

# The Limited Monopoly™

## Appeals in Patent Prosecution - Another Way to Cut the Deck

by John Hammond, PE and Robert Gunderman, PE

### Reaching the Appeal Decision Point

As regular readers of this column know, after a patent application is filed, a series of proceedings known as prosecution<sup>1</sup> occurs between the Applicant (typically represented by a Patent Agent or Patent Attorney) and the USPTO. In prosecution, the application is considered by a Patent Examiner and a determination is made on whether or not to grant a patent on the invention as defined by the claims.

An early key step in prosecution is the issuance of an Office Action “on the merits,” in which the patentability of the claims is considered by the Examiner in view of any prior art that he finds in a search, or that he receives from the Applicant<sup>2</sup>. In the Office Action, some or all of the claims of the application may be rejected. The Applicant then responds with amendments to the claims and/or arguments which attempt to rebut the Examiner’s rejections. In the best of circumstances, the amendments/arguments are fully persuasive, and a Notice of Allowance is issued. After payment of an “issue fee” in the Patent Office, the Applicant is then granted a patent.

Unfortunately for Applicants, it is all too common to receive a second (usually Final<sup>3</sup>) rejection of the claims. This may occur if the Examiner finds the arguments “not persuasive,” and/or if the Examiner does further searching (often in view of amendments made to the claims), and finds new prior art upon which to make new claim rejections. Applicants who find themselves in this situation have reached a decision point. In accordance with the rules<sup>4</sup> of the Patent Office that govern appellate practice, an Applicant whose claims in a patent application have been twice rejected “may appeal from the decision of the Examiner to the Board of Patent Appeals and Interferences.”

### So Now You Can Appeal. Should You?

Whether or not to appeal is a judgment call – and it’s often not an easy one. There are a number of factors to be considered, including the scope of claims you may ultimately obtain, the likelihood of success of the Appeal, the effect of ongoing prosecution on any patent that may issue, appeal costs and timing, and the human factor – how interactions with the Examiner have gone so far. The following is a brief summary of how these factors may play in the decision to appeal; obtaining the advice of a qualified patent practitioner is important in making this decision.

- Scope of claims: In the second (or later, but most current) Office Action, there may be a finding that some of the claims contain allowable subject matter. What this means is that at least some measure of patent

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protection is available on the invention(s) disclosed in the application, as defined by those claims. If those claims are sufficiently broad so as to provide protection of something that is commercially valuable, then instead of appealing, it may make sense to cancel the rejected claims in order to obtain an allowance of the application. Following this course of action will likely result in obtaining an issued patent in about six months with those allowable claims. A key aspect of this

strategy is that you can always file a continuation application before the patent issues, and continue to pursue the broader claims that you canceled previously.

- Likelihood of success: In many instances, the Examiner’s rejections of the claims are justified and well founded. However, sometimes they are not. Examiners are not infallible, and they are under considerable time pressure to move cases through their dockets. Under these circumstances, the Examiner may not fully understand the invention and how it is different from the prior art, or may misinterpret a reference or interpret it too broadly, or may misapply the statutes in making a rejection. With the assistance of your practitioner, you should be able to develop a strong sense of whether you have solid grounds for an Appeal and are likely to have the Examiner’s rejections overturned. Additionally, sometimes the filing of an Appeal with a well crafted Appeal Brief can motivate the Examiner to reconsider, and allow the application. In any event, solid grounds for an Appeal are critical. According to the USPTO website<sup>5</sup>, in FY2010, only about 30% of Appeals resulted in a complete reversal of Examiner’s rejections; in 49% of cases, Examiners were affirmed, and in 14%, Examiners were affirmed-in-part.
- Effect on any patent to issue: According to Patent Office policy, proceedings in an application are to occur according to principles known as “compact prosecution.” This means that a determination of patentability in an application is supposed to occur with as few Office Actions and Responses as possible – ideally in just one cycle. Unfortunately, sometimes an application falls into a pattern of repeated cycling: the Examiner rejects, the Applicant replies with arguments

and/or claim amendments, the Examiner rejects again (usually on new grounds), the Applicant replies again, and on it goes. From a legal standpoint, this is particularly undesirable. The more arguments that are present in the file history of an issued patent, the more likely that something is there that may affect the scope of the patent claims in the event that the patent is ever litigated. Under “prosecution history estoppel,” there may be a statement made in the Applicant’s arguments that can be used to limit the scope of the claims. Worse yet, some statements may be used as the basis for opposing counsel to attempt to invalidate a patent or argue it as being unenforceable due to inequitable conduct. Thus an Appeal may be the best way to avoid this repeated cycling in prosecution.

- Costs and timing: Because of rigorous documentation requirements in appellate procedure, and the option to have an oral hearing, an Appeal is expensive to prosecute. The time to a final decision is also long. In FY2010, it took an average of 29 months from the Applicant’s filing of a Notice of Appeal to a final decision in the Patent Office<sup>6</sup>. Thus an Appeal costs significantly more, and takes longer than the alternative of simply filing another Response to the Office Action, which is typically on a four to six month cycle. However, if an application falls into the repeated Office Action/Response cycle described above, it quickly becomes apparent that after one or two such cycles, an Appeal would have been a better choice.
- The human factor: Before making any decision on filing an Appeal, conducting an interview<sup>7</sup> with the Examiner is a good strategy. You and your patent practitioner may be able to reach agreement with the Examiner that a given rejection was improper, or that some amendment of the claims that does not unduly narrow them will render the application allowable, thereby sparing all parties the time, effort, and expense of an Appeal. If no such agreement is reached, another outcome is that you and your patent practitioner may get a sense that the Examiner is being unreasonable and is predisposed to rejecting any claims in the application, regardless of how they are amended or argued. Under those circumstances, the repeated Office Action/Response cycle is a likely outcome, and so an Appeal may be the best strategy.

It is easy to see how all of these factors make the decision to appeal a difficult one, with considerable uncertainty. Applicants who reach this fork in the patent prosecution road often feel that it is a Morton’s Fork: they like neither alternative. (Nonetheless, picking one is usually better than acting like Buridan’s Ass<sup>8</sup>, and letting the application become abandoned.)

## Appellate Procedure

As noted above, when the claims in an application have been twice rejected, the Applicant may file an Appeal to the Board of Patent Appeals and Interferences (BPAI). The rules for the timing, form, and content of an Appeal are complex and stringent, and if the required Appeal Brief is found “non-compliant,” the Appeal will be denied. The Applicant (now the Appellant) will be given a fixed period of time to correct the deficiencies and resubmit the Brief. If the Appeal is granted, it is considered by a three-member panel of administrative patent judges.

The appellate process begins with the filing of a Notice of Appeal, along with, or followed by, an Appeal Brief. Before filing the Appeal, an Appellant has the option of requesting a Pre-Appeal Brief Conference. This is a final option to avoid going to Appeal, in which the Appellant files a brief statement of the alleged errors in the claim rejections and why they ought to be withdrawn. The statement is considered by a panel of Examiners, including the Examiner of record.

Presuming the PABC is not successful, the next step is the filing of the Appeal Brief. There are eleven specifically required sections<sup>9</sup> in an Appeal Brief. The especially critical sections in winning the Appeal are “Summary of Claimed Subject Matter,” “Grounds of Rejection to Be Reviewed Upon Appeal,” and “Argument.” While all sections are required, and must be presented in the exact prescribed format, these three sections are key to a successful Appeal.

After the Appeal Brief is accepted, the Examiner may then file an “Examiner’s Answer” to the Brief, with arguments supporting the propriety of his rejections. The Answer may also include a new ground of rejection. If this occurs, the Appellant may either request that prosecution be reopened by the Examiner, or that the Appeal be maintained. The Appellant may file a Reply Brief to the Examiner’s Answer, addressing the new ground of rejections (if any), as well as the other arguments made in the Answer. The Examiner may file a supplemental response to the Reply Brief, and if that is done, the Appellant may file a final Reply Brief to the supplemental response. (It is easy to see why an Appeal may take several years if all briefing options are exhausted.)

At this point, the Appeal is docketed to the three-judge panel. The Appellant may also request an oral hearing, in which the case is argued before the judges in court. In this instance, the Examiner may also appear before the panel to argue the grounds for his rejections. The judges may rule in favor of the Appellant, they may affirm the findings of the Examiner, or they may remand the application back to the Examiner for further action. They may also split a decision, ruling in favor of the Appellant on some of the claims, and affirming the Examiner’s findings on others. If the Appellant loses some or all of the Appeal, it may then be brought before the Court of Appeals for the Federal Circuit (CAFC). It is possible to ultimately appeal a patent case all the way up to the Supreme Court, although that is very rare.

## Proceed with Caution

An Appeal of a patent case before the Board of Patent Appeals and Interferences is a complex and challenging task, with many factors and uncertainties to consider. However, it can be an essential tool in advancing prosecution of a patent application, and in an overall patent strategy, particularly where multiple related applications are pending. Your patent practitioner can advise you on your options, and how they align with your IP and business objectives.

1. See also [“The Limited Monopoly,” March 2009](#)
2. See also [“The Limited Monopoly,” December 2006](#).
3. See also [“The Limited Monopoly,” September 2010](#).
4. 37 CFR §§41.30 – 41.54.
5. See <http://www.uspto.gov/ip/boards/bpai/stats/receipts/index.jsp>.
6. See [http://www.uspto.gov/ip/boards/bpai/stats/perform/fy\\_2010\\_performance\\_measures.jsp](http://www.uspto.gov/ip/boards/bpai/stats/perform/fy_2010_performance_measures.jsp)
7. See also [“The Limited Monopoly,” September 2008](#).
8. See [http://en.wikipedia.org/wiki/Buridan%27s\\_ass](http://en.wikipedia.org/wiki/Buridan%27s_ass)
9. MPEP §1205.02.

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School of Photographic Arts and Sciences  
Rochester Institute of Technology  
<http://people.rit.edu/andpph/>

*Authors John M. Hammond P.E. (Patent Innovations, LLC [www.patent-innovations.com](http://www.patent-innovations.com)) and Robert D. Gunderman P.E. (Patent Technologies, LLC [www.patenttechnologies.com](http://www.patenttechnologies.com)) are both registered patent agents and licensed professional engineers. They offer several courses that qualify for PDH credits. More information can be found at [www.patenteducation.com](http://www.patenteducation.com). Copyright 2011 John Hammond and Robert Gunderman, Jr.*



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