



July 9, 2024

Katherine K. Vidal
Under Secretary of Commerce for Intellectual Property
Director, United States Patent and Trademark Office
600 Dulany Street
Alexandria, VA 22314

Center for American Principles Comments on the USPTO's Notice of Proposed Rulemaking re Terminal Disclaimer Practice to Obviate Nonstatutory Double Patenting (Docket No. PTO-P-2024-0003) Dear Director Vidal:

Dear Director Vidal:

On behalf of the Center for American Principles, I would like to thank you for the opportunity to comment on the *USPTO's Notice of Proposed Rulemaking re Terminal Disclaimer Practice to Obviate Nonstatutory Double Patenting*.

The Center for American Principles works tirelessly to protect the personal freedoms and civil liberties of Americans, including the free enterprise system that has made this country so prosperous.¹ Before serving as the president of this organization, I managed various issue advocacy and political campaigns fighting to preserve the U.S. system of free markets from misguided policy initiatives that undermine our prosperity and freedom.² This proposed new framework is a direct threat to U.S. innovation and we recommend it be immediately withdrawn.

The USPTO's stated goal underlying the Proposed Rule is to reduce costs for patent challengers by enabling such challengers to invalidate multiple patents by proving one claim within a linked portfolio is anticipated or obvious. This approach is both ill-advised and improper. It favors accused infringers and patent challengers over the patent owners, technology investors, and licensees who depend on the statutory presumption of patent validity to invent, protect, and deploy innovations. The USPTO's approach will only weaken the United States' innovation ecosystem, which was founded and relies heavily upon patent-incentivized investments.

Fundamental research (often small business-driven) is the bedrock for future products and economic growth. Breakthrough scientific discoveries are not made in a vacuum; incremental research progress, and the means to protect it, are necessary steppingstones to achieve applied research and viable innovations. Entrepreneurial partners and investors advance innovations

¹ <https://www.centerforamericanprinciples.org/>

² https://www.centerforamericanprinciples.org/?page_id=218

through further development, scale up, testing, and regulatory approvals to ultimately achieve commercialized products and services for the marketplace. Our patent laws and infrastructure are designed to support this national innovation ecosystem because the long run return is the “well-being of the United States economy; United States workers; our communities; and our national security.”³ By discouraging the filing of continuation applications on incremental and patentable research innovations, the Proposed Rule will force small inventors to choose between (i) delaying confidential disclosures to potential partners until all reasonable permutations and improvements to an invention are completed, potentially to the detriment of further technology development and first-to-market advantages; or (ii) disclosing research progress and potentially foregoing patent protection on later developments. The latter choice eliminates opportunities for private investment, development, and market introduction of new products based on such results, even if such results are functionally superior to the claims within the original/parent application. As a result, improved products and services that would benefit the public will not be commercially developed. For science to progress, inventors must share their creations rapidly through protected disclosure. For the general public to enjoy the fruits of innovation, the investments necessary to cultivate them hinge upon the time-limited, legal exclusivity to inventions secured by our patent system. Consistent with our commitment to the progress of science, our country’s innovation policy infrastructure promotes both private and government funding for early-stage research and rewards patent-driven investments as necessary components of strengthening U.S. competitiveness.

As evidenced by the Proposed Rule, however, the USPTO seems to be willingly moving in the opposite direction. It will do nothing but hamper the ability of small inventors to obtain patent protection of early-stage technologies and properly maintain them throughout the course of their developmental lifecycle due to the increased complexity of patent prosecution associated with the Proposed Rule and, relatedly, the increased costs associated with the recent fee changes. Should the Proposed Rule go into effect, the relatively simple process of using a terminal disclaimer (TD) to obviate obviousness-type double patenting (OTDP) rejections will be replaced with more complex and costly prosecution tactics, including claim amendments, provoking restriction requirements, and vigorously attempting to traverse any and all OTDP rejections.

When early-stage research leads to patentable early-stage technologies, it is difficult—usually impossible—for the small inventor to predict the most effective and publicly beneficial applications of their inventions (i.e., the ultimate products and services). Rather, the small inventors continue their work, and as they make improvements, they collaborate with patent practitioners and technology transfer professionals to protect the improvements they make and to find and work with industry partners to test the potential applications of the new research and develop products for the most promising applications. The new products for the most promising applications are covered by continuation patents and may appear to cover only obvious variants of the base technology. Those final incremental improvements, however, are often the difference between blockbuster products and ones that are utterly unsuccessful in the marketplace.

³ EO 14104 on “Federal Research and Development in Support of Domestic Manufacturing and United States Jobs,” 88 FR 51203-08, 51203 (July 28, 2023).

Moreover, it is not possible to know when the patent applications covering such innovations will be discovered or issue as patents. The new continuation fee structure penalizes later found inventions by progressively and dramatically increasing the filing fees on later filed continuation applications. By devaluing any later-issued patents that include a TD, the Proposed Rule disrupts this process and removes incentives for developing the most promising (but now less valuable) patented technologies. Notably, this will not harm the well-established and well-funded companies whose products benefit from first-mover advantage and substantial marketing capabilities. Thus, the Proposed Rule disproportionately harms small inventors and the under-resourced start-ups and small businesses that most often license their technologies.

As a result, and despite claims to the contrary, the Proposed Rule will hinder market entry, rather than remove barriers. It will also harm the public through diminished consumer choice and higher prices due to reduced competition. For example, if a small business-owned patent portfolio that includes terminally-disclaimed patents is licensed exclusively to two companies with each company licensing a different field of use (e.g., exclusivity for energy exploration for Licensee A and exclusivity for manufacturing use for Licensee B), a competitor of Licensee A can kill the patents upon which Licensee B relies. Importantly, this is true even though the competitor is not challenging Licensee B's patents and has no interest in using—and no intention to use—the technology for veterinary applications. This creates a situation where Licensee B cannot reasonably rely on the enforceability of the issued patents in the veterinary field and thus has little incentive to develop the federally funded innovation underlying those patents. Without the incentive, the new products and services never come to fruition.

In sum, Center for American Principles urges the USPTO to immediately withdraw the Proposed Rule. We appreciate the opportunity to provide comments on this NPRM, and we look forward to continued productive dialog on this and other matters critical for American innovation.

Sincerely,

Anthony Zagotta
President
Center for American Principles