



The Problem with Finality: A Historical Perspective

In this series of articles, I will look at Finality as the U.S. Patent & Trademark Office applies it, why I think the test as currently applied does not work, and how the test might be properly applied.

Anyone who has been involved with trying to get a patent issued by the U.S. Patent & Trademark Office has run into that well-known bogeyman called the Final Office Action. But for those who do not know what a Final Office Action is, let me give a little background.

Office Action Overview

After a patent application is filed, an Examiner at the U.S. Patent & Trademark Office reviews the application, with particular focus on the claims, which provide the legal description of the invention. The Examiner then performs a search to identify what prior art there might be that is relevant to the invention. Assuming that the Examiner finds a reason to reject even one claim—either because of the located prior art or for other reasons—the Examiner will then issue an Office Action, which is the Examiner’s explanation why the invention is not considered patentable. (In practice, an Office Action is mailed in most cases: my experience is that perhaps 20% of first Office Actions indicate that there is even one claim that the Examiner considers to be allowable, and a much smaller percentage of cases are allowed after the Examiner first reviews the application.)

The Applicant then has an opportunity to respond, explaining why the Applicant disagrees with the Examiner’s rejection. The Applicant can also amend the claims, changing (usually narrowing) the scope of the invention. The Examiner then reviews the claim amendments, considers the Applicant’s arguments, and decides whether the application is now in condition for allowance. This may well entail a new search of the prior art by the Examiner. If the Examiner still has a reason to reject any claims in the application, the Examiner will issue a second Office Action. And most of the time, that second Office Action is called a Final Office Action.

Despite its nomenclature, a “final” Office Action is not the end of the road for the patent application. Instead, all that the term “final” means is that the Examiner considers his part of the process complete. The Applicant still has options he can pursue after a Final Office Action (aside from abandoning the patent application). The Applicant can attempt to persuade the

Examiner that the Office Action should not have been made Final; the Applicant can attempt to amend the claims further¹; or the Applicant can appeal the Examiner's rejection².

A Brief History

The concept of the Final Office Action originated more than 30 years ago. I do not have personal or even second-hand knowledge about why Finality was added to the rules, but I have a theory³. At the time, the U.S. laws on patents were a little different from those in existence today. Back then, patent applications were not published in the U.S.: they only became public upon issuance⁴. This fact meant that as long as the application was kept pending, no-one would know about the existence of the application. In addition, patent term was measured from the date the patent issued⁵. This fact meant that the term of the patent did not depend on how long the patent application was pending.

Some Applicants at the time figured out that the rules permitted the Applicants to file patent applications covering products that they expected would be manufactured in the coming years. They would wait until the products in question were being produced, then they would let their patents issue and sue the product manufacturer or seller for patent infringement. Since the manufacturer or seller would not want to close down their business, the manufacturer or seller would then agree to pay the Applicant for a license to operate under the patent. This technique of keeping a patent application pending only to have it surface when it was useful was colloquially referred to as a "submarine patent".

The difficulty lay in keeping the patent application pending until the products in question were being manufactured. The U.S. Patent & Trademark Office might not have cared much

¹ Amendment After Final is subject to its own set of rules. Broadly speaking, an Applicant does not have a right to amend the claims after a Final Office Action, although if the amendment will either put the application in condition for allowance or reduce the issues that would be subject to appeal, Examiners generally are willing to enter an Amendment After Final.

² Before an Applicant can appeal to the courts, the Applicant must proceed with an administrative appeal before the Patent Trial and Appeal Board (PTAB).

³ My theory is based on my reading of [Manual of Patent Examining Procedure \(M.P.E.P.\) § 706.07](#).

⁴ Publication of patent applications was introduced in the [American Inventors Protection Act of 1999 \(AIPA\), Public Law 106-113](#).

⁵ The Uruguay Round of the Global Agreements on Tariffs and Trade (GATT) took effect in the U.S. on June 8, 1995, and measured the expiration of a patent as 20 years from its earliest effective filing date. Prior to the Uruguay Round of GATT, the term of a patent was 17 years from the date of issuance.

about manufacturers or sellers being sued for infringement of submarine patents⁶, but neither did they actively assist Applicants in keeping patent applications pending. At the time (and continuing today), the U.S. Patent & Trademark Office wanted patent applications to be examined efficiently and, once examination was complete, to issue promptly.

These Applicants solved the problem of how to keep a submarine patent “submerged” by continually amending the claims of the patent application. By amending the claims of the patent application, the Applicants would repeatedly change what they considered their invention to actually cover. The Examiner would then have to perform a new search, find new prior art, and issue a new Office Action. If by chance the Examiner indicated the claims were allowable and was unwilling to let the Applicant amend the claims again (amendment after allowance is more limited than amendment after an Office Action), the Applicant could just file a new application with the same (or slightly modified) claims. This procedure let Applicants keep their submarine patents “submerged” without having to spend too much money.

The Examiners, of course, figured out what was happening and alerted management at the U.S. Patent & Trademark Office. The Examiners argued that there were patent applications that never left their desks: no matter what they (the Examiners) did, the Applicants would just amend the claims again and force a new Office Action from the Examiners. And the average age of the applications on the Examiners’ desks was getting older because there were some patent applications that were not going away (either by being abandoned or by being issued).

Now, I don’t think that submarine patents were a huge problem. My personal opinion is that the vast majority of patent applications were proceeding to issuance in a timely manner. But since 1973, there have been more than 100,000 patent applications filed each year⁷. If even 1% of the filed patent applications were being used as submarine patents, there would be more than 1000 submarine patent applications per year. The U.S. Patent & Trademark Office was bound to take notice eventually.

⁶ I am certain that the U.S. Patent & Trademark Office cared somewhat about the existence of submarine patents, just as the U.S. Patent & Trademark Office is concerned today with the existence of what are commonly referred to as “patent trolls”. But the U.S. Patent & Trademark Office does not let these specific concerns dominate their focus.

⁷ [U.S. Patent Statistics Chart, Calendar Years 1963-2015](#). The number of patent applications filed each year has grown steadily: in 2015, almost 630,000 patent applications were filed with the U.S. Patent & Trademark Office.

The “Solution” to Submarine Patents

I think the concept of the Final Office Action was the U.S. Patent & Trademark Office’s response to the issue of submarine patents. The U.S. Patent & Trademark Office promulgated a rule that read, in part: “On the second or any subsequent examination or consideration by the examiner the rejection or other action may be made final...”⁸.

But when are Examiners supposed to make an Office Action “final”? The instructions can be found in the Manual of Patent Examining Procedure (M.P.E.P.): “Second or any subsequent actions on the merits shall be final, except where the examiner introduces a new ground of rejection that is [not] necessitated by applicant’s amendment of the claims...”⁹.

So how did this solve the problem? Broadly speaking, this rule permits Examiners to make an Office Action Final if the Examiner merely repeats the previous ground of rejection, or if the Examiner was forced to use a new ground of rejection because the Applicant amended the claims. So an Applicant who was attempting to keep a submarine patent submerged by amending the claims would then be faced with a Final Office Action, after which he likely would not be able to amend the claims further—at least, not without paying a fee to the U.S. Patent & Trademark Office¹⁰. And if the Applicant paid the appropriate fee and followed the correct procedure, the original application was effectively closed and a new application was opened in its place.

As a rule, I think Examiners like the concept of Finality. Even if an Applicant follows the correct procedure to request the Examiner continue reviewing the patent application after a Final Office Action (which means that the Examiner might have the same number of matters on his or her desk), the average age of the patent applications is reduced, which makes the Examiner look more efficient. And, after all, every Examiner wants to look efficient to his or her supervisor.

⁸ This language is part of the current version of [37 C.F.R. § 1.113](#), which has been amended a number of times since it was first promulgated.

⁹ [M.P.E.P. § 7.06.07\(a\)](#). The rule includes additional instructions to Examiners about when to make an Office Action “final”: the quoted language is the pertinent portion for this series of articles.

¹⁰ Over the years, the procedure an Applicant has needed to follow after receiving a Final Office Action has varied. Originally, the Applicant filed what was called a continuation application, and this option remains possible today as well. Eventually, the U.S. Patent & Trademark Office offered what was called Continued Prosecution Applications (CPA). The current practice involves filing a Request for Continued Examination (RCE). There are technical differences among the three approaches, but all involve paying the U.S. Patent & Trademark Office a fee roughly comparable to the cost to file a new patent application.

Counting Down

On a related note, the U.S. Patent & Trademark Office is also interested in tracking the productivity of its Examiners, to ensure they are earning their pay. And while the average age of an Examiner's docket is a possible measure, it is not the most accurate. Instead, the U.S. Patent & Trademark Office uses what is called the Count System¹¹. Under the Count System, an Examiner gets a certain number of "counts" for work done on a patent application.

At the time the concept of Finality was introduced, an Examiner received one count for issuing the first Office Action in an application, and one count when the application went abandoned or was allowed¹². Note that the Count System did not award the Examiner any counts for a second (or later) non-Final Office Action¹³: these were essentially "freebies" to the Applicant. Therefore, Examiners were motivated¹⁴ to avoid issuing any Office Actions other than the first Office Action and a Final Office Action. And in practice, it is uncommon for an Examiner to issue a second non-Final Office Action: many Examiners will seize any excuse they can find to justify making an Office Action "final".

¹¹ The Count System was first implemented in 1976, and remained unchanged until 2010, when the current version (which introduced relatively minor changes) went into effect: *see* footnote 12 *infra*.

¹² In an effort to reduce the number of RCEs filed, the [Count System was modified](#) somewhat starting in 2010. An Examiner now receives 1.25 counts for the first Office Action in a patent application, 0.25 counts for a Final Office Action, and 0.5 counts for an allowance or an abandonment. After an RCE, the counts are the same, except that the Examiner only receives 1 credit for the first Office Action after the first RCE, and only 0.75 credits for the first Office Action after any subsequent RCEs.

One of the stated objectives of the new Count System was to reduce the number of RCEs filed. In my opinion, the changes to the Count System were unlikely to actually have any impact on the number of RCEs filed: any reduction in the number of RCEs filed would be a result of other factors. Note that under either the original or revised Count System, the Examiner receives a number of credits for forcing the Applicant to file an RCE. If the case is then in condition for allowance, the Examiner can immediately proceed to allow the application, further increasing the number of counts they receive.

In addition, the cost to file a first RCE is only slightly less than the cost to file a new application (ignoring fees for extra claims or extra independent claims); the cost to file a second or subsequent RCE is greater than the cost to file a new application. For financial reasons alone, an Applicant is likely to prefer to file a new application over a second RCE. And since a new application brings an Examiner more counts than an RCE, the Examiners would prefer this approach as well. So Examiners (and the U.S. Patent & Trademark Office as a whole) are motivated to have additional applications filed, rather than RCEs being filed.

¹³ Technically, Examiners did not receive a count for the Final Office Action itself, but rather when the patent application was either abandoned or allowed. But as the Final Office Action was a precursor to the Applicant filing an RCE (or taking some other approach to restarting Examination) or abandonment, the count could be understood to be awarded for the Final Office Action.

¹⁴ And they still are so motivated.

So What's the Problem?

Stay tuned for the next article, wherein I discuss why I think Finality does not work—at least, not as it is supposed to.

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