

# The Limited Monopoly™

## Staying in the Game: Strategic Use of Continuation Applications

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### The Basic Tool

If you have filed a patent application in the United States Patent and Trademark Office, and the application is currently pending, the filing of a continuation application can be a key tool in your patent strategy. So what exactly *is* this continuation application?

A U.S. patent application is considered “pending” during the time between its date of filing, and the date that it is either abandoned or issued as a U.S. patent. At any time during this period of pendency, the Applicant has the right to file a continuation application<sup>1</sup>, which includes a claim for “priority” to that original application.

The claim for priority has two major benefits when the continuation application is examined for patentability. First, any patents, published patent applications, non-patent publications, and certain other prior art that have become public between the filing date of the parent application and the filing date of the continuation cannot be used as prior art against the continuation. During examination, the continuation application is treated as though it were filed on the filing date of the parent application. Second, with a claim for priority, the parent application itself (which likely has been published 18 months after filing) cannot be used as prior art against the continuation.

Additionally, continuation applications can be “chained.” In other words, as long as a first continuation application is pending, a second continuation application can be filed from it. Likewise, a third continuation application can be filed from a second, and so forth. In any such second or third generation continuation application, the priority claim goes all the way back to the filing date of the first-filed parent application. However, it is important to understand that the priority claim comes with a price: the term of any patent to issue from a continuation application is *not* twenty years from its filing date. Instead, it is twenty years from the filing date of the earliest application to which priority is claimed. This likely reduction in patent term should be considered when making a decision on filing a continuation application.

### The CON Game

So why would you file a CON<sup>2</sup> application? We believe the reasons can be grouped into several basic categories:

- “Restriction” by the USPTO.
- Short-term strategies.
- Long-term strategies.

### The Split View

The first of these, restriction, is the result of a determination by

*“The continuation application can be a key tool in your overall patent strategy.”*

the Patent Office that more than one invention is being claimed in an application. Consider the following scenario. Suppose you file a patent application that covers a new product. The application may have apparatus claims and method claims. Or the product may have several features that are separately patentable. Your application could have all of the features described, with separate claim sets covering each feature.

Under these circumstances, it is common to receive a “restriction requirement<sup>3</sup>” in a first action from the Patent Office. In this action, a determination is made that your claims are directed to “independent and distinct<sup>4</sup>” inventions. You must respond to the action by “electing” one of the inventions. The claims directed to that invention are prosecuted, i.e. considered by the Examiner in a next action, and the non-elected claims are “withdrawn.” Essentially, the claim set that you initially filed is split up.

So you now have a pending patent application that has only a subset of the originally filed claims being examined. The others are withdrawn. If you successfully prosecute your patent application to issue as a patent with the elected claims, and take no further action on the withdrawn claims, the subject matter that they cover, i.e., those non-elected inventions, fall into the public domain.

However, presuming that they have value, you can take action to protect them. You would do this by filing a particular type of continuation application known as a divisional (DIV) application, with the non-elected claims. This application would claim priority to the parent application. If the restriction requirement identified more than two inventions – say three – you might file two divisional applications to cover the two non-elected inventions with their respective claim sets. Alternatively, you may file one divisional application directed to one of the non-elected inventions, and at any time during the pendency of that divisional application or the parent application, you may file a second divisional application with a priority claim back to the parent.

In any event, you don’t have to leave those inventions on the table. Through the use of divisional applications, you can pursue patent protection on any or all of them.



## The Short-Term View

Two scenarios come to mind in the short-term strategy category. The first we will call “The Emergency,” and the second we will call “I’ll Take the Deal.”

One version of The Emergency goes like this. Suppose you have a pending application, and have received an Office Action in which all of the claims are rejected. Perhaps the market for the product/invention has changed, or cash is tight – for whatever the reason, you have decided to abandon the application. You inform your patent practitioner of this decision. By law<sup>5</sup>, you have six months from the mailing date of the Office Action to respond to it. Suddenly, as the clock is about to run out, circumstances change and you decide that you want to pursue the application after all.

On the day before the six month deadline, you inform your practitioner that you have changed your mind and want a response to the Office Action filed. Chances are that with so little notice, your practitioner cannot prepare a response which by rule must “fully address all of the grounds for objections and rejections” in the Office Action. However, all is not lost. A continuation application can be filed quickly, which claims priority to your pending application, just before it becomes abandoned the day after that six month deadline. The continuation application goes back into the queue for examination, so you have lost considerable time; but at least your rights have been kept alive and can be further pursued.

In contrast, playing I’ll Take the Deal starts with a decent hand. Suppose again that you have a pending application, but this time you have received an Office Action in which most of the claims are allowed, and only a few broad claims are rejected. You really want to get those broad claims, but you also really want an issued patent as soon as possible. You know that until you have an issued patent, you have no “right to exclude” others from making, using, or selling your invention. You have nothing you can enforce. Additionally, you know that having an issued patent is perceived to be much more valuable than a pending application by potential investors and/or purchasers of your company.

It is possible to pursue both the broad claims that were rejected, and a quickly issued patent: you take the deal. You can cancel the rejected claims without prejudice, and file a continuation application to further pursue those claims. This should result in a Notice of Allowance within a few months. With immediate payment of your issue fee, your patent should issue within another two months. (Keep in mind that in order to claim priority, you *must* file your continuation application before your patent issues from the parent application.)

Taking the Deal is often the best strategy. Consider the alternative: if you decide to respond to the Office Action by fighting for those last few rejected claims, your application could easily be tied up in further prosecution for several years. It could even be for as long as it would have taken for the rejected claims to be examined, had they been filed in a continuation application. Additionally, in further prosecution, you risk having the Examiner find new prior art and rejecting your previously allowed claims. In that case, the deal is off the table, and you are essentially starting over.

## The Long-Term View

You can use also continuation applications as a long-term strategy to maximize value, both from the standpoint of creating a “patent thicker” that puts your competition at a disadvantage, and to make your company more attractive to investors, to potential licensees of your patents and pending applications, and/or potential buyers of your company. Multiple continuation applications can cover separately patentable aspects of your product, so that if your competitor puts out a competing product with just one of your patented features instead of a complete knock-off, you have leverage.

You can also file continuation applications in which the claims are strategically directed to different potential infringers – those who would manufacture the product, those who would sell it (possibly with further modification), or those who would use it. Tying up the market at different points in the supply chain from the manufacturer to the end user can provide a major competitive advantage.

Additionally, when you reach a point where your patent is about to issue, and you are not sure whether or not you want to pursue patent protection of any additional subject matter in your pending application, it can be a wise hedge to file a continuation application with something additional that is claimed. This “keep alive” continuation application keeps your options open; given the average pendency of applications in the Patent Office, quite likely it could be for at least two extra years. A lot can change during that period. For example, a competitor could come out with its version of your product that is just a bit different. It could have features described but not claimed in your issued patent. If you have a continuation application pending, you can amend the claims, or file another continuation application with new claims that could directly block your competitor.

“Keep alive” continuation applications are also highly valued by potential buyers of your patent portfolio, even if it is just a single issued patent and one continuation application. While you might not assign much value to your continuation application, a potential buyer might see it very differently. A buyer that knows there is a continuation application will likely also know that the claims can be amended, or another continuation application can be filed. He will know that he can pursue the opportunity that he sees, and value your portfolio at a much higher level. If you have only an issued patent to offer, that opportunity is off the table, and the valuation is likely to be much lower.

## Consider Your Options - Often

Your patent strategy is not one that should simply be defined when your first patent application is filed, and then forgotten. It needs to be continuously updated, based upon business conditions, and upon events that ensue during prosecution of your application. Your patent practitioner can advise you on the use of continuation applications to maximize the value of your patent portfolio.

1. 35 USC §119 & §120.
2. Designation used by the USPTO in communications, indicating “continuation” status.
3. See also “The Limited Monopoly”<sup>TM</sup> June 2008.
4. 35 USC §121.
5. 35 USC §133.

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