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Effective Continuation Practice for Patent
Portfolio Development (January 25, 2016)

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Pure Storage

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INTRODUCTION

This is the first article in a three-part series and addresses business and strategic reasons to use continuation practice, particularly for patent licensing or portfolio building.

The second article will address how a patent portfolio manager may establish regular business processes as part of their regular IP management program.

The third and final article will address how to draft patent applications with a view to longer-term portfolio growth, and how to identify and craft claimsets of value for product protection, cross-licensing or monetization.

IDENTIFYING BURIED VALUE IN YOUR PATENT PORTFOLIO:

Patent owners often have buried value in their portfolios in the form of patent applications in progress. These applications are typically pending for several years prior to issuance, during which market adoption of the patented technology develops and frequently changes.

In some cases, the original patent application claims may be less than optimal for a variety of reasons:

- cover just one feature of many supported in the underlying specification and drawings;
- do not cover an appropriate point in the value chain;
- do not read well on the current state of products in the market;
- quite broad and invite repeated examiner rejections; and
- potentially narrower than necessary.

Continuation patent applications rely on an early-filed priority patent application and offer an inexpensive and flexible means of molding claims to realize higher value, both for product coverage and for licensing use. Through strategic continuation application practice, a patent owner may build a portfolio of patents covering multiple facets of a product, platform, or architecture, as long as there is support in the underlying specification of the priority patent application on which the continuation application is based.

This article addresses the usefulness of a continuation patent and the opportunities continuation patents provide for strategic portfolio management. For the purposes of this article, a patent owner can include an established company, a start-up, a university, or an individual.

WHAT IS A CONTINUATION PATENT APPLICATION?

A continuation patent application is a patent filing which claims as priority an earlier filing, and is sometimes referred to as a ‘child’ patent. Unlike a continuation-in-part filing, a continuation patent does not add additional subject matter, and relies solely on the earlier ‘parent’ filing for its priority date. The priority date is the effective date of filing for the purposes of examination of the patent, and it is usually before the actual date of filing of a continuation patent application.

The statutory basis for a continuation filing based on an earlier utility patent application is found under *37 CFR 1.53(b) Continued Prosecution Application (CPA) Practice* or section *1.53(d)* if the application is a design application. The USPTO Manual of Patent Examining Procedure (MPEP)Section *201.07 Continuation Application* addresses requirements for filing a continuation application.¹

- The continuation application must claim the benefit of at least a prior non-provisional application, and must be filed while the parent application is still pending (i.e., before the prior application becomes abandoned or issued as a patent).
- There must be at least one common inventor with the prior non-provisional application.
- The continuation application may not add any new matter that is not supported by the prior non-provisional or a provisional to which the prior non-provisional application claims priority.

In cases where a large (sometimes referred to as an omnibus) provisional application is filed and a non-provisional application claims priority to it, it may prove worthwhile to review the base provisional application for unclaimed subject matter upon which to form the basis for a continuation application, at some point in the future.

PAST CRITICISM OF CONTINUATION PATENT FILINGS:

In the past, there has been vocal criticism of so-called ‘submarine patents’ which used continuation applications to artificially lengthen the term of patent coverage for an invention. However, since the U.S. signed

1. MPEP: 201.07 Continuation Application [R-11.2013].

the TRIPS agreement of the WTO in 1995, which limited patent term to 20 years from the priority date,² this issue has largely been remedied.

The use of continuation applications for portfolio development has been blessed by US courts, and in fact the Federal Court has stated that “there is nothing improper, illegal, or inequitable in filing a patent application for the purpose of obtaining a right to exclude a known competitor’s product from the market; nor is it in any manner improper to amend or insert claims intended to cover a competitor’s product the applicant’s attorney has learned about during the prosecution of a patent application.”³

TIMING OF FILING CONTINUATION PATENTS:

To keep options open, a patent owner must watch the progress of any priority applications through the USPTO, and before prosecution terminates must decide whether to file a continuation application. The continuation application must be filed while the priority application (e.g., the parent application or a continuation from the parent application) is still pending before the USPTO. It is possible to file a continuation upon an earlier-filed continuation application, even if the parent (priority) application has issued or been abandoned. Thus, chains of continuation applications may be filed to keep the patent family ‘open’ i.e., have a pending continuation at all times for additional claim development.

Once the priority application either issues or is abandoned, the window of opportunity to file a continuation application closes. Each continuation application must list all applications in the priority chain before it in order to get the benefit of them. During the course of prosecution of the priority application, the patent owner should review the state of the market and of products potentially covered by the claims of the application, and strategically choose whether a continuation application is warranted, generally either for new product coverage or to keep open the window of opportunity for further claim development.

CONTINUATION PRACTICE IN US AND OTHER MAJOR IP JURISDICTIONS

US: In general, the US permits a broader continuation practice than other jurisdictions. In the US, anything that is supported by the original (parent)

2. MPEP: 2701 Patent Term [R-11.2013].

3. *Kingsdown Medical Consultants, Ltd. V. Hollister Inc.* 863 F.2d 867, 874 (Federal Circuit 1988).

application may be later claimed. This permits a patent owner to develop a portfolio of relevant patents from a parent case and craft claims covering new products or applications of the original technology as they later come to market.

Europe: In Europe, a similar filing mechanism is available but somewhat more limited in scope than in the US. Article 76 of the European Patent Convention (EPC) permits divisional applications, which may be filed as long an earlier patent application (e.g., a parent case) is pending, like in the US. However, in contrast to the US, in Europe there is an additional fee due “in the case of a divisional application filed in respect of any earlier application which is itself a divisional application.”⁴ This appears to discourage applicants from filing long chains of continuations in Europe to maintain pendency.

Japan: In Japan a divisional filing mechanism also exists, subject to a variety of time-based limits. In general for applications filed before April 1, 2007, options for filing divisionals are much more limited. For applications filed after April 1, 2007, a divisional application may be filed within 30-days from the date of a Notice of Allowance, or within four months from the date of the Decision of Rejection.

PUSH FOR QUALITY IN THE US PATENT SYSTEM

In February, 2015 the USPTO announced an Enhanced Patent Quality Initiative to, among other goals, improve the overall quality of patents issued by the USPTO. Continuation patent applications provide a useful mechanism to raise the overall quality of patents within a given portfolio. As long as an application is kept pending, as new relevant references are discovered by the patent owner they can be cited to the USPTO and claims amended or refined to overcome them. Of course, this assumes that there is a sufficiently thorough parent priority case to begin with. This provides a mechanism for the patent owner to correct errors in scope or drafting of claims, as well as to enable the USPTO to consider the revised claims in light of new references and make an allowance decision. Thus, the continuation process permits both further examination time by the USPTO of the patent family, and refinement of the continuation claims over prior art that may be discovered after the parent case has issued.

4. Notice from the European Patent Office dated 8 January 2014 concerning European divisional applications – amendment of Rules 36, 38, and 135 EPC and Article 2(1) RFees (OJ EPO 2014, A22).

MARKET RELEVANCE

For R&D companies, universities, and start-ups, it is common to file a patent on new technology well ahead of market adoption. By maintaining a pending application through continuation practice, this enables the patent owner to refine claims at any point in the life of the patent, subject to support in the priority application. Thus, an early patent owner with a well-written and enabled priority (parent) patent application can refine claims to read on products or technologies that are developed subsequent to the drafting of the application, including those that embody the invention at different points in the supply chain.

This is particularly relevant to fast-moving technologies (semiconductors, software, computer hardware, data-center equipment, and the like) where applications and standards are continually evolving and a patent owner may need to adjust or refine claim scope to address a particular usage of the patented technology.

From a business perspective, this provides a strong incentive for the patent owner to invest in continuation applications for key patent families in the portfolio, both for defensive purposes on their own products, and to block competitor products using the patent owner's technology.

For product protection purposes a patent owner may choose to file a detailed priority case, for example based on a new product architecture using a core invention, and use continuation applications to develop a broader portfolio on the architecture or protect subsequent generations of products that may incorporate that core invention.

IN-HOUSE COUNSEL ARE UNDER GREATER PRESSURE TO MONETIZE PATENTS IN THEIR PORTFOLIOS

In recent years a frequent topic heard among in-house counsel is 'pressure to monetize'. As corporate management (and shareholders) scrutinize potential revenue sources within the company, in-house counsel are frequently tasked with identifying IP assets to license, divest, or otherwise monetize. A strategic and thoughtful continuation strategy can pay dividends in these efforts, as described below.

CONTINUATION APPLICATIONS FOR LICENSING

Continuation applications are particularly beneficial in patent licensing discussions. Although parties may agree or disagree on claim breadth and validity, if clear evidence of use (e.g., through physical analysis or

reverse engineering teardown) of the patented technology is found in the potential licensee's products, the patent owner may use a continuation to craft focused claims that specifically read on that product implementation, while reducing the likelihood of invalidation of the claim for over-breadth or due to prior art. A valid claim clearly targeted to a use on a potential licensee's product may prove persuasive in licensing negotiations and, if required, in later litigation. Further, when patent families are presented in licensing discussions and the patent owner has pending applications in which to cite to the USPTO any relevant prior art provided by a potential licensee, this provides the patent owner greater flexibility in negotiations.

CONTINUATION APPLICATIONS FOR PORTFOLIO DEVELOPMENT

For patent owners looking to build out a valuable portfolio of IP assets for potential divestiture, it is recommended to keep at least one continuation application pending (i.e., keep the family open) to permit a later acquirer to develop the portfolio according to their preferred IP strategy. Although maintaining pending continuations requires some up-front investment in terms of USPTO filing fees and attorney cost, it is often a wise investment that can provide a value multiplier later if the portfolio turns out to be relevant to a widely adopted technology. Patent brokers and savvy buyers may require a patent owner to keep at least one application pending on each patent family, and failure to do so is often detrimental to overall portfolio value.

FACTORS TO CONSIDER WHEN PURSUING CONTINUATIONS:

When filing multiple continuation applications within a patent family, there are some potential concerns for the portfolio manager to be aware of. Where claims of a continuation patent appear to an examiner to be similar in scope to a previously granted patent in the same family, the examiner may issue a double patenting rejection⁵ to prevent "unjustified extension of patent exclusivity beyond the term of a patent."

A non-statutory double patenting rejection may be addressed by use of a terminal disclaimer⁶, although this may pose some future risks in the event of divestiture of the patent family. One of the requirements of a terminal disclaimer is that "[w]here the subject matter of the reference and the claimed invention were commonly owned at the time the invention

5. MPEP 804 Definition of Double Patenting [R-08.2012].

6. MPEP 804.02 Avoiding a Double Patenting Rejection [R-08.2012].

was made, such terminal disclaimers must include a provision that the patent shall be unenforceable if it ceases to be commonly owned with the other application or patent.” In the event of a potential divestiture or licensing of these assets, both the patent owner and the purchaser or licensee must ensure that any assets bound by a terminal disclaimer are commonly-owned or licensed (kept together) at all times.

NEW MATTER

In later continuation filings, the patent owner should ensure that no new matter inadvertently be introduced into the specification or drawings, unless such matter is already supported by the priority case or a provisional that it incorporates. If the patent owner does in fact want to introduce new matter which is not supported by the parent case, then a continuation-in-part is a more appropriate option.

CONCLUSION:

Continuation patent applications provide a useful mechanism for the patent owner to mine their inventions and refine additional claims from their existing patent portfolio. It is recommended to keep all of a portfolio’s key patent families open for as long as is practicable to enable this activity in future years. Should the technology in the portfolio become widely adopted, this may provide a valuable asset to patent owner.

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