conglomerate document would make each of the original, smaller sources “cumulative” and no longer needed to be individually listed in the IDS. Theoretically, twenty conglomerate documents, each containing twenty-five pages of shrunken, cut-and-pasted prior art references could literally allow an applicant to submit the same information to the PTO as would be present in hundreds of references and still not trigger the additional disclosure requirements.

Applicants should be careful to not overly exploit ambiguities in the rules by excessively “tailoring” references. If formatting tactics are abused by applicants, it is likely that the PTO will step in and provide stricter guidance. If the approach is grossly abused, such that material information was intentionally hidden, then the result might still be allegations of inequitable conduct, putting the enforceability of any resulting patent in jeopardy.

Another approach practitioners could take to minimize the risks of inequitable conduct would be to farm out patentability searches to specialty search firms.¹⁷⁷ Applicants could specifically instruct the search firm to return a set number of documents containing the most relevant prior art. However, the danger with this approach might arise from the 37 C.F.R. § 1.56 rule that the duty to disclose applies to

175. See Colgate letter, *supra* note 154, at 3 (seeking PTO clarification with regard to what exactly constitutes “twenty-five pages”).

176. This idea stems from an interview with an Indianapolis patent attorney who shall remain anonymous.

177. See, e.g., *supra* note 41 (the “Hawk”).

all “individuals associated with the filing or the prosecution.”¹⁷⁸ It is not clear whether specialty patentability search firms would necessarily qualify. Disassociating the separate search firm from the application might be possible if specific details of the actual invention were not provided to the searcher.

If practitioners are forced to deal with the proposed IDS rules, they would be well advised to develop consistent processes for dealing with patentability searches and controlling triggering prior art references. The processes should be generally effective in retrieving sufficient information for claim drafting and scope estimation, but also be above reproach.

CONCLUSION

Information Disclosure Statements and the patent applicants’ knowledge of prior art are closely linked to the quality of patent drafting and any resulting patent’s ability to be successfully enforced in court. Current IDS practices are not working for the Patent and Trademark Office. The PTO has proposed a novel set of IDS rule changes intended to lighten the workload of the PTO. But, their costs would be extremely high. The proposed rules are too untested and leave open too much potential for harmful side effects to be trusted for implementation in all future U.S. patents.

Fortunately, the proposed rules can still be amended to minimize the harms created for applicants. The PTO should aim to be less novel and more obvious in their approach. Perhaps the best way to achieve the PTO’s efficiency and quality goals would be to take a simple approach. Give applicants the option to pay additional examination fees in order to compensate the PTO for the added burden of “triggering” references. While the judicially created inequitable conduct doctrine is a major source of stress for those concerned with the future implementation of the proposed IDS rules, it is the judiciary itself that can adjust the doctrine to compensate for any new burdens to applicants. In the meantime, it will be up to patent practitioners’ ingenuity to create useful coping tactics to protect their clients and keep the U.S. patent system on track.

178. 37 C.F.R. § 1.56(c) (2000).