Compact Prosecution and Cost Control: New Grounds of Rejection

The issuance of a final rejection often creates a dilemma for a patent applicant. The associated costs and risks can be daunting, whether the applicant appeals the rejection, files a request for continued examination, or files a continuing application. However, these costs sometimes be avoided if the examiner has improperly introduced new grounds of rejection. More specifically, in view of recent rule and policy changes that underscore the value of reopening prosecution in lieu of other actions, an applicant may be entitled the reopening of prosecution based upon such new grounds of rejection.

United States Patent and Trademark Office (USPTO) director David Kappos recently presented a strategic plan for reducing patent application prosecution length.1 This plan includes a revised count system that “provides incentives encouraging examiners to provide a high-quality first action, and shifts resources from a focus on examiner recertification to front-end quality improvements.” The intent is to produce high-quality first actions, with prosecution being concluded after a second action on the merits.2 However, first actions are often unsuccessful in clearly identifying all issues relevant to allowance of an application. Furthermore, the USPTO has the right to change its position by presenting new arguments and/or rejections.3 When coupled with the close of prosecution and/or on appeal, such changes in position would, at first blush, appear to unfairly burden an applicant and undermine a full and fair opportunity for the applicant to address new arguments and/or rejections. This paper discusses a number of important options that can be considered when facing any such new arguments and/or rejections.

While a patent applicant has several options in responding to the close of prosecution, such as filing a request for continued examination (“RCE”), filing an appeal or filing a continuation application, each of these options carries inherent costs in time, resources and filing fees. Moreover, newly implemented rules at the USTPO have lowered the priority of RCEs relative to new filings, which may lead to significant delays. Thus, the finality of an office action is of increasing importance.

A determination of whether or not an office action can be made final hinges, in part, upon whether or not new grounds for rejection have been introduced.4 Thus, the introduction of new grounds for rejection affords an applicant various avenues of recourse during prosecution. Also of particular relevance is the possibility of new

1 www.uspto.gov/strategicplan2010
2 Manual of Patent Examining Procedure (MPEP) § 706.07(a)
3 See MPEP §707.07(g)
4 M.P.E.P. § 706.07(a)
grounds of rejection being presented during the appeal process. Accordingly, it is import to understand how to identify new grounds for rejection and how to benefit from new grounds for rejection.

When is a determination of new grounds relevant?

At several points during the prosecution of a patent application, determining the presence of new grounds for rejection can be of particular importance. A few examples are listed below.

- M.P.E.P. § 706.07(a) precludes an examiner from issuing a Final Office Action where a new grounds for rejection has been presented that was not necessitated by an amendment.
- 37 C.F.R. § 41.39 permits an Appellant, on appeal, to either reopen prosecution or maintain the appeal if an Examiner's Answer identifies new grounds for rejection.
- 37 C.F.R. § 41.50 explains that new grounds for rejection presented by the Appeal Board shall not be considered final for judicial review.

Each of these examples presents an applicant with a different set of considerations and options. Some of these options are available only when the USPTO expressly recognizes that new grounds have been presented. For instance, the ability of an applicant to introduce new arguments, evidence or amendments often hinges upon whether the USPTO recognizes that there are new grounds for rejection. Sometimes, new grounds are not acknowledged unless the new rejection has a different statutory basis or includes a new prior art reference; however, what constitutes new grounds for rejection is based upon an objective standard. Accordingly, an independent assessment of whether or not an argument constitutes new grounds for rejection can be an important consideration in determining how to proceed during prosecution.

What does not constitute new grounds?

The rationale for identifying a rejection as new grounds is founded upon equitable principles. See In re Kronig, 539 F.2d 1300, 1302 (C.C.P.A. 1976) (agreeing with the general proposition that “the ultimate criterion of whether a rejection is considered ‘new’ in a decision by the board is whether appellants have had fair opportunity to react to the thrust of the rejection.”) This suggests that there would not be new grounds where the “basic thrust of the rejection” remains the same and where an applicant “had fair opportunity to react to that rejection.” Id at 1303. It is therefore important to consider the equities of a particular situation as part of the enquiry rather than viewing the matter as a purely procedural issue. See In re Jacobson, 56 C.C.P.A. 982, 988 (C.C.P.A.

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5 See MPEP §§ 1207.03, 1213.02
1969) (refusing to reverse the USPTO Board on purely “technical arguments.”). Thus, any enquiry into possible new grounds for rejection should consider the potential harm to an applicant and not focus solely upon technicalities of the rejection.

**What constitutes new grounds?**

A change to a rejection can still be new grounds for rejection despite being based upon the same statutory basis and/or the same set of references. A key element in identifying new grounds is whether or not a change is of “patentable consequence” to the contested rejection. *In re McDaniel*, 293 F.3d 1379, 1383 (Fed. Cir. 2002) (a group of claims are rejected on the same ground when the differences between the claims is “of no patentable consequence to a contested rejection”); *see also, Hyatt v. Dudas*, 551 F.3d 1307, 1312 (Fed. Cir. 2008) (“a ‘ground of rejection’ for purposes of Rule 1.192(c)(7) is not merely the statutory requirement for patentability that a claim fails to meet but also the precise reason why the claim fails that requirement”). Thus, a change to the precise reason for the rejection is likely to represent new grounds so long as the change is of patentable consequence.

**KSR – an unlikely place to find support for an argument in favor of new grounds?**

Initially, *KSR*\(^6\) may seem an unlikely place to find support for an argument relating to new grounds for rejection for a change in motivation. A closer look, however, suggests otherwise. Whether or not a change represents new grounds rests upon the patentable consequence of a change in a rejection. An effective method for overcoming an obviousness rejection is to show fault with an Examiner’s reasoning for why the skilled artisan would combine a particular set of elements (*see, e.g.*, “Using *KSR* to Overturn Obviousness Rejections for Lack of Motivation”). According to *KSR*, an important patentability consideration for an obviousness rejection is the precise reason for implementing the asserted combination of elements. Indeed, the *KSR* decision explains that most, if not all inventions, are necessarily comprised of elements that are in some sense known\(^7\). In the absence of motivation, virtually all inventions would therefore be rendered obvious. Accordingly, the precise reason (or motivation) to combine elements is of the utmost importance in evaluating an obviousness rejection.

Accordingly, if one successfully overcomes an initial rejection based on a lack of sufficient reason to combine, a USPTO Examiner subsequently change the reason for combining the references. Although the statutory basis, the relied-upon references and even the precise combination of elements may remain basically the same, the Supreme Court’s ruling in *KSR* suggests that significant changes to the precise reason to

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\(^6\) *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398 (U.S. 2007)

\(^7\) *KSR* at 418-419
combine elements in an obviousness rejection is of patentable consequence to the rejection. Therefore, such a change could be considered new grounds for rejection.

**When should the issue of new grounds be raised?**

As with any decision, whether or not to challenge the USPTO’s position regarding new grounds for rejection is something to decide on a case-by-case basis. In some instances, there may be little to gain even if the USPTO formally acknowledges the new grounds for rejection. For example, formal recognition of new grounds can slow the prosecution process if it is not coupled with some reason for seeking the recognition. In other instances, however, formal recognition of new grounds for rejection can be useful in avoiding unnecessary fees and delays (e.g., avoiding an RCE to allow for claim amendments), and or in facilitating the entry of additional arguments and/or evidence (see, e.g., BPAI 2009-002172).

**How do you raise the issue of new grounds in response to a final office action?**

If you decide to argue the issue of new grounds, two mechanisms can be used. The first is to request that the patent examiner reconsider and withdraw the finality of the rejection. The second mechanism is to petition for the new grounds of rejection to be acknowledged and for the finality to be withdrawn. A decision on a petition may not be rendered for several months and may not stay outstanding reply deadlines. Accordingly, it may make sense to concurrently file both a request for the examiner’s reconsideration and a petition. As stated above, however, such steps should be coupled with some rationale for seeking the reopening of prosecution. This rationale should also be balanced against the costs associated with taking these steps.

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8 M.P.E.P. § 706.07(d)
9 M.P.E.P. § 706.07(c)