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By Email

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Re: Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals; Request for Comments on Potential Modifications to Final Rule (RIN 0651-AC37), 74 Fed. Reg. 67987 (Dec. 22, 2009)

Dear APJ Horner:

I provided many of my thoughts on this ANPRM at the roundtable; I write briefly to raise a few issues:

- The Rules of Professional Ethics govern the PTO's Response to Comments Documents. The PTO's practice of misrepresentation of facts to tribunals exposes individual attorneys to ethical investigations and disbarment, and must stop.
- A number of comments in previous letters were ignored by this device, and should be addressed in any further rule making
- Rights of appellants to respond to new grounds of rejection should not be conditioned on a "designation" by the PTO.
- The PTO should take care to follow several requirements of administrative law.

I. **The PTO's pattern of misrepresenting facts to tribunals by mischaracterizing public comments must stop**

The ABA's Model Rule for Professional Conduct 3.3 reads as follows:

Rule 3.3 Candor Toward The Tribunal

(a) A lawyer shall not knowingly:

- (1) make a false statement of fact or law to a tribunal or fail to correct a false statement of material fact or law previously made to the tribunal by the lawyer;
- (2) fail to disclose to the tribunal legal authority in the controlling jurisdiction known to the lawyer to be directly adverse to the position of the client and not disclosed by opposing counsel; or
- (3) offer evidence that the lawyer knows to be false. If a lawyer, the lawyer's client, or a witness called by the lawyer, has offered material evidence and the lawyer comes to know of its falsity, the lawyer shall take reasonable remedial measures, including, if necessary, disclosure to the tribunal. A lawyer may refuse to offer evidence, other than the testimony of a defendant in a criminal matter, that the lawyer reasonably believes is false.

(b) A lawyer who represents a client in an adjudicative proceeding and who knows that a person intends to engage, is engaging or has engaged in criminal or fraudulent conduct related to the proceeding shall take reasonable remedial measures, including, if necessary, disclosure to the tribunal.

(c) The duties stated in paragraphs (a) and (b) continue to the conclusion of the proceeding, and apply even if compliance requires disclosure of information otherwise protected by Rule 1.6.

(d) In an *ex parte* proceeding, a lawyer shall inform the tribunal of all material facts known to the lawyer that will enable the tribunal to make an informed decision, whether or not the facts are adverse.¹

A response-to-comments document is submitted to at least three tribunals, all of which act largely *ex parte*. During review under Executive Order 12,866 at The Office of Management and Budget, no part of the agency's submission is made available to the public until publication of the final rule. During review under the Paperwork Reduction Act at the Office of Management and Budget, the public is not given notice of PTO filings to permit response. (For example, the December 2009 review of the 2004 Appeal Rule was not visible to the public at the OMB web site until the day after the conclusion of the review and issue of a final Notice of Action letter.) During review by

¹ See also California Rules of Professional Conduct, Rule 5-200, http://calbar.ca.gov/calbar/pdfs/rules/Rules_Professional-Conduct.pdf

the Small Business Administration under the Regulatory Flexibility Act the public has no insight. In addition, a response to comments document is also evidence submitted to an Article III court in the event of any judicial review.

Rule 3.3 provides that the PTO has two duties to these tribunals. First, the PTO must fairly represent facts, including public comments, in the record that it provides to these tribunals. Rule 3.3(a)(3) provides that the PTO may not “offer evidence that the lawyer knows to be false”—if the response to comments document inaccurately characterizes comments, then on judicial review, the PTO can’t rewrite it because the PTO cannot supplement the record, and conversely the PTO is forbidden from offering it to a court. Second, pursuant to the higher duty of Rule 3.3(d), facts may not be omitted or hidden through the device of creative characterization.

I have brought this issue to the PTO’s attention in the past. For example, in an email cover over a public comment letter, I noted that the PTO’s mischaracterization of comments was at best sloppy, and showed signs of being intentional.² The PTO’s very response to those comments exhibited the same lack of care.³

I have received communications from multiple past and current PTO employees involved in the response to comments process. I have been told that reviewers noted the remarkable difference between the public’s submitted comments and the characterization of the comment in an under-review draft response to comment document. I am told that the difference was squarely brought to the attention of higher-ups. The mischaracterization persisted and was reflected in a final submission to a tribunal.

At this point, it is difficult to avoid an inference that the PTO intentionally makes false statements of fact (the content of public comment letters) to tribunals, apparently with the knowledge and sign-off of senior legal staff. Every individual lawyer involved in

² http://www.uspto.gov/web/offices/dcom/bpai/bpai_comments/boundy.pdf (August 21, 2008)

³ <http://www.reginfo.gov/public/do/DownloadDocument?documentID=89627&version=1>

PTO rule making should be made aware of Rule 3.3, and informed that omission and misrepresentation in response to comment documents must stop.

II. issues raised in prior comment letters were not addressed in the ANPRM

Attached are my prior comment letters. A number of issues raised therein have been ignored in the PTO's response to comment documents, including the ANPRM. I recognize two immediately:

- ambiguity in the scope of appealable and petitionable subject matter should be resolved by published guidance. The Paperwork Reduction Act requires that rules be "written using plain, coherent, and unambiguous terminology" 44 U.S.C. § 3506(c)(3)(D). Executive Order 12,866 § 1(b)(12) likewise reads "Each agency shall draft its regulations to be simple and easy to understand. with the goal of minimizing the potential for uncertainty and litigation arising from such uncertainty." I proposed this, and even provided an extensive and well-researched first draft.⁴ The PTO's response to comments was dead silent. Silence violates the Administrative Procedure Act and the Paperwork Reduction Act, and the ambiguity violates the Paperwork Reduction act and the Executive Order.
- Likewise, I urged that the PTO develop reasonably complete and precise guidance giving the definition of "new ground of rejection." I provided a well-researched first draft.⁵ The PTO's response to comments documents are dead silent.

There may well be more.

It's the PTO's job to read these letters thoroughly and respond to them completely. It is not the public's job to sit like a schoolmarm watching over the PTO to make sure the PTO does its homework. The PTO should go through *all* past comment letters, reread them, and reply fairly. To aid the PTO in this task, I have attached all of my 2007-08 comment letters as exhibits to this letter. Much as an examiner increases his/her own workload when he/she fails to answer all material traversed, the PTO now

⁴ <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf> at Attachment E, starting at PDF page 67

⁵ <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf> at Attachment F, starting at PDF page 76

faces a rather large task in digesting them. But that's work that the PTO created for itself.

III. Rights arising out of new grounds of rejection should not be conditioned on the PTO's "designation"

Both current and proposed Bd. R. 41.39(b) and proposed B.R. 41.50(d) provide appellants with options arising with a new ground of rejection, but the options are conditioned on the PTO "designating" the new ground. The rights should attach without regard for the PTO's "designation." Two anecdotes demonstrate the point.

First, the PTO's understanding of the definition of the term "new ground of rejection" is often faulty. For example, in the ANPRM, the PTO states "Where a newly cited reference is added in the examiner's answer merely as evidence of the prior statement made by the examiner as to what is 'well-known' in the art which was challenged for the first time in the appeal brief, the citation of the reference in the examiner's answer would not ordinarily constitute a new ground of rejection within the meaning of Bd.R. 41.39(a)(2) and 41.39(b)." ANPRM, 74 Fed.Reg. at 67994 col. 3. But Federal Circuit law is contrary: in a case considering a new reference adduced to buttress an assertion of official notice, the court noted, "it is not uncommon for the board itself to cite new references, in which case a new ground of rejection is always stated." *In re Ahlert*, 424 F.2d 1088, 1092 n. 4, 165 USPQ 418, 421 n. 4 (CCPA 1970) (emphasis added).⁶ How does the Federal Circuit's use of the word "always" leave room for the carve-out proposed in the ANPRM?

As a similar example, in App. Ser. No. 09/982,709, the Third Examiner's Answer of Feb. 4, 2009 raises a § 101 issue that is totally absent from the final action of May 21, 2007. It is not designated "new." Because of that failure to designate, both the applicant and the Board have spent almost a year trying to get the application handled

⁶ I brought *Ahlert* to the Board's attention in my 2007 comment letter. The PTO could have avoided this error in the ANPRM had the PTO taken comment letters seriously, as I urge in section I of this letter.

as provided by § 41.39(b). The examiner's most recent paper (July 7, 2009) only considers Rule 41.33 (which was irrelevant at this procedural juncture), and totally ignores Rule 41.39, even though Rule 41.39 is prominently invoked in the title and throughout the body of applicant's paper of April 2009. The Board remanded for the examiner to consider § 41.39(b). I have made several phone calls. The application remains hung because the examiner declines to reopen as provided by Rule 41.39(b). That chain of events, in turn, apparently started when the examiner failed to "designate" a new ground that is indisputably "new."

Everyone wants prosecution to progress through the process as promptly as possible. Late new grounds are unavoidable; both applicants and examiners are mere humans, both under strict time pressures. Both sides will inevitably recognize new issues late, and it would raise costs unacceptably on applicants to require "use it at first opportunity or lose it." 5 U.S.C. § 555(b), the Paperwork Reduction Act, and Executive Order 12866 require that an agency's rules provide for efficient disposition; the most-efficient path should not be impeded by the a requirement that the PTO recognize the existence of a "new ground" when it arises.

IV. The PTO must cease enforcement of the 2008 Appeal Rules

I have received several Notices of Non-Compliant Appeal Brief in recent months that reflect PTO attempts to enforce the 2008 Appeal Rules, when the brief is fully compliant with the 2004 Rules. OMB issued a control number on December 22, 2009, granting the PTO authority to enforce the 2004 rules, with an express *quid pro quo* that the PTO enforce *only* the 2004 appeal rules. The PTO has not kept its half of the bargain.

For example, one Notice demanded that the "Summary of Invention" section "map" the claims to the specification. However, the 2004 Rule only requires "a concise explanation of subject matter ... which shall refer to the specification by page and line number..."

The PTO should issue guidance to appeal specialist intake clerks instructing them as to the rules that they are authorized to enforce, and that guidance should be made public so that applicants know what is expected. Ambushes with new rules created *ad hoc* in Notices of Noncompliant Brief help no one. That guidance should be consistent with the 2004 Rules, and impose no requirements above those rules.

Likewise, the 2004 version of § 41.37 reads “Any arguments or authorities not included in the brief or a reply brief filed pursuant to § 41.41 will be refused consideration by the Board, unless good cause is shown.” The 2004 rules are very clear that when a new argument is raised in a Reply Brief, the PTO’s remedy is a supplemental examiner’s answer. Even though the wording of the 2004 rules is perfectly clear, the Board has been enforcing the 2008 version in a number of recent decisions, based on irrelevant law—a decision of an Article III court whose Rules of Appellate Procedure are different. The Board exposes itself to *per se* reversal at the Federal Circuit if the Board declines to address issues that are presented within the rules as they exist in writing and as cleared under the Paperwork Reduction Act.

These problems can be averted if the Board sticks to the written 2004 Rules.

V. Conclusion

The PTO’s lack of concern for procedural law remains troubling. Procedural law exists so that the public and agency know what to expect of each other—good fences make good neighbors. Even though only a few patent lawyers know the procedural law, they all have a gut feel for the notions of fairness that are reflected in the law, and know

when the PTO is acting unfairly (even if they can't identify the precise statute that the PTO is breaching). The PTO's new relationship with applicants will sour if the PTO fails to take seriously the formal procedural law and the informal fairness that the law embodies.

Sincerely,

/s/ David E. Boundy

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Re: RIN 0651-AC12, Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals, 72 Fed. Reg. 41472 (Jul 30, 2007) (“Appeal Rules”)

Dear Judges McKelvey and MacDonald:

We appreciate the opportunity to comment on the proposed Appeal Rules. As a preliminary matter, we agree that the problems sought to be addressed by the proposed Appeal Rules are very important – reducing backlogs in the appeal process and improving quality of the examination. However, we have concerns whether the proposed Appeal Rules address the underlying causes of these problems and whether certain of the proposed Appeal Rules, as presently written, will unfairly damage applicants’ ability to obtain prompt, fair and accurate consideration of the merits of their inventions.

Our comments fall into four general categories:

1. Some of the proposed Appeal Rules place disproportionate burdens on appellants that undermine the statutory right to have an efficient, full and fair adjudication of patentability.

2. The Rules repeatedly set out a double standard, in which examiners are permitted to raise new grounds and adduce new evidence, while appellants’ rights to fully and fairly reply are cut off.
3. Some of the proposed Appeal Rules improperly shift the burden of proof or are otherwise “substantive,” and therefore exceed the authority of the Office. There are a number of other failures to comply with various rulemaking statutes and regulations.
4. The Proposed Appeal Rules introduce confusing and unnecessary new terminology for well established legal terms of art.

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I. Established Term of Art “New Ground of Rejection” Should Not be Changed to “New Rejection”

The proposed Appeal Rules introduce the new term “new rejection” (see, e.g., Proposed Rule 41.39(b), 41.50(d), etc.) to replace the established term “new ground of rejection.” The prior terminology is extensively discussed in court and Board precedent, and should be fairly well understood.

We are concerned that this change in terminology could suggest a “new rejection” is something different than the established term “new ground of rejection.” In a telephone call on September 14, Judge MacDonald confirmed that the change of vocabulary from “new ground of rejection” to “new rejection” was not intended to be a change in the legal standard, only a change of name. We urge that terms of art not be disrupted and that the proposed Appeal Rules be amended to conform to the established terminology.

Importantly, in a world of electronic legal research, changes of terminology create real problems. Further, this particular choice of new vocabulary interacts with the recent rework of the Board’s web pages. The anemic search capability provided to search the newly-configured web site of Board decisions, combined with a web page organization that makes the Board’s decisions invisible to commercial internet search engines, would make it all but impossible to search for the new term “new rejection” without getting lots of false hits.

We suggest that a “Restatement” of the definition of “new ground of rejection” should be added to the MPEP. See Attachment F.

II. The Proposed Page Limit Is One-Sided And Does Not Account Appropriately for Circumstances Created by the PTO

The PTO is in roughly the same position in the legal system as the International Trade Commission, and therefore should have roughly the same page limit as the ITC: none. If the Board believes a page limit is appropriate (which we think it is not), then the Board should adopt the Federal Circuit's far larger limit of 14,000 words, and a more-liberal procedure for expansion, to match examiner's unbounded ability to generate large Office Actions.

A. A Combination of Multiple Limits Imposed Solely on Appellants Is a "Substantive" Reformulation of a Proceeding

When combined, the various limits imposed in the propped Appeal Rule accumulate to a substantive denial of an applicant's right to a fair and efficient appellate review. Increased fonts, decreased page limits, added material that must be included, no limits on the amount of material that an Examiner can present, and a draconian remedy for failing to address every point raised by an Examiner – all make one question the motivation for these proposed changes. At some point, a collection of "procedural" limits becomes so stringent that they amount to a "substantive" limit on the ability to prosecute an application. *In re Fibreboard Corp.*, 893 F.2d 706, 711 (5th Cir. 1990) considered a collection of rules that, taken individually, were "procedural" in character, but that taken in aggregate acquired a "substantive" character, and were therefore illegal:

There is a point, however, where cumulative changes in procedure work a change in the very character of a trial. Significantly, changes in "procedure" involving the mode of proof may alter the liability of the defendants in fundamental ways. We do not suggest that procedure becomes substance whenever outcomes are changed. Rather, we suggest that changes in substantive duty can come dressed as a change in procedure.

Here, the combination of (1) the new limits placed on continuations and requests for continued examination, (2) the closing of the applicant's half of the record on appeal while (3) the examiner's remains wide open, (4) the requirements for more

background discussion and (5) discussion of issues that have nothing to do with any issue on appeal, with (6) a *very* short page limit, cumulatively “work a change” that together become “substantive” and therefore outside the PTO’s statutory authority. Cumulatively, these changes so deprive applicants of a meaningful right to be heard at any time during §§ 131, 132 or 134 proceedings as to deprive them of due process.¹

When these constraints are juxtaposed against the Office’s refusal to enforce any analogous procedural limits on examiners, or any limit on examiner’s papers or ability to introduce new evidence *at any time*, it is hard to escape a conclusion that the page limit is arbitrary and capricious under 5 U.S.C. § 706.

B. The 25-page, 14-point, Double-space Limit Compromises Due Process

While we understand that the Board does not desire to read endless arguments and thus would desire some form of page limits, the proposed Appeal Rules are lopsided. They impose strict page limits on applicants but not on Examiners. At the same time, they require pages of new discussion that is not material to the issues on appeal, and set harsh penalties for not addressing every argument raised by an Examiner.

If any limit is adopted, which we oppose, we offer an alternative to proposed Bd. R. 41.37(v)(5). A word limit, like the Federal Circuit’s, rather than a page limit, will assist appellants in providing briefs that are genuinely helpful to the Board. Applicants should be encouraged to include helpful drawings in the bodies of their

¹ A patent is “property,” 35 U.S.C. § 282, and an applicant is “entitled” to it, 35 U.S.C. § 102, *In re Oetiker*, 977 F.2d 1443, 1446, 24 USPQ2d 13443, 1444 (Fed. Cir. 1992) (“If examination at the initial stage does not produce a *prima facie* case of unpatentability, then without more the applicant is entitled to grant of the patent”) until the Office meets a *prima facie* burden to show grounds to withhold grant. Therefore patent applications are within Constitutional Due Process. See *Board of Regents of State Colleges v. Roth*, 408 U.S. 564, 577 (1972).

briefs, not discouraged. The limit should be calibrated to the size of the examiner's action. A simple reminder of the importance of brevity and focus (as proposed in the following markup) will achieve the Board's intended result, without raising due process concerns.

(5) Length of appeal brief. An appeal brief may not exceed 14,000 words, or 1.5 times the number of words of the examiner's Office Action from which appeal is taken (including any previous action incorporated by reference), whichever is greater 25 pages, excluding any statement of the real party in interest, statement of related cases, table of contents, table of authorities, signature block, and appendix. An appeal brief may not incorporate another paper by reference. Appellants are encouraged to include drawings in the body of the brief at the point at which they will be most useful to the Board. Appellants are reminded that a brief is only persuasive if it is read, and longer or repetitive briefs inevitably receive less careful reading. A request to exceed the page limit shall be made by petition under § 41.3 filed no later than concurrently with filing with the Appeal Brief filed at least ten calendar days prior to the date the appeal brief is due.

The requirement for 14-point type, double-spaced cuts the effective space available almost in half compared with the conventional 12-point formatting used in the Board's decisions. (As an experiment, we reformatted this document to 14-point, double, and it came within one page of doubling in size.) Using the formatting required and used by most other papers to and from the PTO, the proposed 25-page limit corresponds to just over 13 pages, barely the size of most Board opinions. Further, Board opinions do not include sections analogous to those proposed in Proposed Bd. R. 41.37(k), (l), (m), (n), and several requirements of (o) – thus the practical limit for discussion in an Appeal Brief would be shorter than the typical decision.

As a practical matter, these new requirements will dramatically limit the arguments that an appellant will be allowed to pursue, and the ability of an appellant to teach the Board what it needs to know about the technology at issue. We sampled the appeal briefs in the most-recent 20 Board decisions, and found that at least 2/3 would exceed this limit when reformatted – and those were briefs filed under the current rules, without the new requirements imposed in this round of rulemaking, and

without the refining of issues that occurs under current continuation practice. It is almost certain that 25 pages, double-spaced, 14-point, with new added requirements, will routinely be inadequate, and will result in a substantial destruction of patent rights to which applicants are legally “entitled” (35 U.S.C. § 102).

Further, the proposed limit is well below that of any court or comparable agency:

- The International Trade Commission frequently receives briefs of well over 100 pages, even on appeal to the full Commission from an ALJ. Agency briefs are necessarily more detailed than court briefs, because agencies typically decide the entire case in one round, where courts almost always decide in several. The standards for court/agency review are different than the standards for court/court review, and require that issues be fully briefed to the agency if there is to be a meaningful decision by the agency that can be reviewed by a court. Because of the relationship of courts to agencies, it is crucial that an applicant be able to present every relevant issue, and receive a decision from, the agency’s highest tribunal, if the guarantees and judicial review provisions of the Administrative Procedure Act are to mean anything.
- The proposed 25-page, 14-point, double spaced limit is less than 30% of the 14,000 word limit at the Federal Circuit.
- The Eastern District of Virginia Local Rules specify a page limit of 30 pages, 12-point – which is well more than double the proposed limit. In addition, in Virginia district court, a case is frequently decided in several stages (Rule 12 motions on the pleadings, several stages of summary judgment, etc.), and even at the same stage, issues can be “carved up” into parallel separately-briefed portions, so that the number of pages available is far larger.

Because there is no evidence from the preamble or in the rulemaking file on the PTO’s web site suggesting that this limit was selected thoughtfully after any plausible analysis of real-world data, it appears on its face to be arbitrary and capricious.

C. If any Page Limit is Adopted, The Enlargement Rule Should be Liberalized

The 10-day petition for expansion of the page limit of Proposed Bd. Rule 41.38(v)(5) is also unduly limiting. Briefs often do not gel until late in the process. With such tight limits, Applicants will be forced to routinely file prophylactic petitions

for extra pages, before they know or understand how many pages are really needed. This extra burden adds to the costs and burdens of the appeal process. Further, there is no meaningful remedy if the petition is denied: if appellants are forced to waive an issue at the Board of Appeals, there is no way to revive it later when the Federal Circuit provides a larger page limit.

Standard practice in most district courts for, e.g., a supplemental complaint, is to file the proposed paper with the motion for leave to file it. If any page limits are adopted, then an analogous enlargement practice should be adopted. If the rule provides that the petition is to be filed with the brief itself, the APJ deciding the petition will have all the facts necessary to make an informed determination of whether the brief is reasonably focused, or a waste of printer toner that should be ordered shortened.

D. The Page Limit so Inadequately Supported as to be Illegal

There is essentially no rationale given for setting the page limit at 25 pages, 14-point, double spaced. With no rationale, the limit is arbitrary and unsupported by substantial evidence. The Notice of Proposed Rulemaking is also illegal for failing to consider the affect on those parties who would be affected. *Levine v. Apker*, 455 F.3d 71, 85-86 (2d Cir. 2006) (agency may not set an arbitrary numerical cut-off without considering all the factors, in this case, those included in § 2(b)(2)(F), which we discuss next).

III. The Proposed Appendices Impose Burdens Far Out of Proportion to their Usefulness to the Board

The Office's rulemaking authority is bounded by concerns of “cost effectiveness.” 35 U.S.C. § 2(b)(2)(F). Further, Executive Order 12,866 says:

Each agency shall tailor its regulations and guidance documents to impose the least burden on society, including individuals, businesses of differing sizes, and other entities (including small communities and governmental entities),

consistent with obtaining the regulatory objectives, taking into account, among other things, and to the extent practicable, the costs of cumulative regulations.

Strikingly, this Notice of Proposed Rulemaking does not even hint that any study or evaluation was performed of costs or burdens, let alone the nature or conclusions of that study or analysis. “Cumulative regulations,” in particular the Continuations Rule, are totally ignored. It appears that the Office is, once again, conducting its rulemaking proceedings based on failure to inform itself of the facts. Rulemaking with the inadequate factual consideration of costs that we discuss in this § III is illegal, for legal reasons we discuss in §§ VII.C and VII.F.

A. The Proposed Claim Support Section and Drawing Analysis Section Should Be Calibrated to the Issues of the Appeal

The proposed Appeal Rules requires that every appeal have a “claims analysis section” and “drawing analysis section” analyzing every limitation of every separately-argued claim, even for absolutely routine and undisputed limitations. (See Bd. R. 41.37(q) and (r)). While we understand and appreciate that there can be times that some such information can be useful to the Board, in turn the Board should understand that such a section places a burden on applicants that can significantly increase the costs of an appeal; we estimate these added costs as being in the range of \$1000-\$2000 per appeal for these two sections alone (based on an attorney average hourly rate of \$335 per hour, and three to six hours of analysis). The Board is required to frame its rules to be “cost effective,” 35 U.S.C. § 2 U.S.C. § 2(b)(2)(F), and cannot simply dismiss those costs.

It would be more appropriate to limit this burden to situations where the analyses relate to the dispute that is on appeal. Thus, the “claims analysis section” and “drawing analysis section” should be reframed into an alternative that is less burdensome for appellants, and more useful to the Board. For example, the following paragraph could be added to Bd. R. 41.37(o)

(new) If the appeal turns on a claim limitation that is not a familiar and established term of art, appellants are encouraged to paste the relevant figures,

and block quote the relevant portions of the specification, at the beginning of the argument relating to the particular issue. This exposition will not be counted against the word limit of Bd R. 41.37(v)(5).

This material is far more useful if it is placed close to the argument, and appellants should be given every incentive to do so without penalty.

While we can understand the usefulness of such analysis in some circumstances, we must observe that the Board regularly notes that it is not permitted to rely on the specification, drawings or file history in “construing claimed terminology and limitations when applying the prior art.” *Ex Parte American Academy Of Science Tech Center*, 1999 WL 1736095 at *4 (BPAI Aug. 24, 1998) (holding that an agreement on claim scope memorialized in the file history could not be honored), *aff’d* 367 F.3d 1359, 70 USPQ2d 1827 (Fed. Cir. 2004). The Board is required to apply the “broadest reasonable interpretation consistent with the specification.” If the appellant desires examination at the full breadth of the term, there is no reason to require identification of information that cannot be relevant to the Board’s decision. The “claim support” and “drawing analysis” sections seem almost calculated to lead the Board into error.

The fact that the rule proposes to place the “claims support” and “drawing analysis” in a special section far away from the argument suggests that the Board recognizes that most of the information that is requested will never be useful. A more compact, focused alternative should be used instead.

B. The Pagination Requirements as Framed Are Immensely Burdensome

The appendix and pagination requirements of Proposed Bd. R. 41.37(v)(1) are far more burdensome than the Board recognizes. For example, they are far more burdensome than the corresponding requirements for briefs to the Federal Circuit, because they leave no room for the various techniques that are expressly encouraged in the Federal Circuit’s local rules to make producing an appendix a tractable process. For example, the rule requires page numbers to be “consecutive,”

with the brief starting at 1 – which means that the brief has to be completed roughly two weeks before it is due, so that the appendix can be assembled and page numbered starting at the last page number of the brief, and then the appendix page numbers substituted back into the brief. If the attorney has a change of mind, or a new Federal Circuit case comes out, or substituting appendix page numbers into the brief alters the pagination, then the whole process has to be started over again from scratch.

The purely ministerial tasks of assembling and page-numbering the appendix, and then substituting appendix page numbers into the brief cannot be done automatically, and often takes full *days* of attorney and paralegal time. It often involves lining up a vendor to image and page number the pages. Merely the coordination of various people to prepare a Federal Circuit appeal appendix is at least an hour, and sometimes several hours, of attorney time – plus more time to assemble the work for handoff, and reviewing what comes back. Six hours is a *very* conservative estimate for the total burden imposed by the page numbering requirements of the appendix. For the 18,500 appeal briefs filed, at a blended attorney/paralegal rate of \$250/hr, this appendix alone imposes over \$ 28 million in incremental costs over current rule.

As we note in § VII.F below, the demand that applicants resubmit information that the PTO already has violates the Paperwork Reduction Act.

Current rule provides for citation into the prosecution history record, and discourages resubmission. The Board should specify a preferred citation form for citing prosecution history papers, and leave it at that.

C. Is a Table of Authorities Sufficiently Useful to Warrant the Burden?

A “Table of Authorities” is not easy to generate. Before adding this requirement, the Office should experiment with the “Table of Authorities” tool in Microsoft Word. It requires a great deal of manual intervention to get any meaningful,

minimally-correct result. A “Table of Authorities” never comes out right the first try, has to be redone several times as the brief nears completion. It has to be reformatted and reordered several times, etc. In total, a Table of Authorities takes a bare minimum of 2 or 3 hours for a well-behaved 20-page brief, and almost always considerably more.

A Table of Authorities will be entirely ignored in the 2/3 of appeals that are decided in the Technology Centers before reaching the Board – the effort will be totally wasted.

As a practical matter, appeals to appellate courts are overwhelmingly directed to close issues of law. A Table of Authorities is genuinely useful in appellate courts. However, appeals to the Board rarely turn on fine points of law. A Table of Authorities is much less likely to have use to the Board commensurate with its costs to appellants. Executive Order 12,866 would be violated by this requirement.

D. The Cost Estimate Statements are Not Adequately Supported, and Far More Costly than the Board Acknowledges

The one sentence that considers burdens on appellants, “Any additional time burden ... is believed to be *de minimus* [sic] in comparison to the reduction in pendency...” simply ignores the fact that “pendency” is already compensated for by patent term adjustments of 35 U.S.C. § 154(b).

Strikingly, this rulemaking states that costs on applicants are very small, but never even hints that any study or evaluation was done to establish any basis for that statement. 72 Fed. Reg. 41484. col. 1 (characterizing burdens on applicants as “*de minimus*” [sic] only when compared to reduction in pendency). The costs of pendency are near zero for most applicants, because of patent term adjustment under § 154(b). Is the Board contending that the burdens are essentially zero? As we discussed in this § III, the Office’s cost assertions are arbitrary, capricious, and unsupported by substantial evidence, and just plain wrong.

IV. Evidence Submitted After Notice of Appeal

Proposed Bd. R. 41.33(a) and (d) should be amended as follows:

(a) *Amendment after notice of appeal and prior to appeal brief.* An amendment filed after the date a notice of appeal is filed and prior to the date an appeal brief is filed may be admitted (i) as provided in § 1.116 of this title, or (ii) if it is directed to a new ground of rejection or new points of argument raised in the final Office Action or in any post-final Office paper.

(d) *Evidence after notice of appeal and prior to appeal brief.* Evidence filed after the date a notice of appeal is filed and prior to the date an appeal brief is filed may be admitted if (i) it is directed to a new ground of rejection or new points of argument raised in the final Office Action or in any post-final Office paper, (ii) the evidence recently became available, or (iii) the examiner determines that the evidence overcomes some or all rejections under appeal and appellant shows good cause why the evidence was not earlier presented.

New grounds of rejection are frequently raised in final Office Actions and Examiner's Answers. Unfortunately, in our experience, those who decide petitions have openly refused to even inform themselves of what the law of "premature final rejection" is, let alone apply it:

- Attachment B (T.C. Director states that he refuses to consider agency or court precedent on definition of "new ground of rejection," and insists instead that he will make up his own definition);
- Decisions on Petition in 09/385,394 of summer-fall 2003 and fall 2005 (refusing to acknowledge the legal definition of "new ground of rejection" or the full scope of Rule 116).

Applicants are frequently faced with multiple procedural irregularities by the examining operation, which prevent development of issues sufficiently to determine what evidence should be introduced, let alone actually introduce it at the time specified in Bd. R. 41.33(a) and (d). Even the Board has recognized this shortcoming.² These types of problems are further exacerbated by the new Continuations Rule promulgated on August 21, 2007, which proposed that appeal be the cure-all for "stubborn examiners" and further reduced applicants' ability to obtain

² See cases cited in footnote 34.

complete examination before appeal. Either the examination process must be reformed to provide procedural regularity and predictability, or the appeal process must retain flexibility for applicants to deal with all examiner errors.

The rule preamble comments as follows:

The Office has found that too often an applicant or a patent owner belatedly presents evidence as an afterthought and that the evidence was, or should have been, readily available. Late presentation of evidence is not consistent with efficient administration of the appeal process.

While we understand and commiserate with the Board that this situation no doubt exists, unfortunately it cannot be solved in the manner proposed in the Appeal Rules.

First, a “Board-centric” optimization of “the appeal process” is not permissible for an agency, let alone one part of an agency. The “cost effectiveness” requirement of 35 U.S.C. § 2(b)(2)(F) requires the PTO to consider all costs and the efficiency of the entire examination/prosecution process, including costs on both the agency and on the public. Introduction of evidence after a Notice of Appeal will often be the most efficient way for the entire process to proceed, especially under the new Continuations Rule regime where the use of continuations to introduce new evidence is narrowly constrained.

Second, if “evidence as an afterthought” from an appellant is “inconsistent with efficient administration,” then so are new evidence and “new grounds of rejection” from an examiner. It would be arbitrary and capricious for the Office to treat the two differently.

If examiners may raise new grounds and new evidence in Examiner’s Answers, then appellants must be given reasonably symmetric opportunities. If appeal is on a closed record, then both halves of the record must be treated equally.

V. Examiner's Answer

A. Proposed Bd. R. 41.39(b) and 41.50(a), "New Grounds" in an Examiner's Answer

Proposed Bd. R. 41.39(b) reads as follows:

(b) *New rejection in examiner's answer.* An examiner's answer may include a new rejection.

Rule 41.50(a) is also proposed for rewriting, in a very subtle way that is not discussed in the preamble to the Notice of Proposed Rulemaking, to give the Board the power to affirm or reverse *Examiner's Answers*, not the "decisions" of the examiner from which appeal was taken.

At the very least, appellants should be permitted to regroup claims and separately argue new claims, and should be permitted to introduce new affidavit evidence in response to new grounds of rejection, and new grounds introduced in an Examiner's Answer should trigger the full rights of Rule 41.30(d) if affirmed.

The Office lacks the authority to grant unbounded "new grounds" authority to an examiner. 35 U.S.C. § 134(a) only grants the Board jurisdiction to hear appeals from the "decision of the primary examiner," not appeal from a brief. The administrative law has long made clear that agencies may not introduce new explanations in appellate briefs to courts after the decision, *Burlington Truck Lines, Inc. v. U.S.*, 371 U.S. 156, 168-69 (1962) ("*post hoc* rationalizations for agency action" may not be raised in a brief), the Supreme Court, Federal Circuit and CCPA have long made clear that the PTO may not add new grounds of rejection in procedural postures where an applicant has less than an opportunity to respond "in a meaningful time, in a meaningful manner" to all issues raised.³ There is no statutory

³ *Barry v. Barchi*, 443 U.S. 55, 66 (1979) (due process requires an "opportunity to be heard ... at a meaningful time and in a meaningful manner."); *Patlex Corp. v. Mossinghoff*, 771 F.2d 480, 483, 226 USPQ 985, 987 (Fed. Cir. 1985) ("administrative convenience or even necessity cannot override the constitutional requirements of due process.")

grant of authority to the Office to depart from established administrative law and Constitutional Due Process here.

Further, the CCPA and Federal Circuit have addressed similar situations on a number of occasions, and have uniformly found that the statute requires that any authority to enter new grounds of rejection exists only where the applicant has a “meaningful” opportunity to respond. For example, *In re McDaniel*, 293 F.2d 1379, 1385, 63 USPQ2d 1462, 1466 (Fed. Cir. 2002) the Federal Circuit reminded the Board of the “statutory mandate that the Board review ‘adverse decisions of the examiners upon applications for patents,’ 35 U.S.C. § 6(b), and may not affirm or reverse issues that first arise during appeal, at least when the Office closes access to rights to respond. *In re Oetiker*, 977 F.2d 1443, 1445-46, 24 USPQ2d 13443, 1444 (Fed. Cir. 1992) (contrasting approval of the examiner’s introduction of new grounds during “initial examination” while the applicant had an opportunity to respond, against disapproval of the Office’s introduction of new grounds while an applicant’s opportunities to respond are closed); *In re De Blauwe*, 736 F.2d 699, 706 n. 9, 222 USPQ 191, 197 n.9 (Fed. Cir. 1984) (“[W]here the board advances a position or rationale new to the proceedings, as it is empowered to do and quite capable of doing, the appellant must be afforded an opportunity to respond to that position or rationale by the submission of contradicting evidence. ... The board's refusal to consider evidence which responds to such a new rationale is error.”) This is especially true where an applicant’s “ability to refile is non-existent,”⁴ for example because of the new Continuations Rule. The Office may not rewrite the statute by rule: when an examiner adds a “new ground” in an Examiner’s Answer, that triggers the full cascade of rights to reply.

Further, it must be kept in mind that “new grounds of rejection” in an Examiner's Answer are caused by omissions by the Office, not by any fault of an

⁴ *Ex parte Raychem Corp.*, 17 USPQ2d 1417, 1426 (BPAI 1990).

applicant. It is arbitrary and capricious to penalize an applicant for the Office's omissions or late action, or to give examiners further ability and authority to play "hide the ball" during initial examination, and then spring new positions on appeal.

The asymmetry of the proposed Appeal Rules, particularly when combined with the Continuations Rule and the lack of oversight of examiners, is arbitrary and capricious. The trend of the last few years has been to progressively relieve examiners from duties of "compact prosecution," and make the Board a tribunal of first instance. If examiners are to be given more and more procedural laxity, the Office should not impose tighter and tighter limits on applicants' and appellants' procedural opportunities to obtain the patents that the law guarantees. In combination with the Continuations Rule and the Office's repeated statements that it will not enforce examination procedure,⁵ this grant of authority to examiners is arbitrary and capricious. If examiners are given the opportunity to raise new grounds of rejection at any time, to introduce new evidence on appeal, to argue with no page limits and no limit on their "legal innovation," it is arbitrary and capricious to force applicants to proceed on a closed record with extremely limited opportunity to reopen through continuation practice and limited space to reply.

B. Procedural Protections Should Not be Conditioned on the Soundness of Examiners' Legal Judgment

Proposed Bd. R. 41.39(a) proposes to condition certain procedural rights for an appellant on an examiner's recognition and designation that he/she has introduced a "new rejection" (or "new ground of rejection").

Very few in the examining operation, including few T.C. Directors, are lawyers,⁶ and very few recognize the legal definition of "new ground of rejection," or

⁵ See § VII.C.4.

⁶ John Whealan, Duke University School of Law, 5th Annual Intellectual Property Symposium, <http://realserver.law.duke.edu/ramgen/spring06/students/02172006a.rm>, at

even the need to consult written precedent to determine the definition accurately. See, e.g., Attachment B. Conditioning appellants' rights to appeal on legal judgments by the examining operation is arbitrary and capricious.

The concerns of § VI.A are applicable here as well.

Some of the problem could be partially attenuated by adding a discussion of the definition of "new [ground of] rejection" to the MPEP, as we suggest in Attachment F. However, overwhelmingly, appeals arise out of examiner error, see Attachments C and D, and § VII.C.4, below, and there should be no further conditioning of relief from those burdens on the judgment of that same examiner.

C. New Grounds Raised by Examiner and Board

Proposed Bd. R. 41.50(c)(1) should be clarified as follows

(b) *New ground of rejection*. Should the Board have a basis not involved in the appeal for rejecting any pending claim, or affirm any new ground of rejection introduced by the examiner after the decision from which the appeal is taken, it may enter such as a new ground of rejection. ...

As noted in § V.A, the Office does not have the authority to require appeal from an Examiner's Answer, only from an examiner's action. This has been frequently reiterated by the CCPA and Federal Circuit, that new grounds may only be raised in contexts where an appellant has a reasonably symmetric right to respond with amendments, affidavits, or other rebuttal. *In re Kumar*, 418 F.3d 1361, 1367, 76 USPQ2d 1048, 1051 (Fed. Cir. 2005) (where the Board provided "simply an additional explanation," that "had not previously been identified by the examiner or the Board," the appellant "was entitled to respond to these calculations, and the Board committed procedural error in refusing to consider the evidence proffered in response."); *In re DeBlauwe*, 736 F.2d 699, 706 n. 9, 222 USPQ 191, 197 n.9 (Fed. Cir. 1984) ("Where the board makes a decision advancing a position or rationale new

59:40: "I don't want to blast the employee work force of the patent office, but we basically hire 22-year-old people without law degrees to examine patent applications. And that's a little scary."

to the proceedings, an applicant must be afforded an opportunity to respond to that position or rationale by submission of contradicting evidence”); *In re Eynde*, 480 F.2d 1364, 1370-71, 178 USPQ 470, 474 (CCPA 1973) (“We do agree with appellants that where the board advances a position or rationale new to the proceedings... the appellant must be afforded an opportunity to respond to that position or rationale by the submission of contradicting evidence... The board's refusal to consider evidence which responds to such a new rationale is error.”). The Office may not create loophole through which an examiner may introduce a new ground that should have been fully developed earlier, and place procedural handcuffs on an appellant’s ability to respond.

We recognize that the Office must raise rejections whenever they are recognized. However, the only procedurally-adequate way to do so is to give applicants full benefits of continued prosecution when this occurs. If the Board affirms on a ground newly-raised in an Examiner’s Answer, the full protections of Bd. R. 41.50(d) should result.

VI. Reply Brief

A. The Scope of Arguments in Reply Brief Should Not be Limited

The restriction of Proposed Bd. R. 41. 41(d) to only “responding to points made in the examiner’s answer” would be plausible in a historical and experiential vacuum. However, we have empirical experience that this rule is unworkable. Through the mid-1990’s, an appellant’s reply brief could only reply to “new grounds of argument” raised in an Examiner’s Answer. This led to a great deal of satellite petition practice when examiners tried to exclude Reply Briefs. The authority for examiners who lack legal training to edit appellants’ briefs was withdrawn in the late 1990’s. As we discussed in § V.B, the vast majority of examiners and T.C. Directors lack the legal training to make the judgment called for in Proposed Bd. R. 41. 41(d),

as the Office itself acknowledged a few years ago. The Office should not repeat failed experiments.

If examiners are free to “include a new rejection,” why are applicants denied an opportunity to add a new ground of rebuttal to earlier issues, for example, in light of new case law? There are no limits on supplemental examiners’ answers set forth in Proposed Bd. R. 41.43 – the asymmetry throughout this Notice is arbitrary and capricious.

B. Requests for Continued Examination in Response to Untimely New Grounds of Rejection

At page 41480, the preamble to the Notice of Proposed Rulemaking states that in the event that the examiner adds a new ground that could have and should have been raised during regular examination, but was not, and is late added for the first time in an Examiner’s Answer, “if an appellant ... believes that an amendment is appropriate, the appellant may file a request for continued examination...”

The actual text of Rule 41.41(i) fails to implement the rationale of the preamble, because it omits a statement that the appellant is given an unconditional waiver from the new Continuation rule to reply to untimely action by the examiner. This provision must be added to the express text of 41.41(i).

VII. The Notice of Proposed Rulemaking Exceeds the Office’s Rulemaking Authority and Violates Rulemaking Procedure

A. The Office May Not Shift of Burden of Proof

Proposed Bd. R. 41.37(o) should be amended as follows (underlines for additions, strike-through for deletions), with similar amendments to Bd. R. 41.41 and other rules:

(o) *Argument.* The “argument” shall explain why the examiner is believed to have erred as to each rejection to be reviewed. Any explanation must address all points made by the examiner with which the appellant disagrees and must identify where the argument was made in the first instance to the examiner or

state that the argument has not previously been made to the examiner. ~~Any finding made or conclusion reached by the examiner that is not challenged will be presumed to be correct.~~ Each rejection shall be separately argued under a separate heading. ...

(4) *Rejection under 35 U.S.C. 112, first paragraph.* For each rejection under 35 U.S.C. 112, first paragraph, the argument shall also specify the errors in the rejection. If the Office Action states a *prima facie* case under law, the Appeal Brief should specify how the rejected claims comply with the first paragraph of 35 U.S.C. 112 including, as appropriate, how the specification and drawings, if any, describe the subject matter defined by the rejected claims, enable any person skilled in the art to which the invention pertains to make and use the subject matter of the rejected claims, or set forth the best mode contemplated by the inventor of carrying out the claimed invention.

(5) *Rejection under 35 U.S.C. 112, second paragraph.* For each rejection under 35 U.S.C. 112, second paragraph, the argument shall specify the errors in the rejection. If the Office Action states a *prima facie* case under the law, the Appeal Brief should specify how the rejected claims particularly point out and distinctly claim the subject matter which appellant regards as the invention.

(6) *Rejection under 35 U.S.C. 102.* For each rejection under 35 U.S.C. 102 (anticipation), if the reference relied on by the examiner is prior art and the Office Action states a *prima facie* case under the law, the argument shall also specify why the rejected claims are patentable by identifying any specific limitation in the rejected claims which is not described in the prior art relied upon in support of the rejection.

(7) *Rejection under 35 U.S.C. 103.* For each rejection under 35 U.S.C. 103, ~~if appropriate,~~ the argument shall specify the errors in the rejection and, if appropriate, specify the specific limitations in the rejected claims that are not described in the prior art relied upon in support of the rejection, or explain how the references fail to provide reason to modify or combine, or fail to provide reasonable expectation of success, or otherwise ~~and~~ explain how those limitations render the claimed subject matter unobvious over the prior art. A general argument that all limitations are not described in a single prior art reference does not satisfy the requirements of this paragraph.

(8) *Other rejections.* For each rejection other than those referred to in paragraphs (o)(4) through (o)(7), the argument shall specify the errors in the rejection, including where appropriate, the specific limitations in the rejected claims upon which the appellant relies to establish error.

At several points, the Proposed Bd. R. 41.37 and 41.41 shift the burden of proof to the appellant to demonstrate patentability, rather than merely to demonstrate error in the examiner's position. This is problematic in at least two respects.

First, any rule that would shift either the burden of proof or the burden of production to patent applicants is in direct violation of Supreme Court jurisprudence. See, e.g., *Director, Office of Workers Compensation Programs, Dept. of Labor v. Greenwich Colliers*, 512 U.S. 267, 275-81 (1994). The APA prohibits an agency from shifting by rulemaking the burden of proof or persuasion of issues for adjudications. In such cases, the rule is invalid under 5 U.S.C. § 556(d) (“Except where otherwise provided by statute, the proponent of a rule or order has the burden of proof.”); *Director, Office of Workers Compensation Programs*, 512 U.S. at 275-81 (unless superseded by statute, § 556(d) prohibits an agency from shifting the burden of persuasion regarding issues the agency is required to prove in order to grant or deny an order). The burden-shifting provisions of proposed Bd. R. 41.37(o)(4) – (8) may not be promulgated.

Second, any attempt to shift of a burden of proof is “substantive,” and therefore outside the PTO’s authority. *Director, Office of Workers’ Compensation Programs, Dept of Labor v. Greenwich Collieries*, 512 U.S. 267, 271 (1994) (“[T]he assignment of the burden of proof is a rule of substantive law.”). The PTO does “NOT ... have authority to issue substantive rules,” 35 U.S.C. § 2(b)(2)(A); *Merck & Co. v. Kessler*, 80 F.3d 1543, 1550, 38 USPQ2d 1347, 1351 (Fed. Cir. 1996) (emphasis in *Merck*). The burden-shifting provisions of proposed Bd. R. 41.37(o)(4) – (8) may not be promulgated.

Third, the burden of establishing a *prima facie* rejection is always on the PTO. *In re Oetiker*, 977 F.2d 1443, 1445-46, 24 USPQ2d 13443, 1444 (Fed. Cir. 1992) (“the examiner bears the initial burden, on review of the prior art or on any other ground, of presenting a *prima facie* case of unpatentability. ... If examination at the initial stage does not produce a *prima facie* case of unpatentability, then without more the applicant is entitled to grant of the patent.” emphasis added). The PTO has no authority to demand that appellants demonstrate patentability. The Office may not require an appellant to do anything more than point out the examiner’s error. In

many cases, an appeal is soundly addressed solely to the examiner's failure to identify any correct legal principle, or any "substantial evidence" in support. Appeal Rules should not force an appellant to burden the Board with more argument than required to remove the rejection.

Fourth, the Office may not impose "presumptions" The burden is on the Office to establish all facts on which it relies, and to support them with substantial evidence. This sentence of the proposed rule is contrary to law. The APA prohibits an agency from shifting by rulemaking the burden of proof or persuasion of issues for adjudications. In such cases, the rule is invalid under 5 USC. § 556(d) ("Except where otherwise provided by statute, the proponent of a rule or order has the burden of proof."). See, e.g., *Director, Office of Workers Compensation Programs, Dept. of Labor v. Greenwich Colliers*, 512 U.S. 267, 275-81 (1994) (unless superseded by statute, Section 556(d) prohibits an agency from shifting the burden of persuasion regarding issues the agency is required to prove in order to grant or deny an order). *St. Mary's Honor Center v. Hicks*, 509 U.S. 502, 510-11 (1993) (a rebuttable presumption, "having fulfilled its role of forcing the [other party] to come forward with some response, simply drops out of the picture").

B. The Office Admits it Exercised "Substantive Judgment," Rendering the Extension Rule "Substantive" and Therefore Outside the Office's Authority

Under the law of some of the Courts of Appeals, a rule is "substantive" when it "encodes a substantive judgment" of an agency. In other circuits, a rule is "substantive" when it has "substantive effects." This Rulemaking meets either test, and is thus "substantive" and beyond the Office's authority. The preamble to the Notice of Proposed Rulemaking expressly confesses that the agency has a substantive preference, and is embedding it in Proposed Bd. R. 41.41(c):

The Office does not believe that an applicant should be able to add any patent term adjustment by the automatic extensions of time that are available through Rule 136(a).

This expression of “belief” on a substantive issue renders Rule 41.41(c) “substantive” and therefore outside the Office’s authority.

Further, 35 U.S.C. § 154(b)(2)(C)(i) provides that the Office must provide three months to reply to any Office paper before it may attenuate patent term protections. The preamble states that the Office “believes” it should cut off term protections at two. The Office is entitled to any “belief” it wants, but it is not permitted to give effect to its difference of opinion with Congress in a rulemaking notice.

C. Executive Order 12,866

The Office designation of the proposed Appeals Rule as “not significant” under Executive Order 12,866 is incompatible in every respect with the plain language of the Order. The proposed rule is substantive action (PTO’s assertions notwithstanding); it is “significant” (it materially affects the most innovative sectors of the economy); and it imposes annual costs of approximately \$100 million.

1. The Designation “Not Significant” Reflects Badly on PTO Understanding of Rulemaking Process

The designation “not significant” is reserved for mundane actions that engender no controversy, and thus are not worthy of oversight by the federal government’s in-house regulatory watchdog. Executive Order 12,866 delegates to the agencies the responsibility for behaving responsibly – to police their own regulatory development operations and ensure that significant proposed regulations are managed in accordance with this long-established process.⁷

⁷ This process has been in place for 14 years, plenty of time for USPTO to have garnered a sophisticated understanding of the procedures and the ability to discern a significant draft rule when it sees one. From 1981 until 1993, all draft rulemakings were required to be submitted OMB for review. The PTO’s decision to brazenly flout these established procedures signals that it no longer deserves any deference in these determinations.

2. The Costs Are “Significant” and Likely “Economically Significant”

The costs of the proposed Appeals Rule are certainly “significant,” and likely “economically significant.” For example, just one rule element – the appendix and pagination of Proposed Bd. R. 41.37(v)(1) – is estimated to impose costs exceeding \$ 28 million per year. See § III.B. The new elements required in the “argument” and the appendices are at least as large. The totals approximate \$100 million per year.

These costs are just paperwork burdens. The most significant cost of the proposed Appeal Rules is the value of patent protection foregone due to added costs, procedural complexity, and legitimate claims that must foregone to satisfy the Board’s new and arbitrary requirements. In short, the proposed Appeals Rule is almost certainly economically significant, requiring the Office to perform a Regulatory Impact Analysis in accordance with OMB Circular A-4. See Attachment H.

3. This Rulemaking Breaches Executive Order 12,866 by Failing to Consider How “Existing Regulations (or other law) have Created, or Contributed to” the Problem the PTO Seeks to Solve, or are in “Conflict” with Other Regulations

Executive Order 12,866 (as amended)⁸ § 1(B)(10) says:

Each agency shall avoid regulations and guidance documents that are inconsistent, incompatible, or duplicative with its other regulations and guidance documents.” E.O. § 1(b)(2) requires every agency, for every rulemaking, to “examine whether existing regulations (or other law) have created, or contributed to, the problem that a new regulation is intended to correct.

The PTO has admitted that the proposed Appeal rule is intended to cure a problem that the PTO itself created with the recently-finalized Continuations Rule, and implicitly admits that the Appeal Rule is intended to deter applicants from availing themselves of appellate rights that are even more crucial because of the Continuations Rule.

⁸ http://www.whitehouse.gov/omb/inforeg/eo12866/eo12866_amended_01-2007.pdf

In the preamble to the proposed rule, the PTO states that its purpose is “to permit the board to handle an increasing number of ex parte appeals in a timely manner.” See 72 Fed. Reg. 41472, col. 1. But this declaration is disingenuous. It does not acknowledge that the Board expects a 25% increase in appeals in FY 2008 (5,000) over FY 2007 (4,000) because of the recently promulgated Continuations Rule. The PTO said so in its FY 2007 budget request, in which it sought over \$8 million in FY 2008 to fund additional Administrative Patent Judges and supporting staff, rising to more than \$14 million in FY 2011:

[D]uring fiscal year 2007, the Board of Patent Appeals and Interferences (BPAI) anticipates it will begin to receive an increased level of appeals following continuation rulemaking to bring greater finality to patent application prosecution. Based on existing assumptions, the office anticipates BPAI’s appeal workload to increase by approximately one-third.

See PTO, *Fiscal Year 2007 Budget* at 32 (<http://www.uspto.gov/web/offices/ac/comp/budg/fy07pbr.pdf>). The PTO sought millions of dollars in new funding to deal with a problem that it knew it was causing by abbreviating continuations practice. Now it proposes to take away the very circuit breaker that applicants need to make the Continuations Rule even minimally workable. The proposed regulation has no conceivable relationship to the underlying cause for the particular problem the regulation is supposed to solve, and therefore violates E.O. 12,866.

The PTO admits that any additional burden on the Board is caused by the PTO itself, and specifically by the Continuations Rule. The PTO must find a way to internalize the costs of the burdens it creates for itself. It is counterproductive and disingenuous for the PTO to pass the costs of its own management errors and unwise rulemaking on to inventors.

4. This Rulemaking Violates Executive Order 12,866 by Failing to Consider How the PTO’s “Existing *Interpretations of Regulations (or other law) have created, or Contributed to*” the Problem The PTO Seeks to Solve, and Failing to Observe the President’s “Good Guidance Practices”

Executive Order 12,866 (as amended)⁹ § 1(b)(2) requires every agency, for every rulemaking, to “examine whether existing regulations (or other law) have created, or contributed to, the problem that a new regulation is intended to correct and whether those regulations (or other law) should be modified to achieve the intended goal of regulation more effectively.” The problem the agency seeks to solve lies squarely with the examination management’s incorrect interpretation of the following regulations and laws: (a) management’s duty to “manage and direct” “all aspects” of examination,” 35 U.S.C. § 3(b)(2)(A), (management believes that the statute’s “all” means something less than “all”), (b) the duty to “cause an examination to be made” and “state reasons” under 35 U.S.C. §§ 131 and 132, and (c) the scope of appealable subject matter, and therefore an incorrectly-narrow view of the scope of subject matter petitionable under 37 C.F.R. § 1.181(a)(1).

The proposed Appeal Rules could be obviated if the Office simply followed the President’s instructions, and implemented longstanding Federal Circuit law on the duty of the Director and Commissioner to use the petitions process to oversee discretionary and procedural acts of examiners, even when they relate to claims, and implemented recent Executive Orders and the Final Bulletin for Agency Good Guidance Practices, and related Presidential instructions.¹⁰ Instead of enforcing

⁹ http://www.whitehouse.gov/omb/inforeg/eo12866/eo12866_amended_01-2007.pdf

¹⁰ Executive Order 12,866, 58 Fed. Reg. 51735-51744 (October 4, 1993, <http://www.whitehouse.gov/omb/inforeg/eo12866.pdf>); Executive Order 13,422, 72 Fed. Reg. 3432 (Jan. 25, 2007, http://www.whitehouse.gov/omb/inforeg/eo12866/fr_notice_eo12866_012307.pdf); “Final Bulletin for Agency Good Guidance Practices” (OMB Memorandum M-07-07, January 18, 2007, <http://www.whitehouse.gov/omb/memoranda/fy2007/m07-07.pdf>); and “Implementation of Executive Order 13422 (amending Executive

procedural requirements relating to examination of claims, on August 21, 2007, Director Dudas expressly and categorically announced his refusal to provide “supervisory review” of violations of agency guidance requirements, even where that intra-agency guidance is set forth in “procedural terms.”¹¹ The Petitions Office, in (what the Office asserts, but with no citation to any written document to support the assertion) as a longstanding (but unpublished) policy of refusing to honor the Federal Circuit’s instructions that applicants are “entitled to rely” on the MPEP,¹² insists that the Office refuses to enforce the PTO’s own guidance document.¹³ The Office’s disagreement with Presidential directive, refusal to honor its own procedural promises, and refusal to follow its reviewing court’s precedent, is alarming.

The PTO’s own statistics¹⁴ and our experience suggest that the Office’s current backlog crisis is overwhelmingly caused by administrative unpredictability resulting from the examining operation’s lack of regard for procedural law and agency guidance. Attorneys read the MPEP and know that it states rules that they are “entitled to rely” on to predict the Office’s future course, and their ethical obligations to clients limits their ability to surrender property rights that the Office is legally

Order 12866) and the OMB Bulletin on Good Guidance Practices” (OMB Memorandum M-07-13, April 25, 2007, <http://www.whitehouse.gov/omb/memoranda/fy2007/m07-13.pdf>).

¹¹ Notice of Final Rulemaking, Changes To Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications, 72 Fed. Reg. 46715, 46752 col. 2-3 (Aug. 21, 2007).

¹² *In re Kaghan*, 387 F.2d 398, 847-48, 156 USPQ2d 130, 132 (CCPA 1967) (“we feel that an applicant should be entitled to rely not only on the statutes and Rules of Practice but also on the provisions of the MPEP in the prosecution of his patent application”).

¹³ *E.g.*, Decisions on Petition in App. Serial No. 09/385,394 of summer-fall 2003 and fall 2005, taking no issue with the showings that the examiner breached multiple “must” directives set forth in the MPEP, yet refusing to enforce those requirements, and refusing to protect the applicant from the adverse consequences flowing from the examiner’s breach of those requirements.

¹⁴ See Attachments C and D.

obligated to provide. When an examiner refuses to comply with the MPEP, extended prosecution and appeal are the result.

We find that many of our appeals arise out of an examiner's *silence* on required issues. As one example, in U.S. App. Ser. No. 09/611,548, four successive Office Actions were dead silent on the same claim language, violating both the MPEP § 2143.03 requirement to discuss every claim limitation, and MPEP § 707.07(f) requirement to "Answer All Material Traversed." For seven years, it was not clear whether applicant and examiner were reading the claims differently, whether they were reading the references differently, whether they had different views of the law, or different views of the application of the law to the facts. Similarly, very few (if any) "subject matter" rejections flowing from Art Units 3690 in recent months have made showings of "abstract idea, law of nature or natural phenomenon" and lack of "useful, concrete and tangible" as required by MPEP § 2106; instead, almost all rely on *ad hoc* legal tests made up by the examiner. Appeal can be no more "focused" than the examiner's papers and development of the issues. Applicants have no unilateral ability to get applications into condition for efficient and "focused" appeal when examiners are under no obligation to "focus" or use predictable procedures for examining claims.

SPE's often refuse to enforce procedural rules, in the mistaken belief that they have no obligation to do so because they think that the obligation to enforce procedure lies with the Board. Attachment A is an interview summary with an SPE, in which she explained her view that procedure was unimportant and would not be enforced in her art unit. This is merely one representative of a number of other conversations with other SPE's – procedure is viewed as something entirely optional by far too many examiners, SPE's, and T.C. Directors.

Similarly, T.C. Directors (who are not required to be "persons of competent legal knowledge") have less than full respect for the rule of procedural law. Attachment B is a summary of an interview with a T.C. Director after he had

dismissed a petition for premature final rejection because he insisted that final rejection was an appealable issue. In the interview, he (a) refused to accept either the Board's or the MPEP's statement that premature finality is a petitionable issue, (b) expressed the view that procedure does not "matter," (c) refused to inform himself of the Office's and courts' statements of law, and (d) in subsequent papers, refused to enforce any procedural requirements and acknowledged that his policies affirmatively incentivized examiners to "short cut" the rules.

The Board is equally clear that it has neither supervisory responsibility nor power, see Attachment E, footnotes 30 and 34, leaving examiners with no supervisory oversight in the procedural elements of examination of claims.

This lack of observance of procedure during initial examination has a large effect on efficiency of examination. Because examiners fail to observe procedural requirements to ask the right questions, they often reach wrong answers. The overwhelming majority of appeals arise out of examiner error, not applicant error. Attachment D is a spreadsheet calculating affirmance rates, based on statistics available on the Board's web page and obtained by FOIA request, showing that examiners are affirmed less than 20% of the time – an **error rate of 80%**.¹⁵ Other studies have shown examiner error rates of **90%**.¹⁶ No other organization would tolerate this kind of error rate, let alone blame its customers for its own errors as the PTO has done in the last two years' rulemakings.

The proposed Appeal Rules have no rational connection to the underlying cause for the problem identified. They do nothing to address the source of the problem, but instead force more costs on the innocent party, the party in least

¹⁵ The rise in affirmance rate for FY 2006 may be due to the "Pre-Appeal Review" program. The number of rejections vacated and reversed in this program are not reflected in the statistics obtained. Thus, the FY 2006 statistics overstate the number of affirmance.

¹⁶ AIPLA's letter on the Continuations Rule, http://www.uspto.gov/web/offices/pac/dapp/opla/comments/fpp_continuation/aipla.pdf at page 11.

position to add “focus” to the examination process. If the Office enforced and followed its *procedural* guidance during *examination*, as the President’s Good Guidance Practices require, many of the Office’s and the Board’s backlog problems would disappear quickly.

We suggest that a far more effective approach to reduce the number and increase the efficiency of appeals would be to implement procedures by which applicants could ensure procedurally complete examination in the first instance, thereby removing much of the need for either continuations or appeals. As we note in § VIII.B, above, and Attachment E, that could be achieved by a clear statement of the limits of the Board’s jurisdiction (thereby clarifying the obligation of petitions officials to decide non-appealable petitions under 37 C.F.R. § 1.181(a)(1)), and the obligation of line management to “cause an examination to be made” under 35 U.S.C. § 131.

D. Regulatory Flexibility Act

The proposed Appeal Rules include several substantive aspects, as discussed in §§ II.A and § VII.A. That brings the Appeal Rule within the purview of the Regulatory Flexibility Act, 5 U.S.C. § 601 *et seq* (“RegFlex”).

Further, the exceptions to the notice-and comment requirement of 5 U.S.C. § 553 are “narrow” and should be “construe[d] as an attempt to preserve agency flexibility in dealing with limited situations where substantive rights are not at stake.” *American Hospital Assoc. v. Bowen*, 834 F.2d 1037, 1044-45 (D.C. Cir. 1987). The exceptions apply only where the interests “promoted by public participation in rulemaking are outweighed by the countervailing considerations of effectiveness, efficiency, expedition and reduction in expense.” *Guardian Federal Savings & Loan Ass’n v. FSLIC*, 589 F.2d 658, 662 (D.C. Cir. 1978). Consistent with these principles, the procedural rule exception applies only to “internal house-keeping measures

organizing agency activities.” *Bowen*, 834 F.2d at 1045. Measured against that test, the Appeal Rules require notice and comment, and therefore a full RegFlex analysis.

The PTO’s RegFlex certification consists in its entirety of the following “analysis:”

The USPTO received approximately 443,000 patent applications in Fiscal Year 2006. The proposed rules apply only to those applications where an appeal brief is filed with the Board. In Fiscal Year 2006, approximately 18,500 appeal briefs were filed. Of those 18,500 appeal briefs, approximately 4,000 were filed by small entities. Thus, the number of small entities affected by these proposed rule changes is not substantial (approximately 0.9%). Also, the proposed rules do not disproportionately impact small entities.

See 72 Fed. Reg. 41484, col. 1. Dividing 4,000 appeals by small entities by the 443,000 applications filed by all entities to arrive at “the number of small entities affected” is simply amateurish. By the PTO’s own statistics, 22% of appeals (4,000 ÷ 18,500) are filed by small entities. It is inconceivable that 22% does not exceed the threshold for disproportionate impact.

Also, the RegFlex certification of the effect on direct appeals fails to reflect an understanding of basic procedural and economic facts: if the deck is substantially restacked for appellate review, there will be a substantial back-pressure effect on proceedings in the proceedings before the examiner.

Restricting the availability of appeal (especially in combination with restrictions on continuations and claims) sharply changes the ability of applicants to obtain the patent protection provided by law. The PTO simply ignores these economic effects by pretending that the Notice of Proposed Rulemaking is “not significant” under Executive Order 12,866.

E. Information Quality Act

A number of statements in the Notice of Proposed Rulemaking violate the PTO’s Information Quality Guidelines¹⁷ requirements for objectivity and utility, and

¹⁷ <http://www.uspto.gov/web/offices/ac/ido/infoqualityguide.html>

requirements under the Administrative Procedure Act for a rational connection between a regulation and the problem sought to be regulated. The following statements in the Notice at 72 Fed. reg. 41479, col. 3, are illustrative examples:

- “The Board is currently experiencing a large increase in the number of ex parte appeals” from 3,349 in FY 2006 to 5,000 expected in FY 2008.

What is the basis for this projection? What is the underlying cause for over 50% growth in two years? How do these rules have anything whatsoever to do with that underlying cause?

- “The provisions of Rule 136(a) are not consistent with efficient handling of appeals after the time an appeal brief is filed.”

Efficient for whom? Based on what theory and evidence?

F. Paperwork Reduction Act: The Proposed Rule Includes an Illegal Information Collection

Proposed Bd. R. 41.37(t) and (u) would require appellants to repackage and re-submit, among other things, each of the following documents:

- “The Office action setting out the rejection on appeal...” Bd. R. 41.37(t)(2).
- “the Office action incorporated by reference” Bd. R. 41.37(t)(2).
- “All evidence relied upon by the examiner...” Bd. R. 41.37(t)(3).
- “The relevant portion of a paper filed by the appellant before the examiner...” Bd. R. 41.37(t)(4).
- “Affidavits and declarations...” Bd. R. 41.37(t)(5).
- “Other evidence...” Bd. R. 41.37(t)(6)
- “Copies of orders and opinions” for related cases, even those decided by the PTO itself. Bd. R. 41.37(u)

Under the Paperwork Reduction Act, 44 U.S.C. § 3501 et seq. (PRA), the Office of Management and Budget cannot approve Information Collection Requests that are duplicative:

To obtain OMB approval of a collection of information, an agency shall demonstrate that it has taken every reasonable step to ensure that the proposed collection of information:

- (i) Is the least burdensome necessary for the proper performance of the agency's functions to comply with legal requirements and achieve program objectives;
- (ii) Is not duplicative of information otherwise accessible to the agency; ...

See 5 C.F.R. § 1320.5(d)(1). Each and every item on this list will already exist in the file. Proposed Bd. R. 41.37(t) (“The ‘evidence section’ shall contain only papers which have been entered by the examiner.”) Therefore, these information collection demands are unambiguously duplicative. Not only is the requested information *accessible* to the Board, it is maintained electronically by the PTO in a form and format that the PTO itself prescribed.¹⁸ This requirement is illegal.

New paperwork burdens which are not illegal are unduly burdensome because they are transparently punitive and provide no demonstrated practical utility even to the Board. The proposed rule specifies detailed and picayune requirements for format, margins, type font, font size, location of attachments and tables, and other matters. If an appellant fails any of these requirements, the Office threatens to reject the appeal for nonsubstantive reasons. OMB by law must balance burden and practical utility, and must state that balancing in the Notice of Proposed Rulemaking to solicit meaningful comment. Having failed to do so, the PTO may not promulgate these rules without, at a minimum, a new round of Notice and Comment.

VIII. Alternative Recommendations

A. Compliance with Recent Executive Orders

The Board and applicants share a common problem – indiscipline among examiners. This, in turn, flows from management’s failure to implement both

¹⁸ Under OMB’s section 1320.5(d)(ii), it would not matter if the Board were a separate federal agency from the PTO. The Board could not impose the duplicative requirement as long as the same information is accessible from the PTO.

longstanding law and recent Executive Orders requiring management to compel examiners to follow the Office’s guidance documents. The Board should work with the management of the examining operation to enforce procedural regularity, and the quality of Office Actions, so that applications can be efficiently resolved during § 131/132 examination. This would both reduce the number of appeals and improve the quality of the record presented to the Board for review. Either the examination process must be reformed to ensure that examiners examine according to predictable procedures, or the appeal process must retain flexibility for applicants to deal with all examiner errors.

The President’s Final Bulletin for Agency Good Guidance Practices, and related Presidential instructions are discussed in § VII.C.4.

B. Alternative Recommendation: a “Restatement” of the Scope of “Appealable Subject Matter” Would Reduce Many Problems

Proposed Bd. R. 41.31(e) states, circularly, that “A non-appealable issue is an issue not subject to appeal under 35 U.S.C. 134.” A “Restatement of the Law” of the Board’s § 134 jurisdiction would be immensely helpful to appeals, and more importantly, to efficient examination.

Unfortunately, the examining operation has a very different opinion of the jurisdictional divide than the Board, and the lack of agreement leaves a large “no man’s land” of *procedural* issues underlying rejections of claims where examiners operate with no supervision or oversight from either the Board or the Director. For example, a number of Tech Center SPRE’s and Tech Center Directors believe that “premature final rejection” is an appealable issue because it relates to claims, and thus examiners have little constraint or guidance. See Attachments A and B.

Most statements of the Board’s jurisdiction are very difficult to locate. For example, a private email received from Chief APJ Stoner a few years ago, unpublished decisions, and intermediate appeals decisions that are not searchable on the Board’s web page or decisions that have never been made public. We have

attempted to collect the public and non-public statements of the Board's jurisdiction of which we are aware in a way that could be added to MPEP § 1201. That proposed "Restatement" is presented as Attachment E, which we recommend for incorporation into the MPEP.

The high rate of successful appeal, and the extraordinarily low rate of affirmance for examiners (in the range of 10-20%, see Attachments C and D and § VII.C.4, below), suggest that the cause for the Board's "unwanted popularity" lies in defects within the examining operation. The Board should not, and cannot, be the primary entity enforcing proper application of the law during examination. Rather, PTO management, having exerted great and careful effort to produce Chapter 2100 of the MPEP, should enforce it by requiring examiners to set forth findings on all *prima facie* issues required by the MPEP. Once an examiner states a position, it's almost always easy to diagnose the error (whether it lies with applicant or examiner) and resolve the issue. The problem is the pervasive *silence* of the examining operation, and frequent application of "rules" that have no basis in any written document. Clarifying the scope of the Board's jurisdiction will appropriately define the breadth of management's duty to "manage and direct" the examining operation. 35 U.S.C. § 3(b)(2)(A). That will be more efficient for all concerned, and save the Board from its backlog problem.

IX. The Proposed Rules Exacerbate the Underlying Problems and Remove Applicants' Ability to Have PTO Errors Corrected

We fully appreciate that the Board has been placed in an unenviable position, and that the proposed Appeal Rules are entirely a reaction to non-Board forces. However, the proposal does not address the underlying source of the problem in a way that is fair and leads to quality adjudication.

The PTO has revealed that it is engaged in a now-obvious bait-and-switch strategy. The Office's key rationale for the recently-finalized Continuations Rule was

the availability, ease and efficiency of appeal for appellants, and the Office strongly encouraged appeal rather than continuations. *E.g.*, 72 Fed. Reg. 46716, 46720, col. 2, par. 3 to col. 3 par.1 (“The Office also appreciates that applicants sometimes use continued examination practice to obtain further examination rather than file an appeal... the appeal process offers a more effective resolution than seeking continued examination before the examiner.”)

The proposed Appeal Rules, if promulgated, would destroy the limited rights to full and fair examination the PTO promised would be preserved after it shut down continuations practice. It would substantially increase the cost of appeal and severely restrict appellants’ ability to present their cases or obtain a full and fair adjudication of patentability. Having relied on a fairly adjudicated appeals process to justify curtailment of continuations practice, the PTO now proposes to prevent as many applicants as possible from exercising these appeal rights.

Finally, it is significant that the PTO withheld public disclosure of the proposed Appeals Rule until July 30. That’s 21 days after OMB concluded its review of the draft final Continuations and Claims Rules. Unlike OMB, the PTO surely knew that the proposed Appeals Rules were highly relevant to the Continuations and Claims Rules and that its provisions would be fundamentally inconsistent. It also explains why the PTO sought to evade OMB oversight by falsely designating the proposed Appeal Rules as “not significant” under Executive Order 12,866.

X. The “Record on Appeal”

Proposed Bd. R. 41.30 proposes that the record would begin with the appellant’s appeal brief. This is not correct. An appeal is from the “decision of the examiner,” 35 U.S.C. § 134, not from the Examiner’s Answer. The examiner’s last Office action, and the “at most one” action incorporated by reference, must be part of the record as well.

XI. This Letter is Timely

Leave to file this paper after October 1, 2007 was granted via an email to the undersigned:

From: McKelvey, Fred [mailto:Fred.McKelvey@USPTO.GOV] **On Behalf Of** BPAI Rules
Sent: Monday, October 01, 2007 3:41 PM
To: Boundy, David - Cantor Fitzgerald
Subject: RE: Request for extension of Notice and Comment
[2 weeks](#)

From: Boundy, David - Cantor Fitzgerald [mailto:DBoundy@cantor.com]
Sent: Monday, October 01, 2007 3:02 PM
To: BPAI Rules
Subject: RE: Request for extension of Notice and Comment

[Thank you. Do you have an estimate - say one week vs 2 vs 3?](#)

From: McKelvey, Fred [mailto:Fred.McKelvey@USPTO.GOV] **On Behalf Of** BPAI Rules
Sent: Monday, October 01, 2007 2:52 PM
To: Boundy, David - Cantor Fitzgerald
Subject: RE: Request for extension of Notice and Comment

Your request for a formal extension of time to comment on the Notice of Proposed Rulemaking, 71 Fed. Reg. 41472 (July 30, 2007) (Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals) has been received. The process of reviewing comments and determining a final rule has begun today, October 1, 2007. While a formal extension of time will not be granted, any comments received before comment review is complete will be considered. Please feel free to submit any comments as soon as possible.

Fred E. McKelvey
Senior Administrative Patent Judge
Board of Patent Appeals and Interferences

A formal extension, properly published in the Federal Register, was requested, as noted in the letter attached at Attachment I.

XII. Conclusion

Desperation should not lead to panicked decision making that violates the observable data, common sense, and the law governing rulemaking. The increase in workload is not the “fault” of the Board. Nor is it (by and large) the fault of applicants. The data we have been able to obtain, our impression as practitioners, and the confession of various supervisory personnel (see Attachments A and B) is that the vast bulk of the Board’s workload arises from lax procedural enforcement on the examining side of the Office. The correct resolution of the Board’s predicament is for the Board to remonstrate with management to enforce examination procedure, not punish applicants who dare to appeal when the Office commits error. If the Office will not observe the President’s Good Guidance Practices directive to impose procedural regularity on examination, then the Appeal Rules must remain reasonably symmetric, to provide fair opportunities for appellants.

Because, as the PTO itself admits, the need for most aspects of this Appeal Rule arise out of the PTO’s “existing regulations,” and “cumulative regulations,” primarily the new Continuations Rule and management’s refusal to provide any formal enforcement mechanism for the agency’s procedural guidance on examination of claims. Executive Order 12,866 § 1(b) requires the PTO to consider “whether those regulations (or other law) should be modified to achieve the intended goal.” The Notice of Proposed Rulemaking reflects no such consideration. Further action

by the PTO is illegal until it has set forth such consideration for public Notice and Comment. The Rule must be repropose for a new round of Notice and Comment.

Sincerely,

/s/ David E. Boundy

Vice President, Assistant General
Counsel Intellectual Property
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/s/ Dean P. Alderucci

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Attachment A

Interview Summary with SPE Meng Ai An

PATENT

ATTORNEY DOCKET NO. 114596-05-4013

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

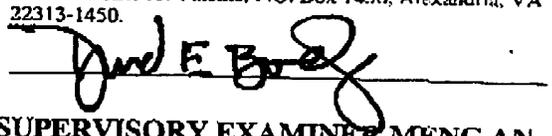
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CENTRAL FAX CENTER

JUL 24 2005

Serial No.: 09/239,194
Applicant: John S. Yates, Jr., et al.
Title: EXECUTING PROGRAMS OF A FIRST COMPUTER ARCHITECTURE
ON A COMPUTER OF A SECOND ARCHITECTURE
Filed: January 28, 1999
Art Unit: 2127
Examiner: Kenneth Tang
Atty. Docket: 114596-05-4013
Customer No. 38492

Confirmation No.: 9716

I certify that this correspondence, along with any documents referred to therein, is being deposited with the United States Postal Service on July 25, 2005 as First Class Mail in an envelope with sufficient postage addressed to Mail Stop AF, Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450.



SUMMARY OF INTERVIEW WITH SUPERVISORY EXAMINER MENG AN

Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

The undersigned attorney had a telephonic interview with Supervisory Examiner Meng An on Thursday, July 7.

This attorney asked for supervisory intervention regarding the procedural issue of premature final rejection. Supervisory Examiner An stated that she did not consider such issues, that she only considered the merits. Supervisory Examiner An stated that she would not consider granting procedural relief, even if the violation of Patent Office rules complained of was purely procedural.

Supervisory Examiner An stated that she had reviewed the papers and she did not believe that a "new ground of rejection" had been raised. This attorney asked if she had any written rule or publication that supported any definition of "new ground of rejection" that she might be applying. Supervisory Examiner An stated that she did not. This attorney directed Supervisory Examiner An to the definition of "new ground of rejection" stated in *In re Kronig* and *In re Wiechert* and requested that she review the quotes from these cases at pages 1-2 of the Request to Withdraw Finality of Office Action of March 21, 2005. She declined to read that paper. This attorney asked Supervisory Examiner An if she had any basis to disagree with the court's holding in *Wiechert*. She declined to answer the question. This attorney asked Supervisory Examiner An if she had authority to disregard the CCPA. She declined to answer this question.

Summary of Interview with Supervisory Examiner
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3104-50-965411

This attorney twice asked Supervisory Examiner An if she would like to take a couple days to find some written rule that would overrule *Wiechert* or create an exception, or support her view. She stated twice that she would not do so.

Supervisory Examiner An suggested that Applicant should respond in papers. This attorney noted that the position had already been set out in papers, and those papers had been before the examiner twice, once when originally filed in March, once when reconsideration was requested by phone in May. This attorney noted that the examiner's responsive papers had failed to address the procedural issues raised in Applicant's papers, and had failed to provide any requested clarification on the merits. Supervisory Examiner An reiterated that Applicant should respond in papers. This attorney asked Supervisory An why filing the same arguments and requests for clarification a third time would ensure that they received a proper response, when no response had been given them in the past. Supervisory Examiner An declined to answer the question; she simply reiterated her position that a further set of papers should be filed.

Supervisory Examiner An stated that an applicant is responsible for reading the entirety of any reference cited by an examiner (including, apparently, all 144 columns of the Chernoff '028 reference), and that an examiner may freely rely on new portions of an existing reference without introducing a "new ground of rejection." This attorney asked if Supervisory Examiner An knew of any written statement to that effect; Supervisory Examiner An stated that she did not. This attorney invited Supervisory Examiner An to review the quote from *Wiechert* in the Request, which states exactly the opposite of her view. Supervisory Examiner An declined the invitation.

Supervisory Examiner An stated that the issues on the merits should have been addressed by telephone interview with the examiner. This attorney agreed, and noted that an interview with the examiner had been requested on a number of occasions. This attorney noted that the examiner had declined all requests for an interview. We did not reach an agreement for how to proceed on this issue.

Supervisory Examiner An conceded that Examiner Tang's papers were not clear, and yet asserted that clarification of those positions was not a "new ground of rejection." She provided no authority for this definition of "new ground of rejection."

This attorney asked how Supervisory Examiner An made sure that her examiners made correct and fair determinations on the merits, if she enforced no requirements of procedure.

Supervisory Examiner An declined to answer the question; she reiterated that Applicant should file whatever papers were deemed appropriate.

It is believed that this paper occasions no fee. Kindly charge any additional fee, or credit any surplus, to Deposit Account No. 23-2405, Order No. 114596-05-4013.

Respectfully submitted,

WILLKIE FARR & GALLAGHER LLP

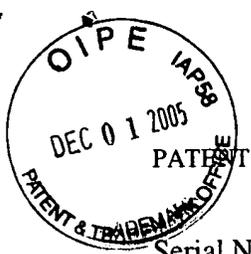
Dated: July 25, 2005

By: 
David E. Boundy
Registration No. 36,461

WILLKIE FARR & GALLAGHER LLP
787 Seventh Ave.
New York, New York 10019
(212) 728-8757
(212) 728-9757 Fax

Attachment B

Interview Summary with T.C. Director Jack Harvey



IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Serial No.: 09/385,394 Confirmation No.: unassigned
Applicant: John S. Yates, Jr., et al.
Title: COMPUTER WITH TWO EXECUTION MODES
Filed: August 30, 1999 Art Unit: 2183
Atty. Docket: 114596-03-4000 Examiner: Richard Ellis

SUMMARY OF INTERVIEW (10/30/2005) WITH T.C. DIRECTOR HARVEY

Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

An interview was conducted between T.C. Director Jack Harvey and the undersigned attorney by telephone on October 30.

1. This attorney requested clarification of the following sentence from SPrE Johnson's paper of 9/9/2005, page 5, lines 1-3: "[T]here is no requirement for element for element or limitation for limitation identification between the claims and reference(s) be provided to applicant in the grounds of rejection set forth in the examination process." In the interview, this attorney specifically drew T.C. Director Harvey's attention to 37 C.F.R. § 1.104(c)(2), § 1.113(b) and MPEP § 2142-2143.03. T.C. Director Harvey offered no elaboration of his view.

2. Applicant offers the following observations. 37 C.F.R. § 1.104(a) requires that examination "shall be complete." 37 C.F.R. § 1.104(c)(2) requires that "the particular part [of each reference] relied on must be designated as nearly as practicable" and, at least for all obviousness rejections, that "the pertinence of each reference, if not apparent, must be clearly explained." 37 C.F.R. § 1.113(b) requires that all grounds be stated "clearly" before rejection is made final. MPEP § 2142-2143.03 state, for example, that "...it is the duty of the examiner to explain why the combination of the teachings is proper." *In re Berg*, 320 F.3d 1310, 1315, 65 USPQ2d 2003, 2007 (Fed. Cir. 2003) requires "examiners ... are responsible for making findings, informed by their scientific knowledge, as to the meaning of prior art references...". *In re Epstein*, 32 F.3d 1559, 1570-71, 31 USPQ2d 1817, 1825 (Fed. Cir. 1995) (Plager, J., concurring) notes that "One

I certify that this correspondence, along with any documents referred to therein, is being deposited with the United States Postal Service on November 28, 2005 as First Class Mail in an envelope with sufficient postage addressed to Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450.



function of the PTO's *prima facie* case practice is to force the PTO examiners to set forth specific [rejections], which can be met by the applicant, and not just to make a general rejection.”

These rules merely state concrete examples of general principles arising under the Administrative Procedure Act, expressed in Supreme Court and Federal Circuit precedent. *Motor Vehicle Manufacturers' Assn. of the United States Inc. v. State Farm Mutual Automobile Insurance Co.*, 463 U.S. 29, 43, 48 (1983) (every written decision of every federal agency must “cogently explain why [the agency] has exercised its discretion in a given manner” and “must examine the relevant data and articulate a satisfactory explanation for its action including a rational connection between the facts found and the choice made.”).

3. This attorney requested clarification of the following sentence (Paper of 9/9/2005, page 5, lines 1-3): “Contrary to the citations of case law presented by Petitioner, it cannot be seen how [an examiner’s] ... ‘new line of reasoning’ (*In re Kronig*) or ‘relying on a new portion of a reference’ (*In re Wiechert*)” can be a “new ground of rejection” in the circumstances of this application. T.C. Director Harvey confirmed that that the definition of “new ground” that he applied turned solely on statutory section and choice of references. This attorney asked T.C. Director Harvey if he was aware of any written authority that supported this definition of “new ground of rejection,” or that created any exception to the principles of *Kronig* or *Wiechert* quoted in the paper of 9/9/2005. T.C. Director Harvey stated that he did not.

4. T.C. Director Harvey explained as follows (this is a direct transcript of a recording made with the knowledge of T.C. Director Harvey). Note that T.C. Director Harvey states that he will rely solely on the MPEP, even though the MPEP lacks force of law to overrule court or agency precedent. T.C. Director Harvey states that “the Board cases and CCPA cases and Federal Circuit cases on defining ‘new ground of rejection’” would not be “helpful” and would not be “taken further.” T.C. Director Harvey stated that he would leave all legal research and determinations to other authorities in the PTO.

DB I’ve cited a couple of CCPA cases that’s say that the definition of new ground of rejection looks a little deeper than “same statute, same references.” I have looked all over for any written statement that [“same statute, same references” is] the definition of new ground rejection. I don’t think there is a written statement to that effect. So, it would just clarify things a whole -- or cut this issue right down to the bone. If you can find the statement to that effect, then if I’m wrong.

JH I have to issue this petition again, and I told you I would do that, and I will sign it, and if it is something I can pull up... It’s going to be whatever I

find out of the MPEP. So, it will be my search on the MPEP. I will put it in there. It's going to be a new decision.

DB I think that's fine. And would it make sense for me to send you my legal research?

JH No. We are going to keep it on point. I am not going to take this any further. You have asked me to look up what is the definition of "new ground of rejection" I will do that. We are going to remail out this [decision].

DB You are sure it wouldn't be helpful to look at the Board cases and CCPA cases and Federal Circuit cases on defining "new ground."

JH No. I am going to leave that to the petitions office when you file that petition.

5. T.C. Director's reissued paper of 11/8/2005 does not reflect that T.C. Director Harvey carried out his promise to "look up what is the definition of 'new ground of rejection.'" The reissued paper of 11/8/2005 does not reflect consideration of MPEP § 1207.03(III) (8th Ed. Rev. 3, August 2005), which expressly defers to the *Kronig* line of case law for the definition of the term "new ground." See also MPEP § 1208.01 (7th Ed. and 8th Ed. Jul. 1998-May 2004) (likewise deferring to *Kronig*).

6. Nonetheless, to assist T. C. Director in properly addressing all issues in his "new decision," this attorney filed a "Supplement to Petition" dated 10/31/2005, FAXed directly to SPRE Brian Johnson, and sent the attached email of 11/1/2005 to T.C. Director Harvey and to SPRE Johnson. I certify that the written copy of the email provided with this interview summary is accurate, with the addition of legal annotations, and omission of discussion of statements that T.C. Director Harvey indicated to be "off the record."

7. Applicant offers the following observations of law. Each reinforces the principle that an agency does not have authority to pick and choose which issues it will decide, to ignore grounds when multiple grounds of relief are presented, or to re-characterize the issues presented. The agency must decide the precise matter "presented to it," and each alternative ground. Applicant also comments on the T.C. Director's paper of 11/8/2005.

- 5 U.S.C. § 555(a) ("With due regard for the ... necessity of the parties ... and within a reasonable time, each agency shall proceed to conclude a matter presented to it.")
- *In re Kumar*, 418 F.3d 1361, 1367, 76 USPQ2d 1048, 1052 (Fed. Cir. 2005) ("In accordance with the Administrative Procedure Act, the agency must assure that an applicant's petition is fully and fairly treated at the administrative level...").

Application Serial No. 09/385,394
Attorney Docket No. 114596-03-4000
Summary of Interview (10/30/2005) with T.C. Director Harvey

It is believed that this paper occasions no fee. Please charge any fee to Deposit Account No. 23-2405, Order No. 114596-03-4000.

Respectfully submitted,

WILLKIE FARR & GALLAGHER LLP

Dated: November 28, 2005

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Attachment C

Reply to FOIA Request

Attachment D

Spreadsheet Combining PTO's Appeal Statistics

Attachment D

Appeal Conference (as of March 2006)

Year	Appeal Briefs	Examiner Actions	Examiner Writes Exr's Answer		Exr Reopens on New Ground (37 CFR § 1.193(b)), usually abandoning existing position		Allowance - all rejn's wrong		Other	
1998	5,609	5,548	3,235	58.3%	698	12.6%	1,540	27.8%	76	1.4%
1999	5,500	5,432	2,862	52.7%	825	15.2%	1,673	30.8%	74	1.4%
2000	5,934	5,873	2,758	47.0%	1,214	20.7%	1,813	30.9%	89	1.5%
2001	6,706	6,633	2,707	40.8%	1,651	24.9%	2,195	33.1%	83	1.3%
2002	7,001	6,885	2,709	39.3%	1,855	26.9%	2,264	32.9%	58	0.8%
2003	8,289	8,141	3,248	39.9%	2,419	29.7%	2,424	29.8%	52	0.6%
2004	9,470	9,126	3,676	40.3%	2,969	32.5%	2,394	26.2%	88	1.0%
2005	11,263	9,726	4,120	42.4%	3,370	34.6%	2,147	22.1%	93	1.0%
2006 ¹⁹	6,055	2,092	994	47.5%	677	32.4%	389	18.6%	32	1.5%

Board of Patent Appeals (as of Sept 27, 2007)

Year	Total Dispos'ns	Affirmed		Modified / Aff'd in Part, Rev'd in Part		Reversed in full		Remanded (combining "panel" and "administrative")		Dismissed		Withdrawn	Total Net Affirmance (end to end)	
1998	4,091	1,464	35.8%	391	9.6%	1,239	30.3%			69	1.7%	70	1.7%	24%
1999	4,520	1,283	28.4%	504	11.2%	1,573	34.8%	986	21.8%	169	3.7%	5	0.1%	18%
2000	4,963	1,442	29.1%	518	10.4%	1,930	38.9%	911	18.4%	152	3.1%	10	0.2%	16%
2001	5,075	1,516	29.9%	459	9.0%	1,868	36.8%	1,089	21.5%	143	2.8%	0	0.0%	14%
2002	5,062	1,509	29.8%	471	9.3%	1,895	37.4%	1,095	21.6%	92	1.8%	0	0.0%	14%
2003	3,815	1,398	36.6%	413	10.8%	1,490	39.1%	453	11.9%	61	1.6%	0	0.0%	17%
2004	3,436	1,276	37.1%	401	11.7%	1,282	37.3%	397	11.6%	80	2.3%	0	0.0%	17%
2005	2,937	1,121	38.2%	366	12.5%	1,163	39.6%	176	6.0%	111	3.8%	0	0.0%	19%
2006	2,874	1,256	43.7%	348	12.1%	1,001	34.8%	179	6.2%	90	3.1%			24%

¹⁹ The rise in affirmance rate for FY 2006 may be due to the "Pre-Appeal Review" program. The number of rejections vacated and reversed in this program are not reflected in the statistics presented. Thus, the FY 2006 statistics overstate the number of affirmance.

Attachment E

Draft “Restatement of the Law of Appeals Jurisdiction” for MPEP § 1201

Attachment E

Draft “Restatement of the Law of Intra-PTO Jurisdiction” for inclusion in MPEP § 1201

The United States Patent and Trademark Office (Office) in administering the Patent Laws makes many decisions of a substantive nature which the applicant may feel deny him or her the patent protection to which he or she is entitled. The differences of opinion on such matters can be justly resolved only by prescribing and following judicial procedures. Where the differences of opinion concern the denial of patent claims because of prior art or other patentability issues, the questions thereby raised are said to relate to the merits, and appeal procedure within the Office and to the courts has long been provided by statute (35 U.S.C. § 134). Where the differences opinion lie between the examiner and mandatory instructions issued pursuant to supervisory obligations of the Director of the U.S. Patent and Trademark Office (Director) and Commissioner for Patents (Commissioner), or the procedural rulemaking authority of the Office, relief by petition is provided by rule (37 C.F.R. § 1.181).²⁰

The line of demarcation between appealable matters for the Board of Patent Appeals and Interferences (Board) and petitionable matters for the Director ~~of the U.S. Patent and Trademark Office (Director)~~ should be carefully observed. The Board will not ordinarily hear a question that should be decided by the Director on petition, and the Director will not ordinarily entertain a petition where the question presented is a matter appealable to the Board. On appeal, the Board reviews only “adverse decisions of examiners upon applications for patents.” 35 U.S.C. § 6(b), § 134(a). This has two important implications, first that appealable issues relate to “rejections,” second, that only “decisions” are appealable. Both of these are explained further below.

~~However, since~~ Since 37 C.F.R. § 1.181(f) states that any petition not filed within 2 months from the action complained of may be dismissed as untimely and since 37 C.F.R. § 1.144 states that petitions from restriction requirements must be filed no later than appeal, petitionable matters will rarely be present in a case by the time it is before the Board for a decision. *In re Watkinson*, 900 F.2d 230, 14 USPQ2d 1407 (Fed. Cir. 1990).

This chapter is primarily directed to *ex parte* appeals. For appeals in *inter partes* reexamination proceedings, see 37 C.F.R. §§ 41.60 to 41.81 and MPEP §§ 2674 to 2683.

A. “Rejection” is a Necessary But Not Sufficient Condition For Appealability

The Board cannot have jurisdiction over issues where there is no rejection of claims. For example, in *In re Volk*, 634 F.2d 607, 609-10, 207 USPQ 1086, 1087-88 (CCPA 1980), the appellant objected to the claim construction that had been applied to the claims in determining that the claims were patentable. The court held that because there was no rejection, there was no jurisdiction.

²⁰ If the Office ever had authority to decline to enforce its internal guidance, that authority was revoked by the President in January 2007. See footnote 10.

The mere label “rejection” vs. something else is not determinative of the Board’s jurisdiction, in either direction. For example, an apparently-procedural limit may be so restrictive that no claim of a given scope could ever be examined, let alone issued, even though not denominated a “rejection.” Such *de facto* rejections are appealable. *In re Haas*, 486 F.2d 1053, 1056, 179 USPQ 623, 625 (CCPA 1973) (labeling a requirement “rejection” or not cannot be determinative of jurisdiction; when prosecution of claims is closed such that “[the claims] were never to be considered on the bases of § 102, § 103 and § 112” then a requirement not phrased as a rejection may nonetheless be appealable).

Similarly, the mere label “reject” does not create jurisdiction in the Board, as discussed in sections (B), (C) and (D).

B. The Board Only Has Jurisdiction to Review “Decisions” of Ultimate Statutory Patentability, not Underlying Reasons or Issues of Examination Procedure

Appeal to the Board is from a “decision” of the examiner, not from the reasons upon which such decision is based. 35 U.S.C. § 6(b), § 134(a); 37 C.F.R. § 41.31(a); *Ex parte Maas*, 14 USPQ2d 1762, 1764 (BPAI 1987); *see also* 37 C.F.R. § 41.50(a)(1) (“The Board, in its decision, may affirm or reverse the decision of the examiner in whole or in part on the grounds and the claims specified by the examiner.”); *In re Priest*, 582 F.2d 33, 37, 199 USPQ 11, 14 (CCPA 1978) (rejecting the PTO’s argument that “opinions” merge with “decisions” for review, holding that an “opinion” is almost always distinct from a “decision,” and only the single sentence “decision” is reviewable by the Board, with only “narrowly defined” exceptions).²¹

In this respect, the Board’s review of an examiner is more like court/court review (where an appellate court reviews only the decision, not the reasoning, and may affirm on other grounds) than like court/agency review (where an agency may be affirmed, if at all, only on grounds that the agency itself has expressed, after a “searching and careful” inquiry into that reasoning.²²).

C. The Board has Supplemental Jurisdiction over Many but Not All Issues Underlying Ultimate Decisions of Non-Patentability

Decisions of patentability involve underlying issues, most of which are reviewable by the Board as part of the review of the ultimate decision.

The Board applies a *de novo* standard of review to examiners’ determinations of claim interpretation under a “broadest reasonable interpretation consistent with the specification” standard of interpretation.

The Board reviews examiners’ assertions of fact with no deference. All elements of all *prima facie* elements of all grounds of rejection by either the Board or the examiner must be supported by “substantial evidence.” 5 U.S.C. § 706(2)(E); *Universal Camera Corp. v. Nat’ Labor Relations Bd.*, 340 U.S. 474, 487-88 (1951); *In re Gartside*, 203 F.3d 1305, 1312, 53 USPQ2d 1769, 1773 (Fed. Cir. 2000). “Substantial evidence is more than a mere scintilla. It means such relevant evidence as a reasonable mind might accept as adequate to support a conclusion.” The substantiality of evidence must take into account whatever in the record fairly detracts from its weight. Agencies such as the PTO may not rely on “irresponsible admission and weighing of hearsay, opinion, and emotional speculation in place of factual evidence” or “suspicion, surmise, implications, or plainly incredible

²¹ *Ex parte Miller*, 1995 WL 1768479 (BPAI 1995) (“We review the decision, not the reasoning...”).

²² *Citizens to Preserve Overton Park v. Volpe*, 401 U.S. 402, 416 (1971).

evidence.” *Universal Camera*, 340 U.S. at 478, 484, 488. Only if this evidentiary burden is met for all *prima facie* elements does the burden of coming forward with rebuttal argument or evidence shift to the applicant. The Board must review the factual sufficiency of the examiner’s decision (either based solely on the *prima facie* case or on the evidence in the record as a whole, if the applicant has rebutted) on a preponderance of evidence. On further judicial review, the Board’s decisions on issues of fact will be reviewed on a “substantial evidence” standard, so appellants are well advised to come forward with rebuttal evidence before appeal.

Issues of law are reviewed *de novo*. Decisions of the Court of Appeals for the Federal Circuit or its predecessor, the Court of Customs and Patent Appeals, are normally considered as binding precedent on the Board. *Ex parte McGrew*, 41 USPQ2d 2004, 2007 (BPAI 1995), *aff’d sub nom. In re McGrew*, 43 USPQ2d 1632 (Fed. Cir. 1997), *Ex parte Holt*, 19 USPQ2d 1211, 1214 (BPAI 1991); Standard Operating Procedure No. 2 (revision 6, Aug. 10, 2005) § VI, <http://www.uspto.gov/web/offices/dcom/bpai/sop2.pdf>.

When primary jurisdiction for an issue lies either with the Board or with the Director by Petition, in a few cases the other may have concurrent or supplemental jurisdiction to review the identical issue. These are primarily issues that are ordinarily reviewable by petition, but that may be reviewed on appeal when bound up in a rejection and that “require the exercise of legal judgment.”

- a) “New interpretations of law” in an Examiner’s Answer are subject to concurrent petitions jurisdiction, MPEP § 1003 ¶ 10 (reviewable by T.C. Director), or an applicant may obtain the Board’s adjudication of such questions of law.
- b) Whether a final decision of the Board introduces a “new ground of rejection” that triggers the procedural protections of 37 C.F.R. § 1.196(b). *In re Oku*, 25 USPQ2d 1155, 1157 (Comm’r Pats. & TM 1992)(stating the issue is primarily appealable, but within supplemental petitions jurisdiction when it “involves the important question of whether [a PTO employee] followed PTO regulations established by the Commissioner” and when the relief requested is solely within the jurisdiction of the Commissioner).
- c) Obtaining an earlier filing date to antedate prior art. MPEP § 1002.02(b) (petitionable); *In re Makari*, 708 F.2d 709, 711, 218 USPQ 193, 194 (Fed. Cir. 1983) (appealable).
- d) The correctness of a restriction requirement between species of a Markush group. *In re Weber*, 580 F.2d 455, 458, 198 USPQ 328, 332 (CCPA 1978) (appealable); 37 C.F.R. § 1.113(a) (petitionable).
- e) Consideration of an affidavit to overcome a rejection. MPEP § 1002.02(c)(3)(d) (petitionable); *In re Searles*, 422 F.2d 431, 435, 164 USPQ 623, 626 (CCPA 1970) (primary jurisdiction over the examiner’s decision was exclusively by petition, but the Board had supplemental jurisdiction when the issue was “determinative of a rejection” and review “required the exercise of technical skill and legal judgment”).

This concurrent jurisdiction may persist in one tribunal even after adjudication by the other. *E.g.*, *Searles*, 422 F.2d at 435, 164 USPQ at 626; *Oku*, 25 USPQ2d at 1157.

The Board does not have jurisdiction over the following issues:

- f) Premature final rejection, MPEP § 706.07(c).
- g) Issues arising under sources of law other than the substantive patent law, 35 U.S.C. §§ 101, 102, 103, 112, and 135(b) and similar statutes. The Board only has jurisdiction to determine whether a patent may lawfully be granted on the claims

presented.²³ Issues of proper examination procedure arising under other law, such as 35 U.S.C. §§ 131 and 132 (a renewed rejection must state “reasons”), 37 C.F.R. §§ 1.104 and 1.113, the Manual of Patent Examining Procedure²⁴ (including requirements that the examiner address all elements of *prima facie* unpatentability), the Administrative Procedure Act²⁵, constitutional procedural guarantees²⁶, and similar procedural law are generally not within the Board’s jurisdiction.

- h) Questions regarding the conduct of an examiner in abusive rejections of claims are petitionable rather than appealable.²⁷ Supervision of examiners – including examiners’ rejection of claims – is committed by statute to the Director and Commissioner of Patents, 35 U.S.C. § 131 (“the Director shall cause an examination to be made...”); 35 U.S.C. § 3(b)(2)(A) (Commissioner for Patents is responsible “for the management and direction of all aspects of the activities of the Office that affect the administration of patent . . . operations.”), not the Board.

D. Available Relief and Supervisory Authority of the Board

An issue is not appealable when the Board lacks power to grant the relief requested.²⁸

²³ *Ex parte Vander Wal*, 109 USPQ 119, 123 (1955).

²⁴ *Sehgal v. Revel*, 81 USPQ2d 1181, 1186-87 (BPAI 2005) (MPEP is “directed to patent examiners conducting normal examination,” not to the Board); *Ex parte Haas*, 175 USPQ 217, 220 (Bd. Pat. App. 1972) (*Haas I*) (“If the examiner fails to follow the Commissioner’s directions in the M.P.E.P., appellant’s remedy is by way of petition to the Commissioner since this Board has no jurisdiction over the examiner’s action.”) (Lidoff, EIC, concurring), *rev’d on other grounds*, 486 F.2d 1053, 179 USPQ 623 (CCPA 1973) (*Haas II*). The Board’s Standard Operating Procedure No. 2 (revision 6, Aug. 10, 2005) § VI, lists the authority by which the Board considers itself bound. The MPEP is not even on the list. Similarly, in *Ex parte Holt*, 19 USPQ2d 1211, 1214 (Bd. Pat. App. & Interf. 1991), the MPEP is absent from the list of precedent by which the Board considers itself bound.

²⁵ *See In re Wiechert*, 370 F.2d 927, 938, 152 USPQ 247, 255 (CCPA 1967) (jurisdiction for APA review lies with district court, not the Board).

²⁶ *See Ex parte Kimbell*, 226 USPQ 688, 690 (BPAI 1985) (Board does not have jurisdiction to evaluate constitutionality of statutes, breaches of due process, or alleged harassment by examiner).

²⁷ *Ex parte Global Patent Holdings LLC, U.S. Pat. No. 5,235,341*, Appeal No. 2006-0698, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fINm=fd2006069812-26-2006>, at p. 9 (BPAI Dec. 26, 2006).

²⁸ A particular set of facts may give rise to rights to different kinds of relief, and different claims for relief on the same facts may have different jurisdictional paths. *E.g., Federal Communications Comm’n v. NextWave Personal Communications Inc.*, 537 U.S. 293, 302-03 (2001) (same facts gave rise to New York bankruptcy action and D.C. Administrative Procedure Act action, and decision in favor of agency in one court did not preclude discharge of debt in the other). An agency may not require that an issue be presented to a tribunal that has no power to grant the type of relief requested. *McCarthy v. Madigan*, 503 U.S. 140, 148 (1992); *Maggitt v. West*, 202 F.3d 1370, 1377 (Fed. Cir. 2000). Thus, issues of examiner non-compliance with

The relief available in an appeal to the Board is a reversal of rejections. A reversal is not a declaration of patentability; it is only a reversal on the issues then pending. The examiner has authority to re-open prosecution on different issues, though under narrow limits prescribed by the Director. *See, e.g.*, MPEP § 1214.04; *see also Blacklight Power Inc. v. Rogan*, 295 F.3d 1269, 1273-74, 63 USPQ2d 1534, 1537 (Fed. Cir. 2002) (PTO may withdraw a patent from issue, but only after it fully presents a *prima facie* case of unpatentability).

The Board may also remand an application to the examiner, 37 C.F.R. § 41.50(a)(1), but only when the parties have not provided the Board with sufficient information to make a final adjudication. 5 U.S.C. § 555 (agency appellate tribunals are required “within a reasonable time, ... to conclude a matter presented to it,” and may not “bounce” matters to lower-level adjudicators when the information necessary to reach a final decision is available).²⁹ The Board does not have authority to issue mandatory supervisory instructions in a remand order.³⁰ For a non-exhaustive list of bases for remand, see MPEP § 1211.

The Board's jurisdictional statutes (35 U.S.C. §§ 6 and 134) do not charge the Board with supervision of the patent examining operation. The Board does not exercise supervisory authority over examiners,³⁰ and has no management power over the examining corps. In examining claims under §§ 131 and 132, an examiner acts as an agent of the Director, not of the Board. Statements framed in mandatory language in the MPEP or Code of Federal Regulations are binding on examiners and enforceable by the examiner's supervisory chain. Executive Order 13,422; Executive Office of the President, Final Bulletin for Agency Good Guidance Practices, 72 Fed. Reg. 3432 (Jan. 25, 2007).³¹ Thus, actions of an examiner that violate written mandatory language in the MPEP or 37 C.F.R.

PTO procedural rules are not appealable as stand-alone issues (and only rarely within the Board's supplemental jurisdiction), only the ultimate rejection.

²⁹ *British Airways Board v. Port Authority of New York and New Jersey*, 564 F.2d 1002, 1012 (2d Cir. 1977) (an agency must pursue some path that will “resolve those issues in the reasonably foreseeable future.”); *Deering-Milliken Inc. v. Johnston*, 295 F.2d 856, 865 (4th Cir. 1961); *McDonnell Douglas Corp. v. National Aeronautics and Space Admin.*, 895 F.Supp. 316, 319 (D.D.C. 1995) (condemning “second bites” and an agency's “never ending loops”)

³⁰ Even on remand, “The board does not exercise supervisory authority over examiners.” Board of Patent Appeals, Frequently Asked Questions page, <http://www.uspto.gov/web/offices/dcom/bpai/bpaifag.htm>, “Answer to Question 8, Part One.” This attorney has searched diligently, and in the history of the Board, there appears to be only one instance in which the Board has ever issued a mandatory order to an examiner. Note that the remand cases listed in footnote 34 consistently remand with no mandatory order. The Board's acknowledges that it lacks power to compel an examiner's compliance with any rule on further examination. *E.g.*, *Gambogi*, 62 USPQ2d at 1212 (“We decline to tell an examiner precisely how to set out a rejection”). The Board at most offers non-binding “suggestions,” with nothing like the detail set out in the MPEP.

³¹ *See also Ethicon Inc. v. Quigg*, 849 F.2d 1422, 1425, 7 USPQ2d 1152, 1154 (Fed. Cir. 1988) (“The MPEP states that it is a reference work on patent practices and procedures and does not have the force of law, but it ‘has been held to describe procedures on which the public can rely.’”); *PerSeptive Biosystems Inc. v. Pharmacia Biotech, Inc.*, 225 F.3d 1315, 1321, 56 USPQ2d 1001, 1005 (Fed. Cir. 2000) (MPEP sets out “required” actions, and “details the ‘rules’ ... to be used by examiners”).

§ 1.104 are outside of the delegation of authority from the Director principal to the examiner agent.³² These relate to examination procedure rather than ultimate issues of patentability, and the appropriate relief is supervisory oversight, which should be obtained by telephone calls to the examiner's supervisory chain, or by Petition under 37 C.F.R. § 1.181.³³ Supervisory oversight is not within the Board's powers of relief.

Several other forms of relief are solely within the authority of the Commissioner and Director: reopening of prosecution, *In re Oku*, 25 USPQ2d 1155, 1157 (Comm'r Pats. & TM 1992), and withdrawal of premature final rejection, MPEP § 706.07(c). Thus, issues seeking these forms of relief are not appealable.

³² Restatement 2d (Agency), § 33 ("An agent is authorized to do, and to do only, what it is reasonable for him to infer that the principal desires him to do in the light of the principal's manifestations..."); Restatement 2d (Agency) § 214 ("A ... principal who is under a duty to ... to have care used to protect others or their property and who confides the performance of such duty to a servant or other person is subject to liability to such others for harm caused to them by the failure of such agent to perform the duty.")

³³ The Federal Circuit recently clarified the distinction between merits issues and procedural issues, in a way that clarifies that procedural issues underlying rejections of claims are within the scope of the Director's supervisory obligations: "The scope of APA review is not, as the district court feared, to test the examiner's theory of the case or the examiner's findings of fact. The district court, on APA review, does not enmesh itself in the decision-making process of the examiner. Its function, instead, is simply to guard against the possibility of arbitrary or capricious behavior by examiners in seeking information." *Star Fruits S.N.C. v. United States*, 393 F.3d 1277, 1285, 73 USPQ2d 1409, 1415 (Fed. Cir. 2005)

Appeals are “manifestly not ready for a decision” and “not ripe”³⁴ – that is, the Board lacks jurisdiction to render a final decision – where the examiner has omitted findings on an element of the relevant *prima facie* case. The Board cannot efficiently perform its adjudicatory functions unless applicants and examiners, possibly with the assistance of the supervisory authority of the Director and Commissioner, ensure that prosecution and examination are complete before an appeal commences. To ensure appeals are fully ripe, and that a “clear issue for appeal” is developed before appeal, MPEP § 706.07, final rejection and issues of examination procedure should be addressed by telephone conference with the examiner, or the examiner’s supervisor, by request for correction pursuant to MPEP § 710.06, or by petition under 37 C.F.R. § 1.181, to clarify the following types of omissions from examiners’ actions:

- i) complete omission of comparison of one or more claim elements to any reference;
- j) mere designation of a “portion” of a reference, without “clear explanation” when required by 37 C.F.R. § 1.104(c)(2);
- k) reliance on facts within the personal knowledge of an employee of the Office after timely applicant action as specified in 37 C.F.R. § 1.104(d)(2);
- l) omission of discussion of one or more *prima facie* elements as defined in the relevant portions of MPEP Chapters 700 or 2100, or substitution of an unauthorized legal test for a test stated in mandatory terms in the MPEP;
- m) failure to answer all material traversed, MPEP § 707.07(f).

Generally, an applicant is entitled to receive some written notice of the examiner’s position on each *prima facie* element of non-patentability, and each claim element. It is the responsibility of the Director and Commissioner to ensure that the examiner does not “sit

³⁴ The Board has persistent inability to decide cases because of omissions in the examiner’s half of the record. *E.g.*, *Ex parte Daleiden*, Appeal 2007-1003, fd2007100303-14-2007.pdf (Mar. 14, 2007) (remanding because examiner failed to respond to arguments in the Appeal Brief); *Ex parte Rozzi*, 63 USPQ2d 1196, 1200-03 (BPAI 2002) (McKelvey, J.) (remanding without decision because of a host of examiner omissions and procedural errors); *Ex parte Gambogi*, 62 USPQ2d 1209, 1212 (BPAI 2001) (McKelvey, APJ) (“We decline to tell an examiner precisely how to set out a rejection.”); *Ex parte Jones*, 62 USPQ2d 1206, 1208 (BPAI 2001) (McKelvey, APJ) (refusing to adjudicate an issue that the examiner has not developed); *Ex parte Schricker*, 56 USPQ2d 1723, 1725 (BPAI 2000) (“The examiner has left applicant and the board to guess as to the basis of the rejection ... We are not good at guessing; hence, we decline to guess.”); *Ex parte Braeken*, 54 USPQ2d 1110, 1112-13 (BPAI 1999) (McKelvey, APJ) (noting that the appeal is “not ripe” because of omissions and defects in the examiner’s analysis). Other appellate tribunals frequently state that they are unable to review decisions when inferior tribunals have not stated the necessary findings, or otherwise present an undeveloped record. *E.g.*, *Dennison Mfg. Co. v. Panduit Corp.*, 475 U.S. 809, 811, 229 USPQ2d 478, 479 (1986) (obviousness has separate “procedural” and “substantive” aspects, and the Supreme Court cannot review the substantive issue when the underlying decision is procedurally incomplete); *Warner-Lambert Co. v. Teva Pharmaceuticals USA, Inc.*, 418 F.3d 1326, 1337-38, 75 USPQ2d 1865, 1872-73 (Fed. Cir. 2005) (“We find the issue of enablement difficult to review... We have no way of knowing what the district court thought of Teva’s enablement defense or why the court did not address the issue in its decision. In short, we are being asked to review an incomplete record...); *Nazomi Communications Inc v. ARM Holdings Inc.*, 403 F.3d 1364, 1371-73, 74 USPQ2d 1458, 1463-64 (Fed. Cir. 2005) (remanding because of district court’s failure to make findings, rendering appellate review impossible)

mum, leaving the applicant to shoot arrows into the dark.” *In re Oetiker*, 977 F.2d 1443, 1449, 24 USPQ2d 1443, 1447 (Fed. Cir. 1992) (Plager, J., concurring)³⁵ However, once those positions are articulated to at least some minimal degree, appeal to the Board is the appropriate resolution of disagreements.

E. Jurisdiction to Determine the Board’s Jurisdiction Lies with the Board

Like almost all other statutorily-constituted tribunals, the Board of Patent Appeals and Interferences has jurisdiction to determine its own jurisdiction. *Ex parte Lemoine*, 46 USPQ2d 1432, 1434 (BPAI 1995) and cases cited therein. Decisions regarding the Board’s jurisdiction by other portions of the PTO, while worthy of serious consideration, are not, and can not be, binding on the Board. *Lemoine*, 46 USPQ2d at 1434. The Board’s jurisdiction does not attach until the examining corps has finished its job and transfers the application file to the Board. The examining operation can not create jurisdiction where none exists. *Lemoine*, 46 USPQ2d at 1434.

³⁵ *In re Deuel*, 51 F.3d 1552, 1557, 34 USPQ2d 1210, 1214 (Fed. Cir. 1995) (“The examiner bears the burden of establishing a *prima facie* case of obviousness,” emphasis added); *In re Oetiker*, 977 F.2d 1443, 1445-46, 24 USPQ2d 13443, 1444 (Fed. Cir. 1992) (“the examiner bears the initial burden, on review of the prior art or on any other ground, of presenting a *prima facie* case of unpatentability. ... If examination at the initial stage does not produce a *prima facie* case of unpatentability, then without more the applicant is entitled to grant of the patent ... We think that the PTO is correct in treating the concept of the *prima facie* case as of broad applicability, for it places the initial burden on the examiner, the appropriate procedure whatever the technological class of invention” emphasis added).

Attachment F

**Draft “Restatement of the Law of ‘New
Ground of Rejection’” for inclusion in
MPEP**

Attachment F

Draft “Restatement of the Law of ‘New Ground of Rejection’” for inclusion in MPEP

A definition of the term “new ground of rejection” should be set forth in MPEP § 706.07(a) or § 1207.03. Here is a first draft that may be considered.

The term “new ground of rejection” is defined as any “position or rationale new to the proceedings,” including new evidence, citation to a new portion of existing evidence, a new inference drawn from an existing reference, a new legal theory, or a new application of law to facts.³⁶ For example, designating a new “particular part relied on” or relying on a “different portion” of a reference is a “new ground of rejection.” *In re Wiechert*, 370 F.2d 927, 933, 152 USPQ 247, 251-52 (CCPA 1967) (“An applicant’s attention and response are naturally focused on that portion of the reference which is specifically pointed out by the examiner. ... [W]hen a rejection is factually based on an entirely different portion of an existing reference the appellant should be afforded an opportunity to make a showing of unobviousness vis-à-vis such portion of the reference”).³⁷ A new reference, even one

³⁶ *In re DeBlauwe*, 736 F.2d 699, 706 n. 9, 222 USPQ 191, 197 n.9 (Fed. Cir. 1984) (interpreting the term “new ground” in 37 C.F.R. § 1.196(b): “Where the board makes a decision advancing a position or rationale new to the proceedings, an applicant must be afforded an opportunity to respond to that position or rationale by submission of contradicting evidence”); *In re Kronig*, 539 F.2d 1300, 1302-03, 190 USPQ 425, 426 (CCPA 1976); *In re Eynde*, 480 F.2d 1364, 1370-71, 178 USPQ 470, 474 (CCPA 1973) (“We do agree with appellants that where the board advances a position or rationale new to the proceedings... the appellant must be afforded an opportunity to respond to that position or rationale by the submission of contradicting evidence. This court so held in *In re Moore*, [444 F.2d 572, 170 USPQ 260 (CCPA 1971)], and we expressly reaffirm that view. The board's refusal to consider evidence which responds to such a new rationale is error.”); *Ex parte Teeple*, Appeal No. 97-0943, 1997 WL 1883925 at *2-3, <http://www.uspto.gov/go/dcom/bpai/decisions/fd970943.pdf> at 7, 9 (BPAI Feb. 17, 1998) (new explanation for § 112 ¶ 2 rejection of same claim language is “new ground” of rejection); MPEP § 1207.03(III) (8th Ed. Rev. 3, August 2005) (deferring to the *Kronig* line of case law for the definition of the term “new ground”); MPEP § 1208.01 (7th Ed. and 8th Ed. Jul. 1998-May 2004) (likewise deferring to *Kronig*); Final Rule, 62 FR 53132, 53168 (Oct. 10, 1997) (likewise deferring to *Kronig*).

³⁷ See also *In re Echerd*, 471 F.2d 632, 635, 176 USPQ 321, 323 (CCPA 1973) (“We find the new reliance [to be] a new ground of rejection. New portions of the reference are relied upon to support an entirely new theory... appellants should have been accorded an opportunity to present rebuttal evidence as to the new assumptions of inherent characteristics made by the board”), reaffirmed by *Kronig*, 539 F.2d at 1303, 190 USPQ at 427. The PTO’s more-recent decisions regularly reinforce this principle. *E.g.*, *Ex parte Kelcher*, Appeal No. 1999-1899, 2002 WL 63644 at *3-4, <http://www.uspto.gov/go/dcom/bpai/decisions/fd991899.pdf> at 9-10 (BPAI

offered to back up a previous assertion of official notice, is always a new ground of rejection.³⁸ A new reference offered to show “level of skill in the art” or “motivation to modify” or “motivation to combine” is a “new ground.”³⁹ A new factual finding or inference, even one drawn from the identical portions of existing references, or a new application of the law to the identical facts, is a “new ground of rejection.”⁴⁰ A new supporting position or rationale is a “new ground,” even if it is simply offered to buttress a previous analysis or inference.⁴¹ A new application of the law to the facts is a “new

Feb. 28, 2001) (new reliance on an arrow in a figure of an existing reference is a “new ground of rejection”); *Ex parte D’Andrade*, Appeal No. 1999-1235, 1999 WL 33224326 at *3, [.../fd991235.pdf](#) at 7, 10 (BPAI Sep. 30, 1999) (shift from examiner’s reliance on tension spring 59 to Board’s reliance on tension spring 61 in the same single reference is a “new ground of rejection”); *In re Intine*, 162 USPQ 192, 192 (Comm’r of Patents 1969) (a shift from references A and B to references A, B and C, where C had previously been relied upon, prevented final rejection).

³⁸ *In re Ahlert*, 424 F.2d 1088, 1092 n. 4, 165 USPQ 418, 421 n. 4 (CCPA 1970) (commenting on a new reference to buttress an assertion of official notice, “it is not uncommon for the board itself to cite new references, in which case a new ground of rejection is always stated,” emphasis added); *Ex parte Skinkiss*, Appeal No. 2000-0226, 2002 WL 99652 at *1 n.1, <http://www.uspto.gov/go/dcom/bpai/decisions/fd000226.pdf> at 4 n. 1 (BPAI June 14, 2001) (“new piece of evidence,” even an assertion of “well-known custom,” constitutes “a new ground of rejection”).

³⁹ *Ex parte Mathur*, Appeal No. 95-4103, 1996 WL 1795838 at *3-4, 6, <http://www.uspto.gov/go/dcom/bpai/decisions/fd954103.pdf> at 7, 9-10, 15-16 (BPAI June 26, 1996) (new references offered by the examiner to support “level of skill in the art” but not directly applied, and relied upon by the Board to support “motivation to combine” the original references, were “new grounds of rejection”).

⁴⁰ *In re Moore*, 444 F.2d 572, 574-75, 170 USPQ 260, 263 (CCPA 1971) (any new “finding of a new fact,” even from the same reference, even solely in support of an alternative to the pre-existing rationale, requires that the applicant be given an opportunity to respond), *reaffirmed by Kronig*, 539 F.2d at 1303, 190 USPQ at 427; *see also In re Meyer*, 599 F.2d 1028, 1031, 202 USPQ 175, 179 (CCPA 1979) (holding that the Board’s § 102 rejection is a “new ground of rejection” even though based on the same art as the examiner’s § 103 rejection).

⁴¹ *In re Kumar*, 418 F.3d 1361, 1367, 76 USPQ2d 1048, 1051 (Fed. Cir. 2005) (a new calculation applied to a reference is not “simply an additional explanation of the Board’s decision,” it is a new ground of rejection); *In re Waymouth*, 486 F.2d 1058, 1061, 179 USPQ 627, 629 (CCPA 1973) (“merely advanc[ing] ‘an additional reason’ for affirming the examiner” is a “new rejection”), *modified* 489 F.2d 1297, 180 USPQ 453 (CCPA 1974), *reaffirmed by Kronig*, 539 F.2d at 1303, 190 USPQ at 427; *Moore*, 444 F.2d at 574-75, 170 USPQ at 263, *reaffirmed by Kronig*, 539 F.2d at 1303, 190 USPQ at 427; *Ex parte Lachut*, Appeal No. 2001-0933, 2002 WL 31257834 at *5, <http://www.uspto.gov/go/dcom/bpai/decisions/fd010933.pdf> at 9 (BPAI Mar. 14, 2002) (new analysis and inferences drawn from the same portion of Hazen reference is a new point); *Ex parte Hanlon*, Appeal No. 98-2033, 1998 WL 1748535 at *2-3, [.../fd982033.pdf](#) (Board’s different analysis of the same portion of the same reference is a “new ground of rejection”).

ground,” if the “basic thrust” differs.⁴² A new claim interpretation is a “new ground.”⁴³ Any notion that a “new ground” requires a new reference or shift from one statutory section to another has been expressly rejected by the Federal Circuit, the CCPA, and by the Board, and is inconsistent with the plain language of MPEP § 706.07(a), which treats them as separate but overlapping concepts.⁴⁴

It is important to differentiate between the *substantive* principle that a reference is good for all it contains, whether designated by the examiner or not, and the *procedural* principles underlying compact prosecution and “new grounds of rejection,” under which only the portions actually designated as required by 37 C.F.R. § 1.104(c)(2) are relevant.

The Federal Circuit and CCPA have several times declined to create any exception for new grounds raised by an examiner in response to an applicant’s arguments – any new “position or rationale new to the proceedings” is a “new ground” that prevents final rejection, or that triggers the “new ground of rejection” options for an appellant during on appeal, even if that new position or rationale is expressed by the PTO in response to a new argument from the applicant.⁴⁵ Applicants must be given a fair opportunity to react to the

⁴² *Ex parte Albrecht*, Appeal No. 2000-0460, 2002 WL 1801026 at *2, <http://www.uspto.gov/go/dcom/bpai/decisions/fd000460.pdf> at 4 (BPAI Oct 31, 2001) (vacating the examiner, and ordering him to give the applicant “a full and fair opportunity to respond,” because the examiner raised a “new ground of rejection” by shifting emphasis within a group of references, without introducing a new reference); *Ex parte Mattel Inc.*, Appeal No. 1999-2373, 2003 WL 22282332 at *6, *10, [.../fd992373.pdf](http://www.uspto.gov/go/dcom/bpai/decisions/fd992373.pdf) at 13-14, 23-24 (BPAI Oct. 29, 1999) (different analysis of claims 10 and 11, on the same Adachi and Kimura references, is a new ground of rejection); *Ex parte Coe*, Appeal No. 95-4526, 1995 WL 1747721 at *5, [.../fd954526.pdf](http://www.uspto.gov/go/dcom/bpai/decisions/fd954526.pdf) at 13-14, 16 (BPAI May 28, 1998) (a different analysis of the same two references, Sukiennik and Nosaki, of the same claim, claim 4, is a “new ground of rejection”).

⁴³ *Ex parte American Academy of Science*, remand in Appeal No. 1998-1483, App. Ser. No. 90/003,463, <http://www.uspto.gov/go/dcom/bpai/decisions/rm981483.pdf> (BPAI Feb. 2000).

⁴⁴ *In re Kumar*, 418 F.3d 1361, 1367, 76 USPQ2d 1048, 1051 (Fed. Cir. 2005); *In re Ahlert*, 424 F.2d 1088, 1098, 165 USPQ 418, 421 (CCPA 1970) (new facts based on an existing reference are a new ground of rejection, even if cast as “official notice”); *In re Bulina*, 362 F.2d 555, 558-59, 150 USPQ 110, 113 (CCPA 1966), *reaffirmed by Kronig*, 539 F.2d at 1303, 190 USPQ at 427. The difference cuts both ways – when a new single-reference § 102 rejection is based on the identical portions of one reference from a multi-reference § 103 combination, that shift is not a “new ground.”

⁴⁵ *In re Kumar*, 418 F.3d 1361, 1367, 76 USPQ2d 1048, 1051-52 (Fed. Cir. 2005) (Board’s new analysis of the identical disclosure, by calculating new derived values from those expressly disclosed in the reference, was a “new ground”); *In re DeBlauwe*, 736 F.2d 699, 705-06, 222 USPQ 191, 196-197 (Fed. Cir. 1984) (when an applicant has argued a point, the examiner and Board are obligated to respond to those arguments, and their new response requires giving an applicant a new opportunity to respond):

... Appellants complain, however, that the PTO challenges their assertions of unexpected results for the first time in the Solicitor's brief. ...

Despite appellants’ arguments throughout prosecution that heat shrinkable articles with the claimed expansion ratios overcome the longstanding splitting problem, the board and the examiner merely concluded that these ratios would have been obvious without properly responding to appellants’ allegations of

thrust of any new ground, *Kronig*, 539 F.2d at 1303, 190 USPQ at 426, regardless of the time or context in which the examiner's "new position or rationale" arises. For example, if the new ground is introduced in response to an applicant's showing that an old ground of rejection is weak or untenable, any shift or buttressing is still a "new ground," and the applicant must be given full opportunity to reply.⁴⁶

An examiner's silence in an earlier paper can lead to a finding of a "new ground of rejection" if subsequent events make relevant any reply that an applicant would have raised had the examiner not been silent.⁴⁷

unexpected results. ... if the board or the examiner had considered this point when the case was pending before them and had pointed out that there was no objective evidence of unexpected results, appellants would, at least, have had notice and would have had an opportunity to file objective evidence.⁹ Neither the board nor the examiner, however, gave such notice, and, therefore, appellants were led to believe, albeit erroneously, that they had satisfied their burden of going forward with objective evidence to rebut the prima facie case of obviousness. ... In view of the PTO's failure to challenge the sufficiency of appellants' rebuttal evidence until this appeal, when appellants could no longer offer evidence, we conclude that it is necessary to vacate the board's decision... and to remand the case to afford appellants the opportunity to submit objective evidence of unexpected results.

⁹ Where the board makes a decision advancing a position or rationale new to the proceedings, an applicant must be afforded an opportunity to respond to that position or rationale by submission of contradicting evidence. *In re Eynde*, 480 F.2d 1364, 178 USPQ 470 (CCPA 1973). Accordingly, if the board or the examiner in this case had stated that there was no objective evidence, appellants would have been entitled to respond by filing such evidence.

⁴⁶ *In re Eynde*, 480 F.2d 1364, 1371, 178 USPQ 470, 475 (CCPA 1973) (even though Board's new rationale, based on the Eynde patent, was in response to arguments made in the appeal Reply Brief, it was nonetheless a "new ground"), *reaffirmed by Kronig*, 539 F.2d at 1303, 190 USPQ at 427; *Ex parte Kozek*, Appeal No. 95-4678, 1995 WL 1747751 at *3-4, <http://www.uspto.gov/go/dcom/bpai/decisions/fd954678.pdf> at 7-9 (BP AI Sept. 16, 1997) (expressly acknowledging that appellant's argument overcomes the examiner's stated reasons, but entering a "new ground of rejection" based on a different analysis of the identical references).

⁴⁷ *Ex parte Mathur*, Appeal No. 95-4103, 1996 WL 1795838 at *9, <http://www.uspto.gov/go/dcom/bpai/decisions/fd954103.pdf> at 20-21 (BP AI June 26, 1996) explains as follows:

The examiner did not notify appellants that the arguments premised upon so-called unexpected properties were deficient since they were not supported by objective evidence. As set forth in *In re De Blauwe*, 736 F.2d 699, 705-06, 222 USPQ 191, 197 (Fed. Cir. 1984), if the examiner had previously pointed this out to appellants, "appellants would, at least, have had notice and would have had an opportunity to file objective evidence" (footnote omitted). The examiner's failure to put appellants on notice as to the lack of objective evidence in support of their argument concerning unexpected properties constitutes a second separate reason to denominate our affirmance of the examiner's decision as a new ground of rejection under 37 C.F.R. § 1.196(b).

See also quote from *In re DeBlauwe* in footnote 45

This flows from basic principles of examination: it is always the examiner's burden to take the first step of stating all elements of a *prima facie* case of unpatentability.⁴⁸ For example, 37 C.F.R. § 1.104(c)(2) states that it is the examiner's duty in the first instance to designate the portions relied on "as nearly as practicable," and "clearly explain" the correspondence of any complex reference to any claim being rejected, in any case except a pure § 102 rejection on a reference that is co-extensive with the claims.⁴⁹ The courts and the Board have noted that Applicants cannot, and therefore are not obligated to, reply to issues that the examiner has not raised. See 37 C.F.R. § 1.111(b) (reply must "point[] out the supposed errors in the examiner's action and must reply to every ground of objection and rejection in the prior Office action" – no duty to go beyond the written action). Applicants are under no duty to anticipate issues that an examiner could have raised – even should have raised – but did not.⁵⁰ The rules provide only one procedural mechanism for an examiner when an applicant's arguments or evidence require a new position or rationale: non-final rejection.

⁴⁸ 35 U.S.C. § 102 (patent "shall" be granted, "unless" PTO establishes unpatentability); 37 C.F.R. §§ 1.104, 1.113 (actions must be "complete" and "clearly state" reasons); MPEP § 2142 (burden rests with examiner to "show" unpatentability); 5 U.S.C. §§ 551-559; *Wiechert*, 370 F.2d at 963-64, 152 USPQ at 251-52, *citing* 37 C.F.R. § 1.106, now § 1.104(c)(2); *see also In re Oetiker*, 977 F.2d 1443, 1449 (Fed. Cir. 1992) (Plager, J., concurring) ("The examiner cannot sit mum, leaving the applicant to shoot arrows into the dark hoping to somehow hit a secret objection harbored by the examiner.").

⁴⁹ *See also Wiechert*, 370 F.2d at 963-64, 152 USPQ at 251-52 ("This point seems to be appreciated by the Patent Office itself as its Rule 106(b) [now 1.104(c)(2)] provides, *inter alia*, that: "When a reference is complex or shows or describes inventions other than that claimed by the applicant, the particular part relied on must be designated as nearly as practicable.").

⁵⁰ *Wiechert*, 370 F.2d at 933, 152 USPQ 251-52 (applicants "cannot practically" address all that "might be mentioned in a particular reference"); *Ex parte Lachut*, Appeal No. 2001-0933, 2002 WL 31257834 at *5, <http://www.uspto.gov/go/dcom/bpai/decisions/fd010933.pdf> at 9 (BPAI Mar. 14, 2002) ("The entire [new analysis of existing references] is new and should have and could have been raised earlier," underline added); *see also Ex parte Mehta*, Appeal No. 1999-2683, 2002 WL 1801560 at *4, [.../fd992683.pdf](http://www.uspto.gov/go/dcom/bpai/decisions/fd992683.pdf) at 11 (BPAI Jul 30, 2001) (Board rejects examiner's attempt to untimely "twist the rejection around," even though based on the same references).

Attachment H

Office of Management and Budget

Circular A-4

Circular A-4

September 17, 2003

TO THE HEADS OF EXECUTIVE AGENCIES AND ESTABLISHMENTS

Subject: Regulatory Analysis

This Circular provides the Office of Management and Budget's (OMB's) guidance to Federal agencies on the development of regulatory analysis as required under Section 6(a)(3)(c) of Executive Order 12866, "Regulatory Planning and Review," the Regulatory Right-to-Know Act, and a variety of related authorities. The Circular also provides guidance to agencies on the regulatory accounting statements that are required under the Regulatory Right-to-Know Act.

This Circular refines OMB's "best practices" document of 1996 (<http://www.whitehouse.gov/omb/inforeg/riaguide.html>), which was issued as a guidance in 2000 (<http://www.whitehouse.gov/omb/memoranda/m00-08.pdf>), and reaffirmed in 2001 (<http://www.whitehouse.gov/omb/memoranda/m01-23.html>). It replaces both the 1996 "best practices" and the 2000 guidance.

In developing this Circular, OMB first developed a draft that was subject to public comment, interagency review, and peer review. Peer reviewers included Cass Sunstein, University of Chicago; Lester Lave, Carnegie Mellon University; Milton C. Weinstein and James K. Hammitt of the Harvard School of Public Health; Kerry Smith, North Carolina State University; Jonathan Weiner, Duke University Law School; Douglas K. Owens, Stanford University; and W. Kip Viscusi, Harvard Law School. Although these individuals submitted comments, OMB is solely responsible for the final content of this Circular.

A. Introduction

This Circular is designed to assist analysts in the regulatory agencies by defining good regulatory analysis – called either "regulatory analysis" or "analysis" for brevity – and standardizing the way benefits and costs of Federal regulatory actions are measured and reported. Executive Order 12866 requires agencies to conduct a regulatory analysis for economically significant regulatory actions as defined by Section 3(f)(1). This requirement applies to rulemakings that rescind or modify existing rules as well as to rulemakings that establish new requirements.

***The Need for Analysis of Proposed Regulatory Actions*¹**

Regulatory analysis is a tool regulatory agencies use to anticipate and evaluate the likely consequences of rules. It provides a formal way of organizing the evidence on the key effects –

¹ We use the term "proposed" to refer to any regulatory actions under consideration regardless of the stage of the regulatory process.

From: Boundy, David [mailto:DBoundy@cantor.com]
Sent: Monday, August 18, 2008 12:40 AM
To: Fawcett, Susan; Jordan, Kimberly
Subject: Information Collection Comment on Appeal Rule 0651-00xx

Dear Ms. Fawcett and Ms. Jordan -

As we discussed, here is a revised document to replace the comments I sent earlier on the Appeal Information Collection Request for Comment. Please use these for all purposes, and discard the earlier draft. These comments are from me personally, not from Cantor Fitzgerald. Thank you

<<Boundy lettersupplemental re Paperwork burdens of Appeal Rule 080817 2300 DEB.pdf>>

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August 17, 2008 (updating an earlier version of August 8, 2008)

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Re: Information Collection Comment, ICR 0651-00xx, Request for Comment on Board of Patent Appeals and Interferences Actions, 73 Fed. Reg. 32559 (Jun. 9, 2008) ("Appeal ICR RFC") and RIN 0651-AC12, Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals, 73 Fed. Reg. 32938 (Jun. 10, 2008) ("Appeal Final Rule Notice")

Dear Ms Fawcett and Ms. Jordan:

We appreciate the opportunity to comment on the PTO's Information Collection Request regarding Ex parte appeals and the newly-final Appeal Rule.

Unfortunately, the PTO's observance of procedural regulations, and the substantive estimates now provided to OMB, violate many provisions of OMB's paperwork regulations (5 C.F.R. § 1320) and OMB's and PTO's own Information Quality

Guidelines.¹ Any burden estimates provided by PTO are based on incomplete information, information that the PTO clearly has but refuses after repeated requests to disclose. The PTO failed to obtain the required public “consultation” on paperwork burdens (either to reduce them before the NPRM or fairly quantify them) before or within the June 2007 NPRM, declined to submit the rule for clearance by the OMB and the Small Business Administration, and has now failed to comply with rulemaking requirements in the Final Rule Notice and Appeal ICR. Because the PTO concealed much of the most-relevant information and failed to attempt to follow established clearance procedure, we believe that the only fair, effective, and legally-compliant, procedure is for the PTO to withdraw the Appeal Rule, and start over again with a properly-prepared Notice of Proposed Rulemaking (NPRM) accompanied by a properly-prepared, timely “objectively supported” submission to OMB under 5 C.F.R. § 1320.11 based on disclosed objective data which the PTO has readily available to it.

In this ICR covering the years 2009-2011, the PTO will seek approval for information collection for *each* of the three years covered by the ICR. Because this ICR seeks approval for the annual burdens of 2011 and the PTO has developed and used annual growth rate estimates, it must estimate and seek approval for 2011 burdens, and disclose the data and methods used to project those burdens. In these comments, we provide in Table 1 only an illustrative set of estimates for 2011 and provide some support for these estimates, though because the PTO concealed the data it has, we lack sufficient information to present these estimates as final proposals for burdens. All we know today is that the PTO’s estimated burdens are severely understated, as we explain.

Further, in a number of submissions relating to various rule packages since June 2006, the PTO has consistently certified to OMB and the Small Business Administration Office of Advocacy (SBA) that its rule packages were “not significant” or impose no substantial burden and therefore require no review under Executive Order 12,866 or the Regulatory Flexibility Act. Now, in this Appeal ICR RFC, the PTO concedes that the

¹ <http://www.uspto.gov/web/offices/ac/ido/infogualityguide.html>

Appeal Rule creates over \$100 million in paperwork burden alone. Moreover, the PTO has **never** acknowledged, let alone provided good faith estimates for, non-paperwork regulatory burdens for any of these rule packages, such as loss of patent asset value, diversion of investment away from innovation, and the like.

The omissions and errors go far beyond minor, understandable mistakes in paperwork submissions. The seriousness of PTO's errors, and the pattern discernable from this submission in combination with several recent rule packages, strongly suggests a concerted PTO effort to bypass and evade regulatory oversight by OMB and Small Business Administration's Office of Advocacy.

Importantly, examiners have historically lost **80-90%** of appeals to the Board of Patent Appeals and Interferences (BPAI), when all layers of review are considered.² Unlike most other agencies where higher-level intra-agency review exists to resolve close cases, patent appeals are driven almost entirely by an extraordinarily high error rate in the first-level agency adjudication, largely the result of the PTO's employee compensation system, and it is simply unfair of the PTO to impose further burdens on applicants for correcting the PTO's own errors caused by PTO's misincentivization of its employees. Because of the PTO's stated policy of declining to manage or direct its examiners³, proceedings before patent examiners are procedurally chaotic and

² PTO publicly discloses only the rate of reversal at the final stage, final decisions of the Board of Patent Appeals and Interferences. However, statistics provided by FOIA request and during discovery in the *Tafas v. Dudas* litigation in the Eastern District of Virginia show that more than 2/3 of appeals result in the examiner's position being reversed or vacated before the appeal reaches the Board. See *also* Figure 4 in Katznelson letter (Exhibit 2) showing that the BPAI affirmed the examiner in only 10% of appeals filed by applicants.

³ One **very** large factor in this high reversal rate is the PTO's stated refusal to follow White House instructions or to implement Executive Order 13,422 and the Final Bulletin on Agency Good Guidance Practices. Executive Order 13,422, 72 Fed. Reg. 3432 (Jan. 25, 2007, http://www.whitehouse.gov/omb/infereg/EO12866/fr_notice_eo12866_012307.pdf); "Final Bulletin for Agency Good Guidance Practices" (OMB Memorandum M-07-07, January 18, 2007, <http://www.whitehouse.gov/omb/memoranda/fy2007/m07-07.pdf>); and "Implementation of Executive Order 13422 (amending Executive Order 12866) and the OMB Bulletin on Good Guidance Practices" (OMB Memorandum M-07-13, April 25, 2007, <http://www.whitehouse.gov/omb/memoranda/fy2007/m07-13.pdf>).

unpredictable, and often an appeal is the only way to secure examination under any predictable and orderly standard of law. Because the appeal route has become a central safeguard for applicants for protecting their intellectual property, the burdens under the instant ICR should be carefully scrutinized, rigorously minimized, and properly accounted for.

For the reasons further elaborated below, the PTO has boxed itself into 5 C.F.R. § 1320.12(f), which requires the PTO to withdraw the Appeal Rule and start the rulemaking process over again with a new NPRM. Many of the individuals involved with this rulemaking should be investigated by OMB to determine whether they should be quarantined from any future rulemaking, because they apparently lack the legal knowledge, ability to investigate facts, or adjudicative competence required for the task.⁴

As we note below, the PTO has demonstrated a repeated pattern of unfairly mischaracterizing public comments, in order to provide dodging “non responses.” The

For example, one recent final Rule notice reiterated the PTO’s long-standing refusal to provide any supervisory oversight over examiners with respect to the PTO’s procedural guidance. Changes to Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications, Final Rule, 72 Fed. Reg. 46716, 46752 col. 2-3 (Aug. 21, 2007). In a public speech before the Biotechnology Industry Organization Annual Meeting of General Counsel in September 2007, Deputy Commissioner Love (the single official within the PTO most responsible for implementing the Executive Order and Bulletin) confessed that he was not even aware of the existence of the Bulletin. The PTO issued its guidance on obviousness, 72 Fed. Reg. 57,526 (Oct. 10, 2007) without following the procedures set in the Bulletin. A year and a half after the issuance of the Executive Order and the Bulletin, the PTO’s web site still does not have the information required. The PTO’s persistent refusal to follow, enforce, or even inform itself of, the law it is required to follow, violates the President’s Good Guidance Practices, § II(1)(b) (“Agency employees should not depart from significant guidance documents without appropriate justification and supervisory concurrence.”).

⁴ *Niam v. Ashcroft*, 354 F.3d 652, 654-60 (7th Cir. 2004) (“The [administrative] judge’s analysis was so inadequate as to raise questions of adjudicative competence.” The court then follows with a list of errors, including the judge’s misunderstanding of the role of evidence and burdens of persuasion, “the [administrative] judge’s opinion is riven with [factual] errors,” “startling omissions plus a striking non sequitur,” failure to even comment on evidence or address arguments. The court concludes, “In view of the performance of these [administrative] judges and the criticisms of them that we have felt obligated to make, we urge the [agency] to refer the cases to different [administrative] judges.”) In view of the striking overlap in errors, the court’s admonition should apply here.

PTO apparently cannot fairly and accurately “summarize” public comments. If the PTO submits an ICR to OMB, the PTO should publish and provide the comments to OMB in full, without interposing itself as an intermediary.

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Table of Exhibits

- Exhibit 1 Sources for Paperwork Burden Estimates of Table 1.
- Exhibit 2 Dr. Ron Katznelson, letter of October 15, 2007 to BPAI.Rules, and Robert Clarke of PTO, regarding paperwork implications of the Appeal Rule, from <http://www.reginfo.gov/public/do/DownloadDocument?documentID=51959&version=1>

Exhibit 3 Dr. Richard Belzer, letter to Susan Dudley re Information Collection Request 0651-0031 (January 16, 2008) <http://www.reginfo.gov/public/do/DownloadDocument?documentID=57744&version=1>

Exhibit 4 Additional Comments Arising Under Administrative Procedure Act, Executive Order 12,866, and Other Law

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Exhibit 5 Email Trail Establishing that this Letter is Timely

I. The Patent Office Violated a Number of OMB’s Implementing Regulations Under the Paperwork Reduction Act

A. The Appeal Rule Imposes Millions of Dollars of Duplicative Paperwork Burden, In Violation of 5 C.F.R. § 1320.5(d)(1) and 9(b)

Bd. R. 41.37(t) and (u) require appellants to repackage and re-submit the following documents that are already accessible to PTO:

- “Affidavits and declarations, if any, and attachments to declarations, before the examiner...” Bd. R. 41.37(t)(5).
- “Other evidence...” Bd. R. 41.37(t)(6)
- “Other evidence filed after the notice of appeal ... and admitted to the file” Bd.R. 41.37(t)(7)
- “Copies of orders and opinions” for related cases, even those decided by the PTO itself. Bd. R. 41.37(u)

Under the Paperwork Reduction Act, 44 U.S.C. § 3501 et seq. (PRA) and its implementing regulations, the Office of Management and Budget cannot approve Information Collection Requests that are duplicative:

To obtain OMB approval of a collection of information, an agency shall demonstrate that it has taken every reasonable step to ensure that the proposed collection of information:

- (i) Is the least burdensome necessary for the proper performance of the agency's functions to comply with legal requirements and achieve program objectives;
- (ii) Is not duplicative of information otherwise accessible to the agency; ...

5 C.F.R. § 1320.5(d)(1) (Emphasis added). Every item requested by Bd.R. 41.37(t)(5), (6) (7) and 41.37(u) is necessarily duplicative of information accessible to the agency. Bd. R. 41.37(t) (“The ‘evidence section’ shall contain only papers which have been entered by the examiner.”) Therefore, these information collection demands are unambiguously duplicative. Not only is the requested information *accessible* to the Board, it is maintained electronically by the PTO in a form and format that the PTO itself prescribed.⁵ Bd. R. 41.37(t) and (u) are simply untenable.

This issue was directly raised in the Notice and Comment letters (Boundy letter⁶ at 34-35; Belzer paperwork letter (Exhibit 3) at page 17; Katznelson letter (Exhibit 2) at page 18). The Response to Comments in the Notice of Final Rulemaking is **dead silent** on these four rule provisions. In its response, the PTO only stated that “Paragraphs (t) and (u) of section 41.37 have been revised and do not require the collection of information beyond what is already required by the current rules”.(73 FR 32955, Col. 3). This is a typical PTO recharacterization and dodge of the comments it received. PTO’s argument that the new rules do not require collection of information beyond that required under the old rules is an irrelevant “response” to a comment that was never made. The comments did not address mere changes in Section 41.37 but the actual provisions of that section. Evidently, PTO’s duplicative information collection is most

⁵ Under OMB’s section 1320.5(d)(ii), it would not matter if the Board were a separate federal agency from the PTO. The Board could not impose the duplicative requirement as long as the same information is accessible from the PTO.

⁶ <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf>

likely also illegal under the old rule. How does the PTO explain its action and failure to respond to comments? The PTO's promulgating a final rule without response to a serious comment violates the following provisions of law:

- The Administrative Procedure Act, which requires agencies to fully and fairly address comments raised in Notice and Comment letters.⁷
- The obligation under § 1320.5(d)(1) to take “every reasonable step” to avoid “duplicative” information collections.

B. The Sanctions Provision of Bd.R. 41.56 is Ambiguous, in Violation of 5 C.F.R. § 1320.9(d), and Imposes Burdens that are not Accounted For in the PTO's ICR

Several of the comment letters noted the ambiguity of Bd.R. 41.56: that the Rule creates a totally new, unbounded and undefined category of “ethical misconduct” with standards that do not exist in any other jurisdiction.⁸ Leaving sanctions to the unfettered discretion of an administrator to act with no standards is clearly problematic.

Indeed, the Final Rule notice confirms the worst fears expressed in those letters: It states that the standard will be any “actions which the Office believes are detrimental to the efficient handling of ex parte appeals,” 73 Fed.Reg. at 32948, col. 1, with no boundary, and with an express disclaimer of any known standard. 73 Fed.Reg. at 32968 col. 2 (precedent of courts “may or may not be helpful”). Bd.R. 41.56 by its terms puts the public to the burden of reading the mind of some official to be designated in the future, who most likely has no practical legal experience in the area of ethics or sanctions. The Response to Comments gives no useful guidance as to the specific conduct that will be sanctioned, instead offering two *non sequiturs*, (a) setting out the possible sanctions to be applied, and (b) providing an “assurance” (unenforceable of

⁷ The APA does not permit an agency to create diversionary characterizations of issues raised by public comments, and respond only to such “strawmen.” The PTO failed to reply to a number of issues, and instead “replied” only to irrelevant softball mischaracterizations of the comments. “Unless an agency answers objections that on their face appear legitimate, its decision can hardly be said to be reasoned.” *Mistick PBT v. Chao*, 440 F.3d 503, 512 (D.C. Cir. 2006).

⁸ Comment email of Allan Hoover, http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/a_hoover.doc, letter of American Intellectual Property Law Association, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/aipla.pdf> at page 11

course) that “it is expected that sanctions will be rare.” 73 Fed.Reg. at 32968 col. 2. These two give the public no help in ascertaining the standards of conduct that the Office “believes” to be sanctionable.

Tellingly, PTO General Counsel James Toupin and Director of the PTO’s Office of Enrollment and Discipline Harry Moatz have recently stated in public talks that the Patent Office declines to maintain consistency with its earlier formal written interpretations of applicants’ ethical obligations.⁹ In public presentations and in meetings with Congressional staff, both have stated that PTO Rules 1.56 and 10.18 obligate an applicant to read every document, even references that are provided to the Office under the duty of disclosure, in its entirety. This is a direct contradiction of the PTO’s formal written interpretations of its rules, including the two relevant Notices of Final Rulemaking: (a) the PTO revised 37 C.F.R. § 1.56 to **remove** the requirements that Mr. Toupin and Mr. Moatz now seek to impose¹⁰, and (b) the PTO **removed** the pre-1997 requirement of 37 C.F.R. § 10.18(b) that every document be “read.”¹¹ The fact that these two officials, who are the two individuals most directly responsible for knowing and administering this regulation, are willing to publicly express views in direct conflict with the agency’s own written interpretations, illustrates the danger of passing a new ethics provision containing unbounded, undefined, and vague terms and relying on the discretion of individual administrators, no matter how well-meaning.¹²

⁹ Talk of Harry Moatz at PLI conference on Advanced Patent Prosecution, July 23, 2007; Talk of Harry Moatz at IPO Annual Meeting, New York NY, September 11, 2007, http://www.patentlyo.com/patent/MoatzHarry_presentation.pdf at slide 9; Talk of James Toupin at Marcus Evans IP Summit, Hot Springs VA, September __ 2007;

¹⁰ 57 Fed. Reg. 2021, 2026 (Jan. 17, 1992) (“The applicant can submit information to the office for the examiner’s consideration whether the information is considered material or not.”); 57 Fed. Reg. at 2023 (“The Office believes that most applicants will wish to submit the information, however, even though they may not be required to do so, to strengthen the patent and avoid the risks of an incorrect judgment on their part on materiality...”).

¹¹ 62 Fed.Reg. 53131, 53175 (Oct. 10, 1997) (repealing the former requirement under pre-1997 37 C.F.R. § 10.18(b) that papers submitted to the PTO be “read”).

¹² In these and other presentations, Mr. Moatz and Mr. Toupin have defended their proposition by arguing that their novel interpretation of PTO Rule 56 is a mere analog to that duty. This could only be true if Federal Rules of Civil Procedure 11 and 37 obligated a litigant to read every document in every document production in its entirety before producing it to the

Because attorneys will be forced to comply with a standard that has no ascertainable boundaries, the Paperwork burden of drafting of papers will be increased by some unknown but very large amount. OMB should require PTO to first articulate the scope and standard it intends to apply, and then require PTO to estimate the paperwork burdens for that compliance.

C. Because of The PTO's Failure to Pursue With Any Permissible Procedural Path to Approval, the PTO Has No Option But to Start Over With a New Notice of Proposed Rulemaking

Paperwork regulations, 5 C.F.R. § 1320.11 and .12 provide only three paths for paperwork clearance of a rule:

- § 1320.11, for burdens in a proposed rule
- § 1320.12(a), for information collection burdens in rules that have an existing valid OMB control number
- § 1320.12(b) for information collection burdens in rules that have changed status from “not previously covered” to now covered.

1. The PTO Stated It Would Not Even Attempt Compliance with Paperwork Clearance Regulations of 5 C.F.R. § 1320.11

5 C.F.R. § 1320.5(c)(2) obligated the PTO to submit the Appeal Rule to OMB “in accordance with the requirements of § 1320.11” at the time of the Proposed Rulemaking, in July 2007. 5 C.F.R. § 1320.11 requires as follows:

(a) The agency shall include... in the preamble to the Notice of Proposed Rulemaking a statement that the collections of information contained in the proposed rule ... have been submitted to OMB for review under section 3507(d) of the [Paperwork Reduction] Act. ...

(b) All such submissions shall be made to OMB not later than the day on which the Notice of Proposed Rulemaking is published in the Federal Register...

requesting party, which is of course simply false. In a June 2008 meeting, PTO General Counsel Toupin stated to a Senate staffer that certain proposed rules, requiring an applicant to prepare and provide to either the tribunal or to the opposition party a written paper discussing the attorney's view of the materiality of every single document produced, and the attorney's evaluation of the effect of that document to the material issues in the case, was merely an analog to a litigant's obligation under Rule 11. Mr. Toupin's incorrect understanding of the law of civil litigation illustrates the peril of an agency asserting authority to create and enforce rules on ethical conduct when the head legal authority of that agency, and presumably all the other lawyers who advise him and would have corrected such a stark misimpression, lack sound knowledge of the relevant law.

§ 1320.11(c), (e), (f), (h)(2) and (k) specify further events and actions that must occur before a rule may be published as a final rule. None of these further events and actions can occur if an agency breached its obligations under § 1320.11(a) and (b) to start the public comment and OMB review process in motion.

The Patent Office admitted that it did not even attempt to comply with § 1320.5(c)(2), 11(a) or (b), 72 Fed.Reg. 41284 col. 2:

The United States Patent and Trademark Office is not resubmitting an information collection package to OMB for its review and approval because the changes in this proposed rule would not affect the information collection requirements associated with the information collection under OMB control number 0651–0031.

The PTO engaged in diversionary characterizations of its obligations. The issue is not whether the proposed rules affect information collection under a *particular OMB control number*. Rather, PTO was required to address information collection associated with a *particular proposed rule*. The Patent Office apparently tried to circumvent the mandate of the Paperwork clearance regulations by rewriting the regulations.

That was illegal in June 2007, and it remains illegal now.

2. By the PTO's Own Admissions, Neither § 1320.12(a) or 12(b) Clearance is Available to the PTO

The PTO's only lawful path to obtain information collection approval for new rules such as the Appeal Rule is 5 C.F.R. § 1320.11. The time for that is past, and neither of the other two alternatives, § 1320.12(a) or 12(b) offers a route for clearance of the Appeal Rule.

§ 1320.12(a) applies only to information collections that have been previously approved by OMB and have a currently valid OMB control number – which does not apply to the Appeal Rule.

§ 1320.12(b) applies only as a “grandfather” clause to a current rule that “that was not required to be submitted for OMB review under the Paperwork Reduction Act at the time the collection of information was made part of the rule, but which collection of information is now subject to the Act and [Part 1320].” But as the PTO now admits, the information collection was subject to the Act and Part 1320 as of the date it was “made part of the rule” (June 10, 2008), and has not changed status at any time that could

make § 1320.12(b) applicable. Thus § 1320.12(b) is not available for the June 2008 Appeal Rule.

Unless the PTO is again applying a double standard, that applicants must comply with burdensome and unwritten rules that PTO employees make up on the fly¹³ but the PTO itself need not even pretend to comply with rules that bind it, the PTO has no legal alternative but to withdraw the June 10 Final Rule Notice, and if it wishes to regulate appeals, start over at the beginning under § 1320.11.

3. The PTO's Procedural Failures Have Substantive Consequences and Should Not Be Excused

The PTO's failure to timely comply with paperwork clearance procedure is not a mere timing issue of little consequence. The purpose of complying with the Paperwork Clearance Regulations with a proposed rule is to ensure that the public has a fair opportunity to inform the agency of the true impact of a proposed rule, and that the agency and the OMB have a fair and accurate picture to consider changes make sound decisions in drafting a final rule. If an agency declines to even disclose its paperwork estimates, let alone make paperwork submissions, until the final rule is published, the public and OMB are denied access to the information needed for informed public comment, and effectively lose their opportunity to do so. In the 1995 amendments of the Paperwork Reduction Act, Congress specifically sought to eliminate agency evasion of the type now attempted by the PTO. Under this statute, OMB cannot cede to PTO's actions by avoiding its own accountability under the Act.¹⁴ The courts have made clear

¹³ <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf>
Attachments A and B.

¹⁴ The PRA legislative history is unambiguous as to PTO's and OMB's obligations: H.R. Rep. 104-37, P.L. 104-13, (February 15, 1995):(at 170: "Unfortunately, Federal agencies have not kept pace with evolving management practices and skills necessary to: (1) precisely define critical information needs; and (2) select, apply, and manage changing information technologies. ... The result, in many cases, has been wasted resources, a frustrated public unable to get quality service and a Government ill-prepared to measure and manage its affairs in a acceptable, businesslike manner.... The consequences-...-**cannot be tolerated**"; At 187: "The current legislation also **strengthens OMB accountability**, as well as its paperwork reduction mandate. ... [T]he Committee believes that a more thorough and open agency paperwork clearance process can improve the quality of paperwork reviews and public confidence in

that a notice-and-comment period with no disclosure – or delayed disclosure – of material facts and data is insufficient to meet the requirements of the APA, and there is no apparent reason that the same reasoning would not apply to timely compliance with Paperwork Reduction Act regulations.

What the PTO should not attempt, and OMB should not approve, is the PTO's apparent attempt at "self help" and short-circuiting the regulatory review and approval process, by submitting to OMB materials that have not been through a proper public vetting process, and that should have been submitted to the public and OMB over a year ago, with the Proposed Rule. There is no provision giving the PTO authority to act over a year late, as it attempts here.

4. Under § 1320.12(f), the PTO Must Start Over Again With a New Notice of Proposed Rulemaking, and Publish a Federal Register Notice that the 2004 Appeal Rules Remain in Effect

The closest fit between the Appeal Rule and Part 1320 is § 1320.12(f):

(f)(1) If OMB disapproves a collection of information contained in an existing rule... OMB shall:

- (i) Publish an explanation thereof in the FEDERAL REGISTER; and
- (ii) Instruct the agency to undertake a rulemaking within a reasonable time limited to consideration of changes to the collection of information contained in the rule and thereafter to submit the collection of information for approval or disapproval under § 1320.10 or § 1320.11, as appropriate; and
- (iii) Extend the existing approval of the collection of information (including an interim approval granted under paragraph (b) of this section) for the duration of the period required for consideration of proposed changes, including that required

Government decision-making. Analogous to the way in which an agency's rulemaking record stands as the basis for and evidence of the need for a regulation, so should a more highly developed and examined record of an agency's formulation of an information collection proposal stand as the basis for the collection and **as a public record of its need**. The delineation of a more detailed agency paperwork clearance process obviously places a heavier burden on agencies to justify the programmatic need for information. But this, too, should help counteract some of the negative connotations associated with information collections. Information requirements will less often come **unannounced and unexplained** if the agency has already **had to justify the requirement**, and the burden it imposes, to the public and **consider public comments**. This early review in turn should help agencies make their case for the value of Federal information and prompt them to improve the quality and availability of such information. The review certainly will assist individuals and organizations representing those who are burdened **to engage agencies in meaningful dialogue** about the need for information. Out of this more thorough review of information collection proposals should come more effective ways to minimize burdens and maximize the utility of information collected or generated by or for the Federal Government".

for OMB approval or disapproval of the collection of information under § 1320.10 or § 1320.11, as appropriate.

As discussed above, the PTO cannot even apply to OMB for paperwork clearance, and if the PTO applies, OMB must disapprove. Thus, the PTO should simply go back to the beginning and follow the law. The PTO should publish a Federal Register notice that the 2007-08 Appeal Rule is withdrawn, that the 2004 Appeal Rule remains in effect to the degree permitted by the ongoing series of month-to-month extensions granted for ICR 0651-0031, and start over again with an NPRM that is accompanied by a proper and timely § 1320.11(a) and (b) submissions to OMB.

Note that § 1320.12(f)(2)(ii) will require the PTO to specifically break out the burdens of the 2007-08 Appeal Rule relative to the 2004 appeal rules. That burden is almost certain to exceed \$100 million in paperwork burden alone, with hundreds of millions of dollars of additional non-paperwork regulatory burdens. Thus, the PTO will be required to submit a regulatory analysis compliant with OMB Circular A-4.

II. The PTO's Paperwork Estimates Violate Information Quality Regulations

Many of the estimates in the Appeal ICR RFC and in the Final Rule Notice have no disclosed basis, let alone a basis in "objective" or "reproducible" information. The PTO's entire burden estimation process is non-objective. The PTO's recent estimates of various paperwork burdens have varied by over 60% - the PTO provides no "reproducible" source of information. Until the PTO takes information quality seriously, its burden estimates are not credible, and cannot be approved.

A. The PTO Bound Itself to Information Quality Principles, and is Bound to Provide "Objective Support" for Its Estimates – These Two Requirements Are Violated in The Appeal ICR RFC

The Information Quality Act (IQA) (or Data Quality Act, codified in notes to 44 U.S.C. § 3616) requires agencies to "ensur[e] and maximiz[e] the "quality, objectivity, utility, and integrity of information (including statistical information) [they] disseminate..." The IQA requires agencies such as the PTO to establish and follow their own

implementing guidelines. “Objectivity” under OMB’s and PTO’s guidelines¹⁵ (hereinafter, “PTO IQG”) requires that information be “accurate, reliable, and unbiased,” and “presented in an accurate, clear, complete, and unbiased manner” (PTO IQG § IV(A)(6)). Data and analyses must be transparent and “reproducible” by competent third parties. The PTO commits itself to full public disclosure (PTO IQG § IV(A)(7), emphasis added):

“Reproducibility” of these analytic results does include “especially rigorous robustness checks” and when asked the USPTO does provide disclosure of the data sources that have been used and the specific quantitative methods and assumptions (if any) that have been employed

Data, analyses, statistics, and similar “representation[s] of knowledge” that the PTO disseminates in rulemaking are covered by the IQA, and by OMB’s and the PTO’s implementing guidelines (PTO IQG, “information that ... forms any part of the support of the policies of the agency” are covered).

Further, the Paperwork Reduction Act and OMB’s implementing regulations required that all rules and information collection estimates be supported by “objective support,” which OMB requires to be disclosed in the ICR or NPRM. 5 C.F.R. § 1320.8(a)(4).

A number of statements in the Notice of Proposed Rulemaking violate the PTO’s Information Quality Guidelines¹⁶ requirements for objectivity and utility, and requirements under the Administrative Procedure Act for a rational connection between a regulation and the problem sought to be regulated.

¹⁵ <http://www.uspto.gov/web/offices/ac/ido/ifoqualityguide.html>

¹⁶ <http://www.uspto.gov/web/offices/ac/ido/ifoqualityguide.html>

B. None of the Numbers in the ICR Are Supported by “Objective” or “Reproducible” Information or Analysis, in Part Because the PTO Failed to Comply with 5 C.F.R. § 1320.8(d)(1)

1. The PTO Has Highly Reliable Historical Numbers for the Past, Numbers That Are Not Disclosed

The PTO has provided no objective way to estimate its future appeal workload. If the PTO’s numbers in the Appeal ICR have any rational basis, it is neither disclosed or apparent, and instead appear to be driven by the PTO’s management objectives.

This underlying defect is embodied in the Appeal ICR RFC and Rulemaking Notices in the widely varying estimates of future workload, none of which have any disclosed support or explanation of trends. For example:

- In July 2007, at 72 Fed. reg. 41479, col. 3, the PTO forecast 5,000 ex parte appeals in FY 2008. In June 2008, that projection had increased to 6,000. 73 Fed. Reg. 32938.
- In the September 2007 ICR 0651-0031-005¹⁷, the PTO forecast 16,500 Notices of Appeal for FY 2008. In the July 2008 Appeal ICR RFC, this number is suddenly 27,630, 73 Fed.Reg. 32560, a **67% increase in under 9 months**.

There is very little doubt that substantial increases have taken place and are likely to continue. However, the PTO has made no effort to properly account for these trends or explain its models (if any) for forecasting appeal workload. Before this ICR can be approved, the PTO must disclose objective, reproducible estimates and estimation methods for future workload, and provide some analysis for where the doubling and tripling of appeal workload comes from? The wild fluctuations in the numbers leads one to ask whether there is any objective basis for any of them? Or is the PTO merely asserting low numbers to one audience that demands low numbers, and other higher numbers that demand high numbers, willy-nilly as the PTO finds it convenient? If the PTO’s workload is being generated as a result of internal PTO inefficiencies (as described in some detail by many of the public comment letters, and ignored by the PTO in its responses to comments in the Final Rule Notice), then the PTO should deal with those first, before burdening the public.

¹⁷ <http://www.reginfo.gov/public/do/DownloadDocument?documentID=44055&version=0> at page 20.

2. The Bases for PTO's Projections for Future Numbers of Responses are Not Disclosed, and Therefore Neither "Objective" nor "Reproducible"

No basis for the PTO's projections of future numbers of responses are disclosed in the Appeal ICR RFC. This is merely a continuation of a trend: FOIA requests, litigants, and a Congressional Subcommittee have requested the PTO's software models for predicting future workload. The PTO has refused all such requests.¹⁸ For all that the PTO has disclosed, its projections are no more than bald guesses, with no rational basis. The PTO bears the burden of "objectively supporting" its burden projections, and OMB should assume that the PTO's projections are totally unreliable, until the PTO discloses some rational basis and support for them.

The only thing that is clear is that the PTO's projections are not even consistent with the objective data that the PTO has disclosed, as we discuss in § IV.G.2 at page 41.

3. The PTO's "Hours Per Response" Numbers Are Biased Because the PTO Violated 5 C.F.R. § 1320.8(d)(1) by Failing to "Consult with the Public" or Otherwise Gather Objective Burden Estimates

5 C.F.R. § 1320.8(d)(1) requires the Patent Office before the Office submits the ICR to OMB for approval, to "consult with members of the public and affected agencies concerning each proposed collection of information." This duty is in addition to the duty to publish a valid 60-day paperwork notice with the NPRM.

¹⁸ In the *Tafas v. Dudas* litigation, the PTO was challenged to provide the "complete analytical defense" for its predictions and projections required by the Administrative Procedure Act. *Tafas v. Dudas*, brief of amicus Polestar Capital, <http://docs.justia.com/cases/federal/district-courts/virginia/vaedce/1:2007cv00846/221151/173> at pages 7-8. The PTO made no response whatsoever, let alone offering any documented support for its predictions and models

A Congressional inquiry specifically requested the PTO's models, http://www.patentdocs.net/patent_docs/files/berman_letter.pdf, and the PTO produced nothing responsive. http://www.patentdocs.net/patent_docs/files/dudas_letter.pdf

a) **The PTO Has a Rich Database to Establish “Number of Responses” Estimates – It Disclose Its Facts and Analytical Methods**

The Appeal Rules’ burdens are dependent in large measure on the characteristics of patent applications under appeal. For example, the time that appellants would spend on the claims section under Bd. R 41.37(p), (q), (r), (s) will largely depend on the number of claims in an application, the number of total and independent claims under appeal and the number of claims argued separately. Similarly, the number of figures in the application under appeal would determine the time that appellants would spend on the drawing analysis requirements under Bd. R 41.37(r). The PTO was on notice that such numerical attributes are key burden determinants by at least one comment letter, which provided illustrative table of some of these factors.¹⁹ Further, because the PTO has such an extraordinarily rich statistically workload database, there is no reason the PTO should evade its obligation to conduct its own statistically valid analyses and publish their details for public comment.

The PTO cannot discharge these obligations by merely adopting **after promulgating the rules** estimates furnished based on private illustrative surveys. Neither the NPRM, the Final Rule Notice, or the Appeal ICR RFC ever even suggest that the PTO ever even attempted to gather reliable, objective or reproducible estimates of numbers of claims, pages or figures per appeal. The only information source disclosed **after the rules were promulgated**, is one result of the PTO’s “informal survey,” apparently based solely on papers submitted, but apparently without inquiry with any attorney for the burdens spent preparing those papers, and with no disclosure whatsoever of the survey methods. OMB must not approve any information collection request that does not include estimates supported by a description and results of a **formal survey** with **disclosed, objective, reproducible survey methods** that directly establishes the underlying determinants of burdens.

¹⁹ See Katznelson letter (Exhibit 2), Table 3 at page 22.

b) The Only Reliable Source For Hours of Burden For Response is the Required “Consultation” With the Public

The PTO’s estimates are not well informed, not objective, and not reproducible, because the PTO has never sought information from a reliable source (at least none that is disclosed), and because the PTO failed to “consult” as required to obtain information of acceptable quality.

Just as the PTO has a rich database of population count statistics, patent attorneys have detailed and objective records of the time spent on various tasks relating to appeals. Because this is the only “objective” and “reproducible” source of this information, and the PTO failed to “consult” as required by 5 C.F.R. § 1320.8(d)(1) to gather this objective information, it is clear that the estimates in the Appeal ICR RFC were prepared without the foundation required by law.²⁰

There is nothing in the record to suggest that the PTO ever even attempted to comply with § 1320.8(d)(1), and the PTO has a documented history of breaking it. For example, in the *Tafas v. Dudas* litigation, the PTO produced documents A7484-7811, examples of examination support documents for accelerated examination. The PTO represented to the contractor that prepared the RegFlex Analysis²¹ for the Claims rule that these were representative of the documents required under the ESD requirement of the claims rule.²² Each of the sample documents has the attorney’s name and phone number clearly shown in its signature block. The PTO therefore knew the best and most-informed sources from whom to obtain cost and burden information. I, David Boundy, personally telephoned the sources that the PTO itself designated, and those

²⁰ Illustrative analyses by private parties are not subject to the Information Quality Act, and are not reliable without either a large statistical sample or peer review. For example, Katznelson’s survey cited in note 19 was only illustrative and was not intended as statistically valid, because it only contained 17 appeals decided on September 20, 2007.

²¹ <http://www.uspto.gov/web/offices/pac/dapp/opla/presentation/ccfrcertificationanalysis.pdf>

²² Email from Robert Bahr to Elizabeth Gormsen, Sept 20, 2006, at *Tafas* production number A07481.

persons stated that they had never been contacted by the PTO. Instead, the PTO relied on guesses by “staff” who had never prepared such documents.

Because the PTO failed to disclose any “objective support” for its estimates, it is impossible to “evaluate ... validity of the methodology and assumptions used,” 5 C.F.R. § 1320.8(d)(1)(ii), or comment on the PTO’s numbers. The June 2008 Appeal ICR RFC is inadequate to meet the requirements of 5 C.F.R. § 1320.8(d)(1). Thus, the PTO must start the entire process over again, with an NPRM and a proper § 1320.8(d)(1) “consultation” request for comment on disclosed objective support.

C. Many of the “Facts” in the Final Rule Notice and Appeal ICR RFC Have No Objective Support – Many of the PTO’s “Beliefs” are Simply Wrong

It has been noted in the past that the PTO’s estimation methods are “junk science,”²³ largely because the PTO fails to seek objective information from informed sources.²⁴ Consequently, the PTO’s estimates are often off by factors of 50 and 100 from reasoned and fact-supported estimates.²³

Specific examples of naked and erroneous “beliefs” or “expectations” discussed elsewhere in this letter include

- The PTO lacks tools or data to make consistent or accurate workload predictions, as discussed in § II.B.2 at page 18.
- The PTO’s estimates for the numbers of petitions to expand page limits and for extensions of time have varied so much over the last year as to suggest that the PTO lacks any objective or reproducible basis for its estimates. We discuss these analytical defects at § IV.I at page 44.

²³ Peer-reviewed sworn affidavit of an anonymous affiant, ¶ 27, at <http://www.reginfo.gov/public/do/DownloadDocument?documentID=57760&version=1> PDF page 15

²⁴ ICF International, “Certification Analysis Under The Regulatory Flexibility Act, Changes to Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications, Prepared for: United States Patent and Trademark Office” (June 29, 2007) (<http://www.uspto.gov/web/offices/pac/dapp/opla/presentation/ccfrcertificationanalysis.pdf>) at page 15 (PDF page 18), admitting that for paperwork compliance costs “USPTO staff provided estimated unit costs” as the sole information relied on, with no consultation of the relevant public or any other person with practical experience to have an informed opinion.

- The PTO relies on naked “belief” for attorney practices, that could have been proven false by making a few phone calls. We discuss this Information Quality failure at § IV.B at page 35.
- The PTO states that “the number of appeals is expected to increase,” with no identified basis, reason for or quantification of this “belief.” The only apparent reason for the PTO to not state the reason for the “expected” increase in appeals is that the PTO recognizes it would have to concede that the PTO has violated Executive Order 12,866 and its proscription against burdensome regulations, and piling one burden on top of a base burden caused by others of the PTO’s own regulations.

D. The Analysis of the Page Limit Requirement is Badly Flawed

The PTO discusses the page limit of Bd.R. 41.37(v)(5) at 73 Fed.Reg. 32966.

The “analysis” there violates many principles of the PTO’s Information Quality Guidelines and the Administrative Procedure Act.

First, several of the public Notice and Comment letters noted that the requirement for 14-point, double-spaced font effectively cuts the page limit in half. The PTO responds in 73 Fed. Reg. 32966 at Col. 1 that

An informal survey of the argument and fact portions of appeal briefs in appeals before the Board conducted *prior* to the notice of proposed rule making revealed that less than ten (10) percent of the appeal briefs exceeded 25 pages. An informal survey of 135 briefs taken *after* the notice of proposed rule making revealed that less than three (3) percent of the argument and fact portion of appeal briefs exceeded 30 pages.

The Data Quality Act was enacted precisely because Congress intended to eradicate agency adoption of or use of such “Informal Surveys” using opaque data and analyses as if they were reliable science. The USPTO failed to provide any details, date ranges, methodology, statistical methods, mechanisms for compensating for old and new font size rules, and the actual full results obtained in this “Informal Survey”, frustrating any opportunity to comment on it. Nevertheless, it is clear that the briefs in the “Informal Survey” were filed under existing rules, most likely using 12-point font, and in some case using one-and-a-half line spacing. . See, e.g., 37 C.F.R. §1.52(b)(2) (permitting 1.5-line spacing and “preferably a font size of 12” for patent application filings). In any event, the PTO did not disclose what fonts or spacing were used, and it is thus not known whether PTO’s “informal survey” even examined the font, spacing, or timesteps of the briefs that it reviewed. The comparison of 14-point page limits under the new rule

and unknown (and most likely 12-point) font under existing rule, without disclosing this analytical discontinuity to readers such as OMB and SBA, is not a valid “response” to the public comments, and violates Information Quality principles.

The PTO attempts to justify its 30-page, 14-point, double-spaced page limit by stating that “it will be noted that many administrative and judicial tribunals have page limits on briefs.” Though it was directly challenged to do so, the PTO is unable to identify a single tribunal who considers patent issues in a manner analogous to an ex parte appeal to the Board²⁵ whose page limit²⁶ is any less than **three times** that of Bd.R. 41.37(v)(5).

The PTO was challenged to identify any difference between its needs and those of the International Trade Commission, the agency that is most analogous to the Board in its adjudication of patent issues. The PTO was challenged to identify any reason that it needed a page limit when the ITC does not. The Final Rule Notice is **dead silent** on the issue of the size of the page limit (as opposed to the existence of some page limit), in violation of the Administrative Procedure Act, and in violation of paperwork regulations that require the PTO to take such burdens into account.

The rationale given for the font size minimum is counterfactual makeweight. The Final Rule Notice states that the requirement for minimum 14-point font relates to image degradation during FAXing and scanning. However, the PTO recently promulgated a proposed rule that would disallow filing briefs by FAX. (73 Fed. Reg. 45662, 45664 col. 2 (August 6, 2008). The same notice explains that 12-point font is adequate for the Office’s needs in all other contexts. 73 Fed.Reg. at 45666 col. 3. In a May 13, 2008 public talk, John Doll stated that the vast majority (70% or more) of all papers filed in the Office are filed electronically, as degradation-free PDF’s.²⁷ The PTO states no rationale for 14-point font that squares with the facts, and offers no rebuttal to the many

²⁵ all in one hearing, rather than in the manner of a trial court that proceeds in multiple phases, under Fed.R.Civ.P. 12 phase, then several summary judgment motions each addressing a single issue, then trial and post-trial motions.

²⁶ adjusted for font size

²⁷ <http://www.klgates.com/newsstand/Detail.aspx?publication=4547>

comments that pointed out that the requirement for 14-point font, in combination with the page limit, deprives appellants of a due process opportunity to make the arguments “at a meaningful time in a meaningful manner.”²⁸

The process of “shoehorning” a brief into a **tight** page limit adds considerable additional time to preparing a brief, time that is not accounted for, and time that cannot be reconciled with the PTO’s obligation to make sure that its information collections are the “least burdensome necessary” for the functioning of the agency. The only rationale the PTO gives is its own convenience; the Final Rule Notice reflects no weighing of the burdens and expropriation of patent property to be effected by this rule. The page limit regulation, as it currently stands, cannot obtain OMB approval.

III. The PTO Failed to Structure its Information Collection to be “The Least Burdensome Necessary for the Proper Performance of the Agency’s Functions,” and Ignored Public Comments that Noted the Excessive Burdens

5 C.F.R. § 1320.5(d)(1) requires that agencies structure all rules to be “least burdensome necessary” Similarly, Executive Order 12,866²⁹ § 1(b)(11) requires:

Each agency shall tailor its regulations and guidance documents to impose the least burden on society, including individuals, businesses of differing sizes, and other entities (including small communities and governmental entities), consistent with obtaining the regulatory objectives, taking into account, among other things, and to the extent practicable, the costs of cumulative regulations.

A number of the public comment letters noted excessive burdens of the proposed rules, and many offered less burdensome alternatives that would achieve the PTO’s

²⁸ “The fundamental requirement of due process is the opportunity to be heard ‘at a meaningful time and in a meaningful manner.’” *Barry v. Barchi*, 443 U.S. 55, 72 (1979). A number of comments raised this issue, and the PTO ducked it by recharacterizing the comments. Once an issue is waived on final intra-agency review, it cannot be revived on further judicial review. For that reason, no known administrative agency has a page limit anything near as draconian as that proposed by the PTO – though challenged to do so, the PTO was unable to identify a single one.

²⁹ http://www.whitehouse.gov/omb/inforeg/eo12866/eo12866_amended_01-2007.pdf

objectives. Few of these suggestions were adopted. Striking, the Final Rule Notice is **dead silent** on a number of these.³⁰

A. The “Claim and Drawing Analysis Section” of Bd.R. 41.37(r) are, by the PTO’s Own Admission, Burdensome Far Out of Proportion to their Utility

Bd. R. 41.37(r) requires that every appeal have a “claims support and drawing analysis section” analyzing every limitation of every independent claim and separately-argued dependent claim. A number of the public comment letters noted that the burdens of providing this information far outweigh any utility to the Board, and that the majority of the information requested has near-zero utility to the PTO. Several public comments proposed alternatives that could both reduce burden and increase utility.³¹

The PTO, through its **dead silence** on these observations, apparently acquiesces to the observation that requiring “analysis” of facts that have no relevance to the issues pending in an appeal has **no utility**. The PTO’s silence is an acceptance that in almost all cases, the minimal utility to the PTO is outweighed by the burden on the public.

The PTO’s silence is an acceptance that in almost all cases, the form in which the information is requested decreases its utility. The Final Rule concedes that this information is of only the slightest utility by requiring it to be in an appendix, rather than in the body of the brief, because the Board will only seldom look at it.

³⁰ In particular, it is a *per se* APA violation for an agency to dismiss alternatives proposed in public comment letters without careful discussion. *Motor Vehicle Mfrs. Ass’n v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 48 (1983) (“not one sentence” of discussion of a reasonable alternative is a category of agency behavior that is *per se* arbitrary and capricious); *Yale-New Haven Hosp. v. Leavitt*, 470 F.3d 71, 80 (2d Cir. 2006) (an “agency must consider reasonably obvious alternatives and, if it rejects those alternatives, it must give reasons for the rejection...”); *Chamber of Commerce of U.S. v. Securities and Exchange Com’n*, 412 F.3d 133, 145 (D.C. Cir. 2005) (concluding that agency’s failure to consider an alternative that was neither frivolous nor out of bounds violated the APA).

³¹ <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf> at 35-37.

The Final Rule notice is likewise **dead silent** on several proposed alternatives.³² For example, Boundy’s public comment letter³³ noted that the burden could be reduced, and the utility of the information increased, if the “analysis sections” were confined to only the claim limitations at issue, and if the discussion was moved into the body of the brief, instead of being banished to an appendix. The PTO’s **dead silence** in response is a concession that the rule, as final, is of lower utility and higher burden than necessary.

Because the PTO ignored the comments and reframed the issues, it went ahead with the low-utility, high-burden rule without adequate explanation. The Appeal ICR cannot be approved until the PTO corrects these defects.

B. The Pagination Requirements as Framed Are Burdensome, With Zero Utility to the Agency

Several of the comment letters noted that the appendix and pagination requirements of Bd. R. 41.37(v)(1) are burdensome, in requiring all pages to be “consecutively numbered ... starting at 1.” The comment letters suggested that the PTO follow the example of all other tribunals, which permit skipping page numbers, and restarting the page numbers at the end of the brief and beginning of the appendix, or filing a replacement brief at a later date with appendix page numbers substituted, so that materials can be reorganized as the brief matures.³⁴ The comment letters noted that this “consecutive” requirement alone could add full *days* of attorney and paralegal time, representing over \$28 million in incremental costs over current rule, with **absolutely zero utility** for the PTO, compared to the pagination rules of other tribunals.

³² The laws broken by the PTO’s silence are discussed in footnotes 7 and 30..

³³ <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf> at 10-11.

³⁴ *E.g.*, Federal Rule of Appellate Procedure 30(c)(2) (permitting the appendix to be filed after the briefs are filed, and a week later, filing a replacement brief with final page numbers substituted); Federal Circuit Rule 30(c)(2) (“Omission of pages need not be noted, *e.g.*, page 102 may be followed by page 230 without stating that pages 103-229 are not reproduced in the appendix”).

The Final Rule Notice is **dead silent** in reply, 73 Fed.Reg. at 32965 col. 2, except to foreclose one other option that parties use to reduce the burden of preparing appendices. 73 Fed.Reg. 32944 col. 3. No explanation for adhering to the most burdensome possible rule is given. A person with experience preparing legal papers would reasonably conclude that the PTO deliberately made this rule as burdensome and unwieldy as possible.

The PTO breached the Paperwork Reduction Act, 5 C.F.R. § 1320.5(d)(1), Executive Order 12,866 § 1(b)(11), the Administrative Procedure Act³⁵, and the Patent Act, which requires that the PTO's rulemaking consider issues of "cost effectiveness." 35 U.S.C. § 2(b)(2)(F). OMB is not permitted to approve the ICR. The Appeal Rule is unenforceable; if the PTO wishes to enforce something similar, a new NPRM with an approvable rule is required.

C. By Silence, the PTO Concedes that the Burden-to-Utility Balance of a Table of Authorities is Unjustifiable; the PTO Relies on Unsupported Assertions that are Simply False

At least one of the public comment letters noted that a "Table of Authorities" is not easy to generate: that using the automatic tools in Microsoft Word, a Table of Authorities takes a bare minimum of 2 or 3 hours, and almost always considerably more. The public comment letters also noted that a Table of Authorities has very little utility in most appeals, and that whatever utility exists will be outweighed by the burden of creating it.

The Final Rule Notice concedes that, indeed, in most appeals, a Table of Authorities will have almost no utility. 73 Fed.Reg. 32959, col. 3, reply to Comment 42.

The PTO is **dead silent** on the most important issue, the balancing of utility against burden. The Final Rule Notice asserts that the Table of Authorities will, in some unspecified but apparently small number of cases, have some utility – but the Paperwork Reduction Act does not permit an agency to impose burdensome

³⁵ See footnote 7.

information collections merely because it may occasionally have some utility whose value, relative to the cost of providing it, is unknown.

The Final Rule notice makes clear that the PTO did no factual investigation, and does not understand the features or use of modern word processor software. The Final Rule Notice states “Modern word processors make the creation of ... a table of authorities fairly easy when headings are used in a document.” 73 Fed.Reg. at 32969, col. 3. “Use of headings” is totally irrelevant to a table of authorities. This sentence is at best a *non sequitur*. It is also counterfactual, as anyone who has ever used the Microsoft Word “Table of Authorities” feature will confirm. Word does not automatically generate a useable Table of Authorities, it requires a great deal of manual intervention. Even when used by a very knowledgeable and sophisticated user, a Word “Table of Authorities” requires an hour for even the simplest brief, and sometimes several hours. For most attorneys, who use the feature only once a year or less, the burden of a Table of Authorities will be several times greater. This estimate of burden of Word’s Table of Authorities feature was brought to the Office’s attention³⁶; the Final Rule Notice is **dead silent** on any objective basis to believe the burden is any lower. The Final Rule Notice merely confirms that the PTO is unwilling or unable to make even minimal factual inquiries to confirm the truthfulness of its assertions.

The Table of Authorities requirement as set for the in the Final Rule notice violates both the Paperwork Reduction Act and Executive Order 12,866.³⁷

D. The Requirement for Attorney Signature of a Notice of Appeal is an Unnecessarily Gratuitous Burden

In a 1997 rulemaking, the PTO eliminated the requirement for signature of a Notice of Appeal, because signature of a Notice of Appeal is “redundant” with signature of a subsequent Appeal Brief. 62 Fed.Reg. 53132, 53167, col. 2 (Oct 10, 1997). The

³⁶ <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf> at pages 12-13.

³⁷ http://www.whitehouse.gov/omb/inforeg/eo12866/eo12866_amended_01-2007.pdf

PTO offered no explanation for reimposition of this burden, which it previously conceded to be duplicative.

This particular rule, though small in effect, demonstrates the total disregard for public burden that has pervaded the PTO's recent rulemakings.

E. The Extension of Time Rule is Unnecessarily Burdensome

For all other extensions of time, the PTO permits either an extension after the fact by mere payment of a fee and a purely formal petition for extension under 37 C.F.R. § 1.136(a), or a petition "filed on or before the day on which such reply is due." In almost all courts, a petition for extension of time may be filed on the date a paper is due, if it is filed with the consent of opposing counsel, which is almost never denied.

The requirement of 37 C.F.R. § 41.41(d) that any petition be filed at least 10 days before the final due date imposes unnecessary burdens: the petition must be filed prophylactically if there is any possibility that an extension will be required, rather than on the last day, when it is known whether an extension will actually be required.

The NPRM and Final Rule Notice are **dead silent** on any rationale for adopting this more burdensome rule, instead of the less burdensome alternatives the PTO uses in every other context, and that most courts use.

F. Suggestions that the PTO Provide Guidance on Two Issues that Result in Significant Paperwork Wastes, and on Which There is Great Disagreement Among Different PTO Decisionmakers, Were Totally Ignored in the Final Rule Notice

Boundy's public comment letter³⁸ suggested that the PTO provide guidance on two issues on which various PTO officials sharply disagree, and noted that that intra-agency disagreement creates large and unnecessary paperwork burdens when applicants are shunted between officials who each insist that they have no responsibility for dealing with a problem, because of differing definitions of two terms: (a) the scope of "appealable" and "petitionable" subject matter, and (b) the definition of the term "new

³⁸ <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf> at pages 4, 36-37, and Attachments E and F.

ground of rejection.” A number of the rules in the Appeal Rule turn on the definitions of these terms. The Final Rule Notice is **dead silent** on this comment and suggestion.³⁹

The ambiguity in these two terms in the Appeal Rule was made clear to the PTO, and the PTO’s failure to clarify the ambiguity is a violation of 5 C.F.R. § 1320.9(d). The PTO’s failure to reply to validly-raised public comments and to consider certain alternatives violates Paperwork Reduction regulations and the Administrative Procedure Act.⁴⁰

G. The Erroneous Statement of the Standard of Review Will Generate Staggering Paperwork Burdens

Several of the public comment letters noted that the Appeal Rule as framed misplaced the burden of proof and standard of review. The Final Rule Notice confirms that this rewriting of the law is the PTO’s stated intent: the Board imagines itself to be an Article III Court reviewing final agency decisions under the Administrative Procedure Act standards of review, rather than an intra-agency tribunal reviewing decisions of non-lawyers who have an error rate of 80-90%. The standards for burdens of proof and evidence that apply on judicial review of an agency’s highest tribunal do not apply to the

³⁹ To the degree the PTO addresses any related issue, it states that it will brazenly defy the Federal Circuit. *Contrast* 73 Fed. Reg. at 32945 col. 2 (explaining circumstances when an examiner may introduce an entirely new reference or a new portion of an existing reference, yet not give an applicant the protections of regulations that apply when an examiner introduces a “new ground of rejection”) *with In re Wiechert*, 370 F.2d 927, 933, 152 USPQ 247, 251-52 (CCPA 1967) (“An applicant’s attention and response are naturally focused on that portion of the reference which is specifically pointed out by the examiner. ... [W]hen a rejection is factually based on an entirely different portion of an existing reference the appellant should be afforded an opportunity to make a showing of unobviousness vis-à-vis such portion of the reference”); *In re Echerd*, 471 F.2d 632, 635, 176 USPQ 321, 323 (CCPA 1973) (“We find the new reliance [to be] a new ground of rejection. New portions of the reference are relied upon to support an entirely new theory... appellants should have been accorded an opportunity to present rebuttal evidence as to the new assumptions of inherent characteristics made by the board”); *In re Ahlert*, 424 F.2d 1088, 1092 n. 4, 165 USPQ 418, 421 n. 4 (CCPA 1970) (“to cite new references, in which case a new ground of rejection is always stated,” emphasis added). These citations were provided in the Notice and Comment Letters, Boundy Attachment F footnotes 37 and 38. This failure to even attempt to reconcile the Final Rule Notice with Federal Circuit authority suggests that the PTO have lost even the pretense of respect for the rule of law.

⁴⁰ See footnote 7.

Board's review of examiners. The analogy that the Final Rule Notice tries to draw, 73 Fed.Reg. 32960 col. 3, between court/agency review and Board/examiner review reflects an appalling misunderstanding of administrative law, a stark misquotation of the cited authority, and a remarkable blindness to the differences in procedural law that apply at various steps.

This erroneous standard of review will create staggering paperwork burdens for both the public and the PTO. When a lower tribunal uses the wrong standard of review, a further reviewing court is obligated to set aside the lower decision on that basis alone. *Cooper Industries Inc v. Leatherman Tool Group, Inc.*, 532 U.S. 424, 443, 58 USPQ2d 1641, 1649 (2001) (vacating a decision of the Ninth Circuit based solely on the Ninth Circuit's application of an incorrect standard of review of a decision by a district court); *Dickinson v. Zurko*, 527 U.S. 150, 165, 50 USPQ2d 1930, 1936-37 (1999). The PTO's statement that the Board will give deference to examiners, rather than applying a *de novo* preponderance of evidence standard, with the requirement to support all fact findings by substantial evidence,⁴¹ is simply illegal, and will result in hundreds of appeals per year to the Federal Circuit, which will in turn vacate and remand to the Board on a *per se* basis.

This entire rulemaking is premised on the erroneous assumption that the Board of Patent Appeals can be analogized to an Article III court. This is simply wrong. The entire rulemaking should be start over at the beginning without this flawed premise.

H. Less Burdensome Alternatives to the Various Petitions Were Suggested in the Public Comments, and the PTO Failed to Even Acknowledge Them in the Final Rule Notice

Several of the comment letters proposed alternatives to the various petitions required by the rules, many of which would reduce paperwork burdens and/or improve utility. The Final Rule Notice is **dead silent** on many of them. For example:

⁴¹ *Association of Data Processing Service Organizations v. Bd. of Governors of the Federal Reserve*, 745 F.2d 677, 684 (D.C. Cir. 1984) (Scalia, J.) ("it is impossible to conceive of a 'nonarbitrary' factual judgment supported only by evidence that is not substantial in the APA sense").

- far-less-burdensome alternatives to the Petition for Extension of Time and to Enlarge Page Limits were proposed, alternatives used by many courts,⁴² alternatives that would sharply reduce the 15 hour burden the PTO proposes. The Final Rule Notice is **dead silent** on these alternative proposals, except perhaps to unrecognizably recharacterize them.
- AIPLA’s letter and Boundy’s letter both proposed that the rules should encourage the inclusion of drawings in the body of the brief, rather than make it all but impossible to include them.⁴³ The Final Rule Notice is **dead silent** on this suggestion.
- Many of the letters noted that if page limits and strict formal requirements would encourage efficiency on the part of appellants, than analogous requirements would be efficient if imposed on examiners.⁴⁴ The Final Rule is **dead silent**. The PTO must explain this obvious double standard – either page limits are efficient if imposed on both parties, or they are inefficient and unnecessarily burdensome for both parties. The PTO has apparently decided to breach its statutory obligation that its rules be “consistent with the principles of impartiality,” 35 U.S.C. § 2(b)(2)(f). If the PTO is not acting in brazen defiance of the law, the PTO will need to explain carefully.
- A number of comments observed that the rules fundamentally change the examination process, from the “examiner goes first and bears the burden” model required by Federal Circuit law, to a model in which examiners have every incentive to keep positions hidden during § 131/§ 132 examination, and ambush applicants with them for the first time in Examiner’s Answers, and that the rules deprive appellants of opportunity to fully respond to positions that the examiner kept hidden until the Examiner’s Answer. Rather than respond to these comments, the PTO confirms that this shift of burden⁴⁵, and the PTO’s asymmetric abdication of its obligations of compact prosecution while straight jacketing appellants is **exactly** the PTO’s intent. 73 Fed.Reg. at 32967 Answers no. 93, 93A.
- Boundy’s letter showed that much of the PTO’s inefficiency flows from examiners and T.C. Directors who refuse to require their examiners to comply with the

⁴² <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf> at pages 8-9

⁴³ <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/aipla.pdf> at page 9, [.../boundy.pdf](http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf) at pages 10-11

⁴⁴ [.../aipla.pdf](http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/aipla.pdf) at page 9.

⁴⁵ A shift of burden of proof is “substantive,” and thus beyond the PTO’s rulemaking authority. *Director, Office of Workers’ Compensation Programs, Dept of Labor v. Greenwich Collieries*, 512 U.S. 267, 271 (1994) (“[T]he assignment of the burden of proof is a rule of substantive law.”). The PTO does “NOT ... have authority to issue substantive rules,” 35 U.S.C. § 2(b)(2)(A); *Merck & Co. v. Kessler*, 80 F.3d 1543, 1550, 38 USPQ2d 1347, 1351 (Fed. Cir. 1996) (emphasis in *Merck*).

PTO's procedural rules⁴⁶, and the PTO's stated refusal to compel such compliance.⁴⁷ The Final Rule Notice is **dead silent** on this issue, except to note that applicants remain at the mercy of SPE's and T.C. Directors' personal decision to not enforce PTO rules, and to reiterate that senior PTO management will not require compliance. The PTO apparently refuses to even consider or evaluate the reduction of burdens on both the public and itself that could be achieved by simply implementing the President's Final Bulletin on Agency Good Guidance Practices, or supervising its employees to ensure that they produce quality rejections that comply with the law.

We note some of the omissions in this letter, others we leave for the PTO to address in its future Notice of Proposed Rulemaking. The PTO should withdraw the Appeal Rule, so that it can fully and fairly address each public comment, with an accurate statement of the issue presented in the comment.

IV. The PTO's Paperwork Estimate Violates Paperwork Regulations and E.O. 12,866 by Omitting Line Items, Giving Unrealistically Low Values, and Obscuring the Incremental Burden of the Appeal Rule

A. Many of the Estimates Appear to be Too Low Because They Fail to Reflect Organic Growth

The PTO has estimates for annual growth rates. These growth rates are not reflected in the "Estimated annual responses." Are the offered numbers merely last year's final numbers? Do they reflect one year's estimated growth? How do the estimates reflect the growth expected over the three years for which the PTO seeks approval?

This is another instance of the general failure of the PTO to disclose "objective support" or provide enough information for the Appeal ICR RFC to satisfy the requirements of 5 C.F.R. § 1320.8(d)(1), as discussed at § II.B at page 18. The PTO must start over with a new NPRM and a proper 5 C.F.R. § 1320.8(d)(1) request for comment.

⁴⁶ <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf> at page 30, examples of statements by SPE's and T.C. Director Jack Harvey attached as Attachments A and B.

⁴⁷ See Exhibit 4 footnote 63.

B. The Attorney Hourly Rate is Unsupported, and a Related PTO “Belief” is Simply Wrong

At 73 Fed.Reg. 32560 col. 2-3, the PTO states “The USPTO believes that associate attorneys will complete these briefs, petitions, and requests.” The PTO discloses **no basis whatsoever** for this “belief,” in violation of the Information Quality Guidelines⁴⁸ and requirements for “objective support” that we discuss in more detail at § II.A at page 16.

The Patent Office’s “belief” is counterfactual. By their very nature, appeals selectively arise out of more complex and more valuable patent applications. Therefore appeal papers are selectively prepared by more senior (and therefore higher-billing-rate) attorneys. Therefore, the hourly rate applied for Paperwork purposes should be somewhat higher than the average attorney rate reported by private sector surveys. Typically, under current law, an appeal brief is prepared almost entirely by a senior attorney, with only an hour or so by a paralegal for final filing.⁴⁹

The PTO’s hourly rate also appears to be several years out of date, especially for an ICR designed to cover the years 2009 - 2011. This flaw was noted in Dr. Belzer’s Paperwork letter (Exhibit 3) at page 10. The only “objectively supported” estimates, based on the most-current survey data available, are Dr. Belzer’s, \$366/hour for 2008, \$384/hr for 2009, and \$404 for 2010 for average patent attorneys. Using Belzer’s data, the last year covered under the ICR (2011) will see an average hourly rate of \$424. The PTO’s failure to rely on “objective” or “reproducible” data is not explained in the Appeal ICR RFC.

C. The PTO’s Estimates Are Biased Because they Fail to Reflect Applicants’ Adaptive Response to the Appeal Rule and Other New PTO Rules’ Regulatory Burden

In none of its proposed rulemakings has the PTO acknowledged, let alone provided good faith estimates for, non-paperwork regulatory burdens for the

⁴⁸ <http://www.uspto.gov/web/offices/ac/ido/ifoqualityguide.html>

⁴⁹ The new Appeal Rule adds many hours of burden to assemble and page-number the appendix, and to prepare a Table of Authorities, and these tasks are typically done by paralegal staff.

Continuations, Claims, IDS, Appeal, or Markush rule, such as loss of patent asset value, diversion of investment away from innovation, loss of patent term through later patent filing or abandonment of continuations or divisionals, and the like. Under OMB “ground rules,” the PTO must book all paperwork burdens as if this assumption were true: the PTO must assume that applicants’ adaptive responses will be sufficient to entirely avoid all non-paperwork regulatory burdens, using whatever avenues are available, without regard to paperwork costs.

It certainly appears that the PTO failed to account for burdens in an economically-sound manner: the “Estimated annual responses” appear to be simply the most-recent annual numbers with no accounting for organic growth or adaptive response.

D. The Request for Comment

The PTO’s Appeal ICR RFC estimates burdens for appeals are shown in Table 1 in items 1 through 9. As noted above in § II.B starting at page 18, the Appeal ICR RFC discloses no basis whatsoever for any of these estimates (except the downward biased estimate of attorney billing rate, which we discuss at § IV.B at page 35).

1. The PTO’s Hourly Rate is Wrong

Filling out certain forms such as a Notice of Appeal does require only paralegal time. However, the “total time, effort, or financial resources expended by persons to generate, maintain, retain, or disclose or provide information to or for a Federal agency,” including “searching data sources,” 5 C.F.R. § 1320.3(b)(1) and 1320.3(b)(1)(vii), discussed in § IV.E.1, is largely performed by an attorney. The hourly rate should reflect that. This applies to all items of the ICR and is therefore not repeated for each item below. See § IV.B at page 35.

E. Notice of Appeal

1. The “Hours Per Response” Number is Impermissibly Low

The “hours per response” for a “Notice of Appeal” is far too low, because the PTO breached 5 C.F.R. § 1320.8(d)(1) by failing to “consult with members of the public”

to sufficiently inform itself of actual public practice. The PTO has not asked the right questions, and has not asked knowledgeable sources, and therefore its answers are off by at least a factor of ten.

The PTO's estimate counts only the time spent filling out and mailing a form. The actual time spent preparing a Notice of Appeal is far larger. It typically involves reviewing information in the file, gathering information and records, analyzing them and balancing them against the client's economic position and facts in the marketplace, to evaluate whether appeal is the correct choice from among the available options. Typically, the attorney must consult with the client and obtain consent and budget authorization.

A better estimate is 3 hours per response. This is a re-estimate to correct PTO methodological oversights, not a program change.

#	Item	Est. time for response (hours)	Est. annual responses	Est. annual burden hours	Hourly Rate	Est. annual burden cost (X\$1,000)	Average filing fee per unit (\$)	Annual filing fee costs (X\$1,000)	
		A	B	C	D	E	F	G	
		calculation:		A x B		C x D		B x F	
PTO's estimates in the ICR RFC:									
1	Notice of Appeal	0.2	27,630	5,526	\$310	\$1,713			
2	Pre-Appeal Brief Request for Review	omitted							
3	Appeal Brief	30	23,145	694,350	\$310	\$215,249	\$457	\$10,578	
4	Request for Oral Hearing before BPAI	0.2	965	193	\$310	\$60			
5	Petition for Extension of Time for Filing Paper After Brief	15	2,298	34,470	\$310	\$10,686	400	\$919	
6	Petition to Increase page Limit	15	1,315	19,725	\$310	\$6,115	400	\$526	
7	Reply Brief	5	4,947	24,735	\$310	\$7,668			
8	Oral Hearing	omitted							
9	Request for Rehearing Before the BPAI	5	123	615	\$310	\$191			
	Totals (X\$1,000)					\$241,680		\$12,023	
	Grand Total (X\$1,000)							\$253,703	
10	ICR's 3rd year annual burdens:								
	Annual growth rate assumed	20%							
Status quo: 2004 Appeal Rules									
11	Notice of Appeal	3	57,294	171,881	\$424	\$72,877			
12	Pre-Appeal Brief Request for Review	10	14,308	143,078	\$424	\$60,665			
13	Appeal Brief	20	47,993	959,869	\$424	\$406,985	\$457	\$21,934	
14	Request for Oral Hearing before BPAI	0.2	2,001	400	\$424	\$170			
15	Petition for Extension of Time for Filing Paper After Brief	4	4,765	19,061	\$424	\$8,082	150	\$715	
16	Reply Brief	12	10,258	123,097	\$424	\$52,193			
17	Oral Hearing	12	2,001	24,012	\$424	\$10,181			
18	Request for Rehearing Before the BPAI	15	255	3,826	\$424	\$1,622			
	Totals (X\$1,000)					\$612,775		\$22,649	
	Grand Total (X\$1,000)							\$635,424	
2007-08 0651-AC12 Appeal Rule:									
19	Notice of Appeal	3	57,294	171,881	\$424	\$72,877			
20	Pre-Appeal Brief Request for Review	10	14,308	143,078	\$424	\$60,665			
21	Appeal Brief	31	47,993	1,487,798	\$424	\$630,826	\$457	\$21,934	
22	Request for Oral Hearing before BPAI	0.2	2,001	400	\$424	\$170			
23	Petition for Extension of Time for Filing Paper After Brief	15	4,765	71,477	\$424	\$30,306	400	\$1,906	
24	Petition to Increase page Limit	15	2,727	40,902	\$424	\$17,342	400	\$1,091	
25	Reply Brief	15	10,258	153,871	\$424	\$65,242			
26	Oral Hearing	12	2,001	24,012	\$424	\$10,181			
27	Request for Rehearing Before the BPAI	15	255	3,826	\$424	\$1,622			
	Totals (X\$1,000)					\$889,232		\$24,931	
	Grand Total (X\$1,000)							\$914,163	
	incremental burden of 0651-AC12 Appeal Rule (x\$1,000)							\$278,739	

Table 1 Paperwork burden estimates associated with Appeal Rules. See Exhibit 1 for sources and notes.

2. The “Estimated Annual Responses” Numbers Reflects The PTO’s Unacceptable Information Quality

No objective support for the PTO’s “Estimated annual responses” number is provided. The PTO’s estimate of 27,630 is somewhat suspect.

The PTO’s estimates are so erratic as to raise questions as to the PTO’s information quality. The PTO estimated 16,500 Notices of Appeal in the ICR it submitted to OMB in September 2007⁵⁰, and now estimates 27,630. What is the basis for **67% growth in nine months**? What assumptions did the PTO use? What would be the estimate under other likely assumptions, for example the different possible outcomes of the *Tafas v. Dudas* litigation?

The PTO should provide “objective support” for all its estimates, including all its assumptions.

F. Without Explanation, the ICR Omits “Pre-Appeal Brief Request for Review,” Even Though This Line Item was Included in Previous ICR’s

A line item for “Pre-Appeal Brief Request for Review” was included in ICR 200707-0651-005 (September 27, 2007)⁵¹. Inexplicably, this line item is omitted from this ICR RFC.

A Pre-Appeal Request for Review is a request by an applicant to invoke PTO’s internal procedure to correct the most glaring examiner errors and avoid the need for a more-elaborate appeal.⁵² Submitting a Pre-Appeal Request for Review requires writing a highly persuasive, yet detailed mini-brief, with the entire argument condensed to no more than five pages. Neither the applicant nor the applicant’s counsel may participate

⁵⁰ <http://www.reginfo.gov/public/do/DownloadDocument?documentID=44055&version=0> at page 20.

⁵¹ <http://www.reginfo.gov/public/do/DownloadDocument?documentID=44055&version=0>, Table 3 Row 44.

⁵² See New Pre-Appeal Brief Conference Program, 1296 Off. Gaz. Pat. Office 67 (July 12, 2005), and Extension of the Pilot Pre-Appeal Brief Conference Program, 1303 Off. Gaz. Pat. Office 21 (Feb. 7, 2006).

in any oral hearing during the pre-appeal review, thus the document must be entirely self-contained. Under these conditions, these documents require at least 2 hours per page to prepare, and more if the material that must be distilled is complex. The attorney must sort through all examiner rejections; identify which ones he believes were procedurally improper or substantively wrong; and narrowly focus on the issues that are both simple to state in a tight page limit and that, if won, result in allowance.

Dr. Belzer's Paperwork letter of January 2008 (Exhibit 3) estimated the burden at 10 hours, for 60,000 responses per year.⁵³ The PTO has not replied to this estimate in over six months, and apparently accepts it as accurate. Unless the PTO fully and fairly provides objective alternatives with disclosed assumptions and analysis, the PTO should book something over \$200 million of incremental burden.

G. The PTO's Estimates for Appeal Briefs are Materially Misleading Because of Failure to Identify the Effects of Program Changes and Other Concurrent PTO Rulemaking Activity

1. The "Hours Per Response" Estimate of the PTO Conceals the Effects of its Rulemaking by Failing to Provide Frank and Accurate Submissions to OMB

The PTO provided an estimate of 30 hours for the average time to prepare an appeal brief under the new appeal rules in the Appeal Final Rule Notice.⁵⁴

However, the PTO fails to inform OMB that under the old appeal rules, the burden was lower. One comment letter estimated a ten hour difference entirely due to program changes in the Appeal Final Rule Notice. Dr. Belzer's letter (Exhibit 3) at page 86, notes (ii)(a) and (ii)(b), explains the derivation of this 30 hour total, 10 hour incremental, estimate. Katznelson (Exhibit 2) at page 23 gives a line-item-by-line item inventory of incremental burden per response, and estimates the incremental burden of the Appeal Rule at 10.6 hours. Both of these estimates were developed after

⁵³ <http://www.reginfo.gov/public/do/DownloadDocument?documentID=57744&version=1> (January 17, 2008)

⁵⁴ We note that this number appears to have been taken from Dr. Belzer's letter (Exhibit 3) at page 86, as a correction to the PTO's earlier estimates that were far too low.

consultation with practicing patent attorneys, an objective, informed, and reproducible source of information, regarding per-claim and per-drawing burdens. However the average burdens in these comments were estimated based only on illustrative and unreliable statistical analysis of the numerical attributes of a few appeals. We cannot comment on the validity of the 30-hour burden until the PTO conducts its own statistically valid analysis and discloses it. Because the PTO accepts the 30-hour total estimate, at least 10 hours of incremental burden of the Appeal Rule appears to be a number that the PTO does not contest.

However, the PTO has apparently never provided OMB with any document that identifies this incremental burden to OMB. The PTO designated the Appeal Rule as “not significant,” 72 Fed.Reg. at 41484 col. 1, 73 Fed.Reg. at 32972, col. 3, and expressly declined to submit any ICR “Associated with Rulemaking” for the Appeal Rule. 72 Fed.Reg. at 41484, col. 1-2. The PTO deprived OMB of every opportunity to review the Appeal Rule.

The PTO’s own estimates now put the mere paperwork burden of the Appeal Rule at more than \$100 million per year, and as seen in Table 1, objectively supported estimates place the paperwork burden significantly higher. Non-paperwork regulatory burden estimates have never been disclosed by the PTO – if the PTO ever estimated them at all – but are almost surely in the hundreds of millions. The PTO’s continued designation of the Appeal Rule as “not significant” raises significant concerns for the truthfulness or analytical rigor of the PTO’s rulemaking personnel.

2. The PTO’s “Estimated Annual Responses” is Far Too Low Because it Ignores the PTO’s Own Internal Growth Projections

The PTO estimates 23,145 appeal briefs per year. The basis for this estimate is not disclosed although it appears to be FY 2007 data. This is a 25% increase over FY 2006 receipts of 18,500 appeal briefs (72 Fed.Reg. 41484, Col. 1.). In the September 2007 ICR 0651-0031-005⁵⁵, the PTO forecast 16,500 Notices of Appeal per year. In

⁵⁵ <http://www.reginfo.gov/public/do/DownloadDocument?documentID=44055&version=0> at page 20.

less than a year, the instant ICR RFC states this number to have increased to 27,630, 73 Fed.Reg. 32560, a **67% increase**. Clearly, the PTO expects and plans for a large annual increase in appeal activity.

Indeed, the PTO's stated rationale for the Appeal Rule ("increasing **number** of ex parte appeals," 72 Fed.Reg. 41472, first paragraph of preamble to NPRM; 73 Fed.Reg. 32938, first paragraph of preamble to Final Rule Notice) shows that the PTO had generated working projections for significant increases in the number of appeals. Even the PTO's own budget documents indicate that it projects substantial growth in the number of appeals.⁵⁶

Yet, none of these growth projections found their way into this Appeal ICR RFC as burden increases to the public or burden increases to the Federal Government (for which PTO expressly requested additional funds). The PTO must include in this ICR its true expectations for the number of responses in **each of the years** covered by this ICR, and disclose its objective support so that the public has a fair opportunity to "evaluate" as required by 5 C.F.R. § 1320.8(d)(1). Moreover, OMB must resist any potential PTO efforts to limit this ICR to a period of less than the three years prescribed

⁵⁶ The PTO has its own internal projections of substantial increases in the number of appeals, and burdens on both the public and on the government expenditures, yet those internal projections are not included in this Paperwork estimate. USPTO, 2007 Budget at <http://www.uspto.gov/web/offices/ac/comp/budg/fy07pbr.pdf> at page 32 ("[D]uring fiscal year 2007, the Board of Patent Appeals and Interferences (BPAI) anticipates it will begin to receive an increased level of appeals... [T]he office anticipates BPAI's appeal workload to increase by approximately one-third.")

Belzer's paperwork letter (Exhibit 3) at page 86, note (iii)(a) and (iii)(b) explains that program changes likely induce **incremental** 40,000 responses per year:

(iii) Number of responses:

- (a) Under the final Continuations Rule, appeal is the most attractive option in the absence of additional continuations available by right.
- (b) ... 60,000 of the RCE's prevented by the Continuations Rule [75% of the displacement, Belzer page 15] will convert to Pre-Appeals. In 1/3 of Pre-Appeals, the examiner will concede error and drop the rejection, leaving 2/3 (40,000) to mature into Appeal Briefs. ...

Belzer's estimates the number of responses total is 34,000 to 56,000 for FY 2008 increasing to 44,000 to 77,000 in FY 2010, as the effects of all rule changes phase in.

by 5 C.F.R. § 1320. PTO's reluctance to adequately book year-over-year burden growth for the next three years suggests that the PTO is aware of the rapid increase in burden of its various rulemakings, and is trying to conceal them from OMB. OMB should require PTO to fairly estimate the burdens of the PTO's policy initiatives over the next three years.

Because the PTO failed to provide any "objective support" for its estimates, no diagnosis of the PTO's analytical error is possible.

H. Reply Brief

1. The Hours Per Response Lacks Objective Support and Appears Far Too Low

The PTO offers no objective support for its estimate of five hours for a Reply Brief. Because of the way the PTO structures its compensation structures and oversight lines of authority, examiners effectively have no obligation to comply with the PTO's significant guidance document during regular examination. Thus, an Appeal Brief must often be framed as a set of questions to "smoke out" the examiner's views on dispositive issues. The Examiner's Answer is often the first time that the PTO fully discloses its position, and the Reply Brief is often at least as large as the initial Appeal Brief. We believe that the estimate of 15 hours is conservative, and likely understates existing burden. The PTO has a rich database from which it could establish the average length and scope of reply briefs, the number of claims and the number of prior art references they address, but it concealed all its data. Until the PTO makes its data available, it is impossible to estimate the related average burden.

2. The PTO's Hourly Rate Estimate is Wrong

The PTO's hourly rate assumption is wrong, as discussed in § IV.B at page 35.

3. The "Estimated Annual Responses" is Too Low Because it Ignores Other Agency Rules

The PTO estimates 4,947 Reply Briefs. No objective support for this number is provided, and it appears that this is only a fraction of the number of actual Reply Briefs the PTO itself expects. The entire rationale for the Appeal Rule is that the number of

appeals is rapidly increasing. How much? What are the causes, and what alternatives are there to address these causes to address them at lower burden? The PTO provides no estimate for this effect, and no objective support for the number in the Appeal ICR RFC, so no diagnosis of the PTO's error is possible.

I. Petitions for Extensions of Time for Filing Paper After Brief, and to Increase Page Limit

1. The PTO's Estimates of "Burden Hours Per Response" Are Confessions that The Two Relevant Rules are Impermissibly Far More Burdensome Than the Minimum Necessary

These two line items reflect a fundamental change in PTO policy, from a lessening of burdens that the PTO instituted in 1997. Under current law, patent applicants have procedural options either as of right, or by simple payment of a fee. The PTO now proposes to condition these two options on grant of a petition that, the PTO estimates, will take two full work days to prepare.

Under current law, there is no page limit for a brief – the patent attorney exercises good judgment, and keeps the brief as tight as it can be. Because of the relationship of agency adjudications to court review, agency briefs are typically longer than court briefs, because courts almost always decide a case in several stages, and individual issues are briefed and decided separately, where agencies (at least the Patent Office in ex parte appeals) decides all issues in a case at one time.

Under current law, extensions of time are obtained by filing a purely formal petition (which the PTO estimates at 12 minutes) with a fee. The Petition for extension of Time is added in the Appeal Rule. The policy that is now revived, that there will be no extensions of time for filing certain briefs without a showing of exceptionally good cause, was the rule for some years, until the PTO in 1997 realized that this policy imposed burdens on parties for no good reason. In 1997, the PTO adopted the current rule, which permits parties to obtain extensions of time essentially by paying a fee, with no showing.

The analogous motions in federal district court almost never take more than an hour or two: a party requiring an extension of time or enlargement of page limit has a

two-minute telephone call to opposing counsel, then prepares a two-page memorandum giving some non-frivolous explanation for why the motion should be granted, and files electronically. The reason these motions are so unburdensome is that courts routinely grant these motions, so long as counsel are reasonable.

The PTO's estimates of 15 hours for each of these are essentially *per se* confessions that the PTO intends to make these petitions excessively burdensome.

The estimates of 15 hours appear to be confessions by the PTO that it intends to grant very few of these petitions, and will impose very high thresholds that require very careful briefing if they are to be granted.

2. The PTO's Estimates fro Numbers of Responses are Unsupported

The PTO gave no rationale whatsoever for its estimates of 2,298 and 1,314 petitions. We cannot comment on the accuracy of the PTO's estimates, only the methodological inadequacy.

J. Oral Hearing

The PTO included no estimate whatsoever for oral hearings. The Appeal ICR RFC is incomplete.

The PTO was on notice that this was an essential element of the total paperwork burden of appeals (Belzer paperwork letter (Exhibit 3) at page 85) – the PTO's failure to include this in its estimate is not explained.

The PTO is required to “consult with the public” to obtain reliable information and publish a new estimate that can be “evaluated.” 5 C.F.R. § 1320.8(d)(1).

K. Request for Rehearing

The estimate of 5 hours for a “Request for Rehearing” is not credible. A request for rehearing is a substantial brief. The PTO is required to “consult with the public” to obtain reliable information and publish a reliable estimate that can be “evaluated.” 5 C.F.R. § 1320.8(d)(1).

V. The PTO Should Not Evade Review of the Appeal Rule under Executive Order 12,866 and the Paperwork Reduction Act

One familiar with the PTO's rulemaking activities and submissions to Office of Management and Budget over the last 2 ½ years could easily conclude that the proposal to separate appeals from ICR 0651-0031, "Patent Processing," is an attempt to subvert oversight by the Office of Information and Regulatory Affairs.⁵⁷

This proposal to separate appeals out from 0651-0031 conceals burdens from OMB. In the Notices of Proposed and Final Rulemaking and its budget documents, the PTO stated that the **dominant** driver for the Appeal Rule is the increasing **number** of appeals that were expected to arise **because of the Continuations and Claims rules**⁵⁶, which can only be true if the PTO's appeal to the Court of Appeals for the Federal Circuit is successful, and those rules **will** go into effect. Now, in this Paperwork ICR, the PTO gives "responses per year" numbers that assume that the Continuations and Claims rules **will not** go into effect. These cannot both be true, and thus the PTO's burden estimates cannot possibly be accurate.

Separating the Appeal Rule into its own ICR hides from OIRA the synergistic paperwork compounding that will be caused by the interactions between the various PTO rules, or else conceals from OIRA the fact that the Appeal Rule is either unnecessary, or needed only to correct the PTO's failures to consider economic effects of its other rulemaking processes. If this was not the intent, skewing the books is the effect. Honest books can only be kept if OIRA requires that appeals be kept in 0651-0031, so that the PTO will be forced to accurately account for the paperwork interactions between the rules, and accurately describe to OIRA the "specific market failure ... or other specific problem"⁵⁸ underlying each rule.

⁵⁷ The PTO used a very similar trick, separating 0651-AB93, the "Claims" Rule, from 0651-AB94, the "Continuations" Rule, in order to get the total estimated economic impact below the \$100 million threshold for an "economically significant" rule, and avoid preparing a Regulatory Impact Analysis. Once these two rules were past the E.O. 12,866 stage, the PTO combined them and promulgated them as a single final rule.

⁵⁸ Executive Order 12,866 (as amended) § 1(b)(1).

VI. The Final Rule Notice Violates a Number of Administrative Law Principles

These violations of law are discussed in Exhibit 4.

VII. Conclusion

The Patent Office has once again demonstrated the point made in a number of the public comment letters on the Continuations, Claims, Appeal and Markush rules: the dominant factors in the PTO's inefficiency and backlog is careless work by PTO employees, the PTO's pervasive neglect of procedural law, avoidance of case-dispositive issues by diverting its own attention onto strawmen that do not relate to any material issue, and willingness to rely on personal intuitions and "beliefs" unsupported by substantial evidence. The PTO should put its own house in order before imposing regulatory burdens on the public.

The available data, impressions of practitioners, and confessions of various PTO supervisory personnel suggest that the vast bulk of the Board's workload arises from those pervasive defects on the examining side of the Office, and the PTO's Continuations and Claims rules. The PTO has never denied or even investigated these impressions, even though required to do so when the PTO's own statistics were cited in public comments. If the Office will not observe the President's Good Guidance Practices directive to impose procedural regularity on examination, and will not observe the regulatory philosophy of Executive Order 12,866, and will not follow Administrative Procedure Act standards for rulemaking, then OMB should not approve this ICR, and should instead send the Appeal Rule back to PTO, with a requirement for a Regulatory

Impact Analysis under Circular A-4, and a procedurally-proper Notice of Proposed Rulemaking, with a timely and complete paperwork submission, and accurate and complete replies to public comments.

Sincerely,

/s/ David E. Boundy

Vice President, Assistant General Counsel
Intellectual Property
Cantor Fitzgerald L.P.
499 Park Ave.
New York, NY 10022
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(917) 677-8511 (FAX)

Exhibit 1

Sources for Paperwork Burden Estimates of Table 1.

The hourly rate of \$424 is that projected for the 3rd ICR year (2011) based on the 5% annual increase and billing rate data compiled by Belzer (Exhibit 3, at page 10). . Except where specifically noted, all items have values based on the PTO data in Items 1-9.

Item No.	Sources and Notes
10	B. Annual growth rate assumed is 20%. This illustrative rate is taken as an intermediate value between the 17% historical appeal growth rate reported by Katznelson (Exhibit 2 at page 15) and more recent growth rate of 25% reported by the PTO and cited in Section IV.G.2 at page 41. The number of responses per year is projected based on FY 2007 data. Because the 3 rd year covered by the ICR is FY 2011 (4 years later), except where noted otherwise, all projected responses are scaled up by a factor of $(1.2)^4$ from their corresponding values provided by PTO in Items 1-9.
<u>Based on current Appeal Rules:</u>	
11	A. Notice of Appeal hourly burden of 3 hours is assumed, as explained in Section IV.E.1 at page 36.
12	A. Pre-Appeal Brief Request for Review average burden of 10 hours is assumed based on Belzer's letter (Exhibit 3), as explained in Section IV.F at page 39. B. The number of projected responses is $(1.2)^4$ times the 6,900 Pre-Appeal Conference requests received in FY 2006 by the PTO as reported in imbedded chart of the presentation by John Love, <i>Present and Future Perspectives of the USPTO</i> , San Diego Intellectual Property Law Association, (June 6, 2007), available at http://sdipla.org/resources/SanDiego071.ppt .
13	A. Appeal Brief hourly burden of 20 hours is detailed in Section IV.G.1 at page 40.
14	A. Request for Oral Hearing before BPAI with burden as in PTO Item 4 A.
15	A. Petition for Extension of Time for Filing Paper After Brief with burden as in PTO Item 5 A.
16	A. Reply Briefs burden of 12 hours is 3 hours less than that under the new Appeal Rules, as explained in IV.H.1. See also Item 25 A below.
17	A. Oral Hearing preparation burden of 12 hours is a blend of preparation time and travel discussed in Belzer's letter (Exhibit 3), as referenced in Section IV.J.
18	Requests for Rehearing Before the BPAI with a 5-hour burden from the PTO estimate in Item 9 A. But see Section IV.K indicating this to be too low.
<u>Based on new Appeal Rules:</u>	
19	Notice of Appeal. Same as item 11.
20	Pre-Appeal Brief Request for Review. Same as Item 12.
21	A. Appeal Brief includes incremental burden over the 20 hour in Item 13 A as explained in Section IV.G.1 at page 40. The increment is estimated by Katznelson (Exhibit 2) in Table 4 at page 23..
22	Request for Oral Hearing before BPAI. Same as Item 14.
23	Petition for Extension of Time for Filing Paper After Brief. Increase from Item 15 due to added complexity
24	A. Petition to Increase page Limit with 15-hour burden from the PTO estimate in Item 6 A.
25	A. Reply Briefs burden as in Item 16 A with an increment of 3 hours, as estimated by Katznelson (Exhibit 2) in Table 5 at page 24.
26	Oral Hearing. Same as Item 17.
27	Requests for Rehearing Before the BPAI. Same as Item 18.

Exhibit 2

Dr. Ron Katznelson, letter of October 15, 2007 to BPAI.Rules, and Robert Clarke of PTO, regarding paperwork implications of the Appeal Rule, from <http://www.reginfo.gov/public/do/DownloadDocument?documentID=51959&version=1>

By Email:

To: BPAIRules@uspto.gov, Fred.McKelvey@uspto.gov, Allen.MacDonald@uspto.gov,
Robert.Clarke@uspto.gov

Ex parte Appeal Rules

October 15, 2007

RE: RIN: [0651-AC12](#)

TITLE: *Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals*. (“Appeal Rules”)

Dear Sirs:

I am an inventor and an entrepreneur who has used the US patent system for a quarter of a century. I am writing to express my deep concerns about the proposed Appeal Rules standing alone, and also as being part of a more comprehensive rules package that will have an unprecedented adverse effect on inventors’ ability to prosecute and obtain patent claims for their inventions. The rules were published in a Notices of Proposed Rulemaking for public comment on July 30, 2007¹, (the “Appeal NPRM”). My comments are timely, as shown in Appendix A.

In the following sections, I show why the proposed USPTO rules are economically significant under Executive Order 12,866 and why the USPTO failed to adhere to rulemaking procedural requirements. I also show the inextricable link between the proposed Appeal Rules and the continuation rules as recently adopted² by the USPTO (“Continuation Rules”). I explain why both must be considered together as a package. Whether intended or accidental, the effect of several aspects of the rulemaking process has been to deprive the public and the Office of Information and Regulatory Affairs (“OIRA”) in the Office of Management and Budget of a meaningful or fair opportunity to comment on or evaluate the full implications of the Continuation Rules. Because the interactions between these USPTO’s rulemakings were not made visible to the public or to OIRA until after proceedings on the Continuation Rules were completed, the economic rationale and compliance of that latter rulemaking with E.O. 12,866 are now suspect as well.

¹ USPTO, *Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals*, [72 Fed. Reg. 41472](#), (July 30, 2007).

² USPTO, *Changes to Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications*, Final rule, [72 Fed. Reg. 46716](#), (Aug 21, 2007).

1 HISTORY OF APPEALS WORKLOAD AND THE RULEMAKING

For a number of years, the USPTO has conveyed the message that *Ex parte* appeal to the Board of Patent Appeals and Interferences (“BPAI”) is one of the bright spots in the agency, where everything is working, backlogs are decreasing, and efficiencies are increasing at a rate sufficient to meet any additional load. Importantly, the USPTO has represented to the public that the appeals process has such flexibility and procedural power to cure all errors by all examiners that no petitions will be entertained to provide oversight of examiners’ discretionary or procedural decisions in the examination of claims.³ USPTOs’ bright picture on the appeal front is shown in Figure 1 through Figure 3.

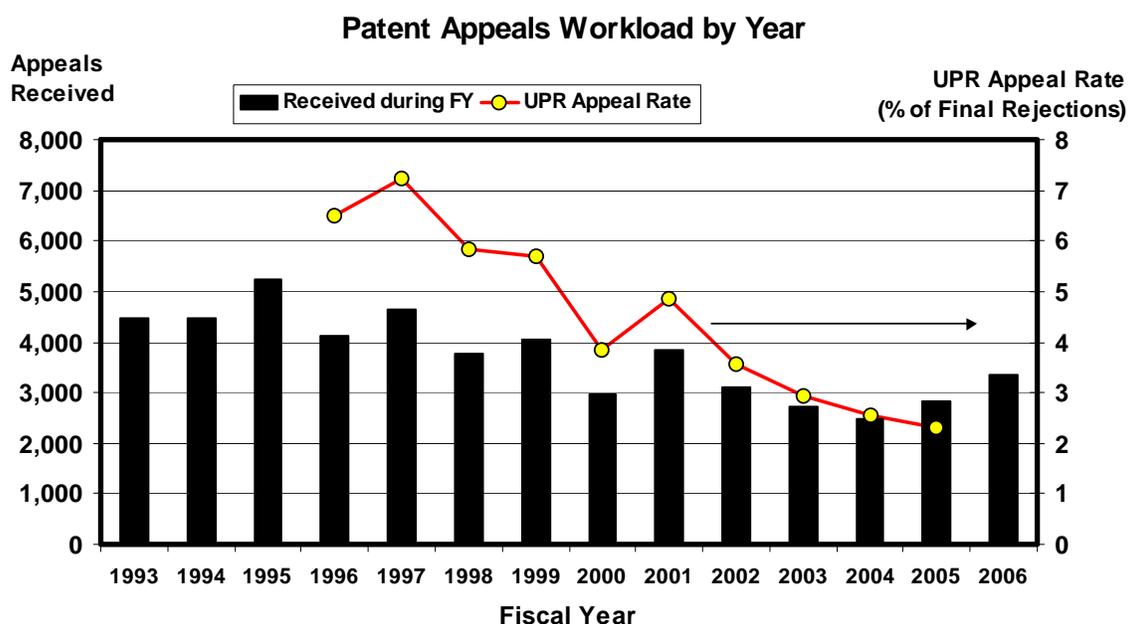


Figure 1. USPTO Board of Patent Appeals and Interference appeal workload by fiscal year. Received appeal rates were obtained by dividing the number of appeals received in the fiscal year by the number of final rejections issued in that year. *Source:* USPTO data as reported in Appendix B.

Figure 1 shows USPTO’s annual report that the raw workload of appeals submitted for the BPAI’s review has been trending down in absolute terms for most of the last 14 years and that even a sharper decline was experienced relative to the number of examiners’ final rejections.

Figure 2 shows USPTO’s self-reported success at bringing down the backlog before the BPAI, from a high backlog of over 9200 cases in 1997 to a low of less than 1/10th of that as of October 1, 2005, with only a slight increase since then:

Things were so rosy for the BPAI that senior USPTO officials proudly showed the remarkable success in reducing appeal backlog and pendencies in their presentations on the proposed Continuation Rules, as a primary rationale for suggesting that applicants should use the appeal process rather than file requests for continued examinations. See Figure 3.

³ See MPEP §1201.

Patent Appeals Dispositions and Backlog by Year

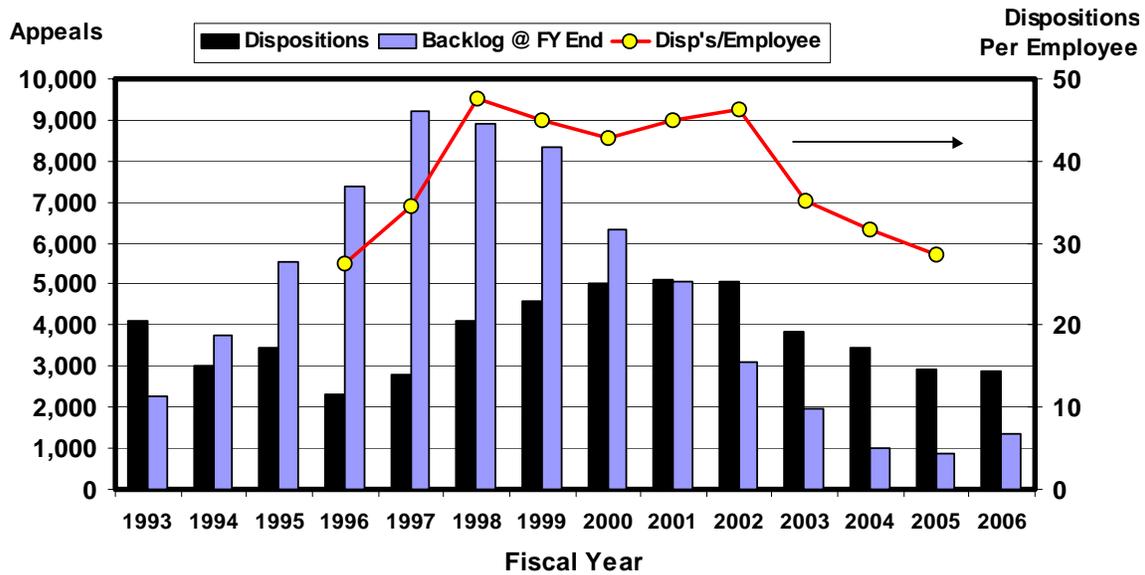


Figure 2. USPTO Board of Patent Appeals dispositions and backlog by fiscal year. Note that despite historic increases in received appeals, the Board was able to process more appeals and reduce its backlog. The number of appeal dispositions in a fiscal year was obtained by adding the appeal backlog at the beginning of the year to the number of appeals received that year and subtracting the appeal backlog at end of the year. Dispositions per employee in a fiscal year were obtained by dividing the number of appeal dispositions in that year by the total employee count of the BPAI as reported for that year by the Trilateral Patent Office Statistical Reports. See Appendix B for detail. *Source:* USPTO data as reported in Appendix B.

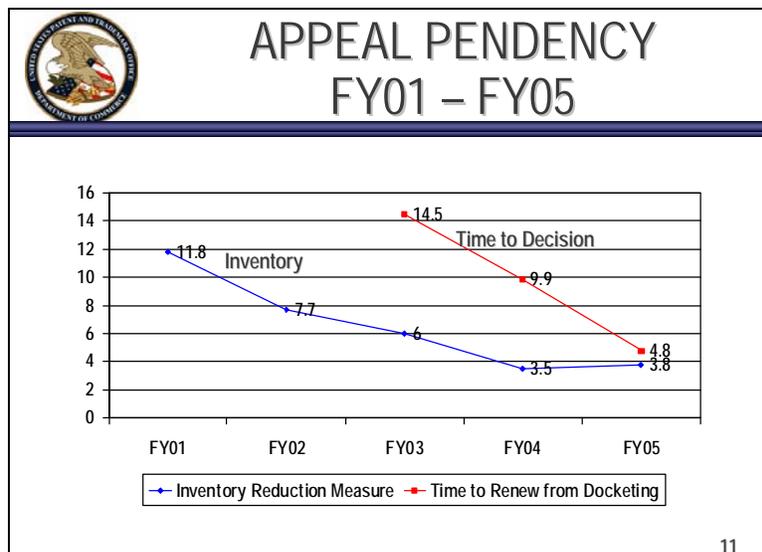


Figure 3. Senior USPTO officials proudly showed the remarkable success in reducing appeal backlog and pendencies in their presentations on the proposed continuation rules, suggesting that applicants should use the appeal process rather than file requests for continued examinations. *Source:* USPTO slide presentations⁴.

⁴ Slide presentation by Robert Spar regarding Continuation Practice and Claims Practice, (March 29, 2006). Available at <http://www.uspto.gov/web/offices/pac/dapp/opla/presentation/connipla032906.ppt>.

USPTO described several reasons for these very promising declines. For example, USPTO instituted several intermediate steps in the appeal process, including appeal conference program⁵ and adopting a pre-brief appeal conference program⁶ and stated that these were an essential part of USPTO's improvement. Another important reason is the actual decline in the *appeal rate* as measured by the ratio between the number of appeals to the BPAI in a fiscal year and the number of examiners' final rejection actions in that fiscal year (see the appeal rate plot for Utility, Plant and Reissue ("UPR") applications in Figure 1). Therefore, the available record to date shows that the underlying factors affecting demand for appeals are in check and have been moving in the right direction and that measures already adopted by the USPTO have been effective.

The plan to promulgate the Appeal Rules was first presented in the Department of Commerce's Unified Agenda on April 30, 2007, with a rather vague indication as to the reasons for changing the patent appeal process. Note that the only problem identified was a *current* "appeal backlog and pendency":

The USPTO is revising the rules of practice with respect to ex parte appeals before the Board of Patent Appeals and Interferences. For example: (1) the requirements for filing an appeal brief are changed to *reorganize* the manner in which the appeal brief and reply brief are presented, (2) lengths of briefs would be established to *shorten briefs*, (3) times for taking action in an appeal would be *reduced*, and (4) authority to decide requests for extensions of time to file certain documents would be assigned to the Chief Administrative Patent Judge obtained by petition. The change is not related to the USPTO's Strategic Plan. The change is *expected to have some positive impact on the USPTO's appeal backlog and pendency*.⁷ (Emphasis added).

There is no suggestion here of any future problem to be addressed, or any suggestion of any interaction with the Continuation Rules. Further, the regulatory plan designated this rulemaking "not significant," and therefore OIRA in the Office of Management and Budget was not alerted to the existence of these Appeal Rules, or the interaction that these Appeal Rules would have with the Continuations Rules that were then-pending for OIRA Review, or that USPTO was proposing to curtail the precise appeal rights on which the Continuation Rules were relied for support.

The April 30th notice indicated that the Appeal NPRM was to be published sometime in May 2007 with final action taken in July 2007. However, no further details were given. The Appeal NPRM was *not published* in May, as initially planned. Publication was delayed until July 30th, 2007 – after OMB's review of the Continuation Rules concluded earlier in July.

The Appeal NPRM as published July 30, 2007 lacks any causal explanation of any current "workload problem" that the Appeal Rule purports to address. The only discussion of any "specific problem that [the agency] intends to address" is a brief mention of a future fear based on recent upward fluctuation of incoming appeals. No rationale or explanation for the future fear is identified, let alone any supporting data or the models used to justify the future fear, or any reason to believe that a decade of positive trend is about to materially change course:

⁵ See MPEP §1208 (8th ed. 2001) (Rev. 3, August 2005).

⁶ See New Pre-Appeal Brief Conference Program, **1296** *Off. Gaz. Pat. Office* 67 (July 12, 2005).

⁷ Unified Agenda of the Department of Commerce, *Changes To Rules Of Practice Before The Board Of Appeals And Interferences In Ex Parte Appeals*. [72 Fed. Reg. 22423](#), col. 2, (April 30, 2007).

“The Board is currently experiencing a large increase in the number of ex parte appeals. In FY 2006, the Board received 3,349 ex parte appeals. In FY 2007, the Board *expects* to receive more than 4,000 ex parte appeals. In FY 2008, the Board *expects* to receive over 5,000 ex parte appeals. These rules are proposed to change procedures in such a way as *to allow the Board to continue to resolve ex parte appeals in a timely manner*”.⁸ (Emphasis added).

The Appeal NPRM addressed solely backlog problems that USPTO *expects* will exist *in the future*. The NPRM disclosed no explanation or justification for this estimate, let alone any data or analytical basis for these expectations, or what factors and assumptions were used to model and derive future growth of appeals at the BPAI. There is no discussion of how “existing regulations (or other law) have created, or contributed to, the problem” as required by E.O. 12,866.

The USPTO Annual Report for FY 2006, published in late December, 2006 painted a totally different picture of the patent appeal process:

“The BPAI had a very successful FY 2006. The average pendency for decided patent appeals *continued to be less than six months*. Similarly, the average pendency for interferences remained below 12 months. Furthermore, the final decisions in over 90 percent of all interferences were mailed within 24 months. During the course of the year, the BPAI was restructured to streamline the internal processing of both patent appeals and interferences. The Board also opened its oral hearings to the public for the first time. Additionally, the Board’s e-government initiatives continued to progress. Patent appeals are now entirely processed electronically.”⁹ (Emphasis added).

Moreover, well after the Unified Agenda notice this spring, and weeks *after* the publication of the Appeal NPRM on July 30, 2007, the USPTO *continued* to bolster the excellent status of the BPAI patent appeal backlog and pendency by stating the following:

The Office also appreciates that applicants sometimes use continued examination practice to obtain further examination rather than file an appeal to avoid the delays that historically have been associated with the appeal process. The Office, however, *has* taken major steps *to eliminate such delays*. First, the Board of Patent Appeals and Interferences (BPAI) *has radically reduced the inventory of pending appeals and appeal pendency* during the last five fiscal years. Second, the Office has adopted an appeal conference program ... [and t]hird, the Office has also adopted a preappeal brief conference program These changes provide for *a relatively expeditious review of rejections in an application under appeal*. Thus, for an applicant faced with a rejection that he or she feels is improper, the appeal process offers *a more effective* resolution than seeking continued examination before the examiner.¹⁰ (Emphasis added).

This August 21, 2007 statement indicated that the USPTO *has already* taken major steps to reduce delays and radically reduced backlog. Neither the August 21 Continuation Rules notice or the July 30 Appeals NPRM refer directly to the other, let alone explain the apparent contradictions in reason. This is remarkable because this writer recalls no other instance in the last 25 years, where an agency proposed to adopt regulations having a stated reason that is directly contradicted in its own publications a few months prior and even three weeks later.

⁸ Appeal NPRM at 41472, col. 2.

⁹ United States Patent and Trademark Office, *Performance and accountability report: fiscal year 2006*, Available at <http://www.uspto.gov/web/offices/com/annual/2006/2006annualreport.pdf>, at 23.

¹⁰ USPTO, Final Continuation Rules, note 2 at 46720, col. 2&3, (Aug 21, 2007).

2 THE STATED REASONS FOR THE PROPOSED APPEAL RULES ARE NOT CONSISTENT WITH EXECUTIVE ORDER 12,866, OR WITH OTHER CONTEMPORANEOUS USPTO STATEMENTS IN THE PUBLIC RECORD

Executive Order 12,866¹¹ (the “EO”), Section 1, requires agencies to promulgate only regulations “made necessary by compelling public need.” The agency must identify in writing the “specific problem that it intends to address”. Most relevant to this Appeal Rules, §1(b)(2) of the EO requires that “Each agency shall examine whether existing regulations (or other law) have created, or contributed to, the problem that a new regulation is intended to correct and whether those regulations (or other law) should be modified to achieve the intended goal of regulation more effectively.” Only after an agency has determined that regulation “is the best available method of achieving the regulatory objective” may it regulate at all, and then “it shall design its regulations in the most cost-effective manner to achieve the regulatory objective.” I am very concerned that USPTO has failed all.

2.1 In proposing the Appeal Rules, the USPTO failed to adequately describe the problem it is attempting to solve and failed to show how the specific rules will achieve their stated objective.

The available data of patent appeals at the USPTO is inconsistent with the stated reasons for making the Appeal Rules, as both backlog and pendency have recently reached record lows. As USPTO’s own data in figures Figure 1 through Figure 3 show, the proposed Appeal Rules lack nexus in the record of the BPAI appeal workload. Both appeal backlog and the number of appeals received by the BPAI had fluctuated with magnitudes far more significant than the modest increases recently seen in FY ’05-’06. Moreover, the largest annual number of appeals that the Appeal NPRM projects for the future is 5,000. But according to Figure 2, the BPAI has already demonstrated ability to dispose of more than that number annually with a *significantly smaller employee force* than it has today. Thus, by merely stating these projected increases as a basis for changing the rules, the USPTO presumes that one should take leave of one’s realistic perspectives of the small relative magnitude of these changes compared to historical fluctuations in appeal demand and backlog. Because, if one accepts as probable the higher number of appeals that the USPTO expects the BPAI to receive in FY 2007 and FY 2008, the projected absolute numbers of appeals per year are no larger than those experienced in the 1990’s. This, even though the number of applications filed per year from which appeals can materialize will have more than doubled since the 1990’s. The USPTO has failed to explain what it would consider a natural growth for appeals in view of the growing base from which they arise. If the growth in appeals to the BPAI is no more than proportional to the growth in the number of patent applications (or final rejections), the USPTO must explain why the rule changes are necessary and why appropriate assignment of BPAI resources as required to meet increased user demand (accompanied with increased paid-in fees) would not suffice.¹²

¹¹ [Executive Order 12866](#), *Regulatory Planning and Review*, of September 30, 1993, as amended by E.O. 13258 of February 26, 2002 and E.O. 13422 of January 18, 2007.

¹² The USPTO’s burden in answering this question prior to adopting its rules is particularly elevated in view of the unique workload related record shown in Figure 2, indicating that the BPAI appeal productivity per employee has *declined* by 40% for some unexplained reason and in view of the additional fact that the USPTO had already acted to expand even further its BPAI resources through its budget requests, specifically earmarking increases in BPAI

Assuming the proposed rules are adopted, it is doubtful that they will have an impact on appeal pendency or workload. For example, the NPRM neglected to characterize the length of Appeal and Reply Briefs now filed by appellants but its proposal to limit Appeal Briefs to 25 pages and Reply Briefs to 15 pages is touted as a means of reducing the BPAI workload. However, the NPRM failed to discuss the frequency or amount with which these limits are exceeded, thereby failing to establish that the aggregate workload savings are of any significance. Yet it would impose severe hardships and inequities on applicants who need the additional appeal breadth to adequately present their case. As Figure 4 shows, the flow of appeals to the BPAI is a result of an intricate procedure at the USPTO and the Appeal NPRM does nothing to explain how the proposed rules will affect all its components. For example, no consideration is given in the NPRM to the fact that the restrictive burdensome rules would apply to a volume of applicants' briefs that is *more than a factor of five larger* than that actually reaching the Appeal Board. (Compare the sum of Appeal Briefs and Reply Brief, about 15,400, to the 2,834 Appeals entering the BPAI in Figure 4).

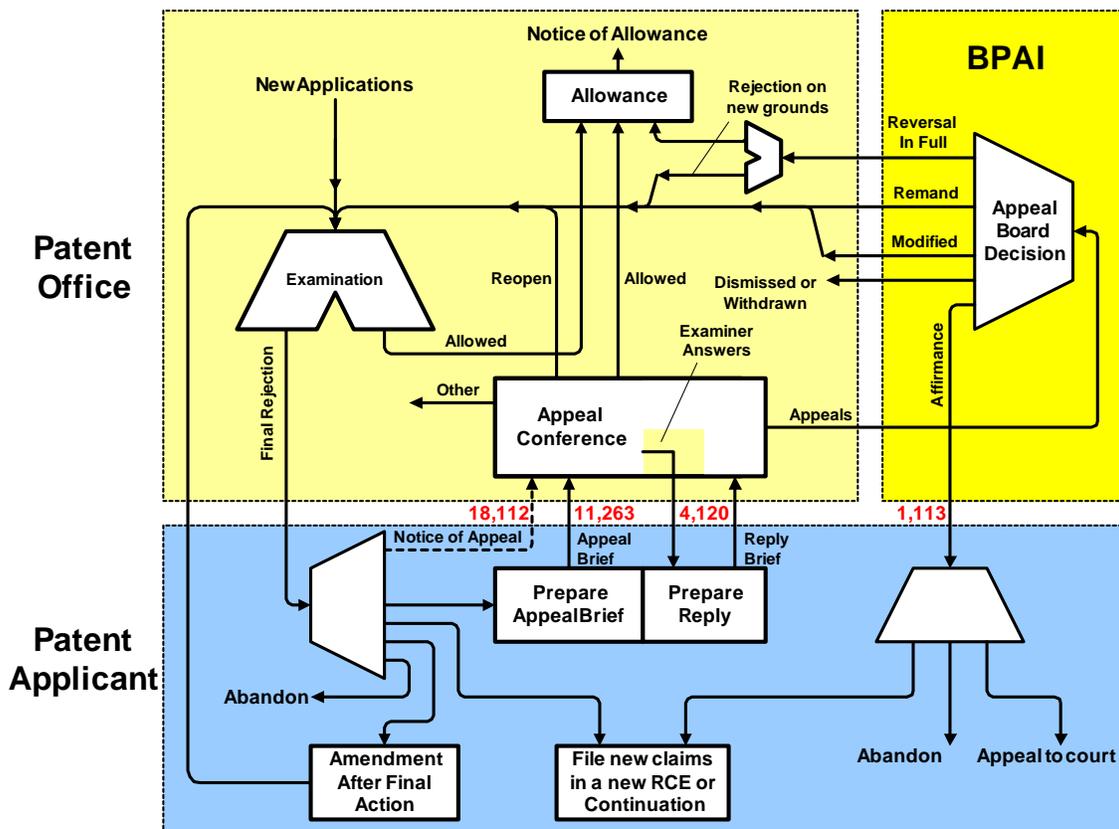


Figure 4. Ex Parte Appeal Process flow at the USPTO. The unit flow numbers in red indicate the number of cases in each flow category during FY 2005 and are not necessarily the same cases, due to accumulation and delays. The cases that the BPAI affirmed-in-part or reversed-in-part are aggregated under the unit flow labeled “Modified”. Source: USPTO data described in Appendix B and USPTO answer to FOIA Request, note 40.

In order to reduce the number of Appeal Briefs, the USPTO must also improve the examination process. Pre-Appeal Brief Reviews and Appeal Conferences find examiner error (either return

staff to handle workload increases. (See Section 2.2 and footnote 32 below for discussions on these requests).

for reopened examination, or for allowance) considerably more often than it finds the minimal merit in the examiner's position to warrant allowing the appeal to go forward. (See Figure 4). The NPRM is silent as to whether it seeks to improve the initial examination process or Appeal Conferences in Figure 4 and what impact its proposed rules will have on that process. USPTO must provide cost-benefits analysis of its proposed rules' impact on elements shown in Figure 4, which affect the flow of appeals to the BPAI. It should also provide estimates of efficiencies it expects to obtain including those at the BPAI, which would justify the costs to applicants, as shown in Section 3.

These rules rest merely on USPTO's unsupported *forecast of future* workload. No support for this forecast is provided – for all the record reveals, this forecast is either the raving of a “chicken little,” or deliberate data hiding by the agency. Neither of these is a legally permissible basis for rulemaking. A reviewing court will not be permitted to assume agency rationality where the agency failed to make a record of rational decision making during notice-and-comment.¹³ Promulgating these rules in reliance on internal undisclosed USPTO predictive models for future appeal workload denies the public an opportunity to challenge the assumptions and the models' details during the comment period¹⁴, and is therefore illegal under the Administrative Procedure Act¹⁵, the Information Quality Act¹⁶, and OMB's¹⁷ and USPTO's information quality guidelines¹⁸. I assume that this is a mere oversight, and that the BPAI, being “persons of competent legal knowledge” would wish to fully comply with the law. The entire rule package, along with all supporting data and models should be republished for meaningful notice and comment.

The most striking aspect of the historical record of appeals is that these Appeal Rules are proposed at a time when even the most aggressive realistic projections for appeal numbers would place the backlog at several factors below that experienced at the USPTO in the latter half of the 1990s. Yet, throughout that time, the USPTO had opportunities to amend its patent appeal rules, to address the “workload problem”. When the USPTO last proposed to overhaul its appeal rules in 2003¹⁹, it had an appeal backlog that significantly exceeded recent levels. Subsequently, it had “significantly overhauled its operations to *address concerns about the duration of*

¹³ *Connecticut Light and Power Co. v. Nuclear Regulatory Comm'n*, 673 F.2d 525, 530-31 (D.C. Cir. 1982) (“In order to allow for useful criticism, it is especially important for the agency to identify and make available technical studies and data that it has employed in reaching the decisions to propose particular rules. To allow an agency to play hunt the peanut with technical information, hiding or disguising the information that it employs, is to condone a practice in which the agency treats what should be a genuine interchange as mere bureaucratic sport. An agency commits serious procedural error when it fails to reveal portions of the technical basis for a proposed rule in time to allow for meaningful commentary.”); *American Medical Ass'n v. United States*, 887 F.2d 760, 767 (7th Cir. 1989) (“It is not consonant with the purpose of rule-making proceeding to promulgate rules on the basis of inadequate data or data that in critical degree, is known only to the agency.”)

¹⁴ *Eagle-Picher Industries, Inc. v. U.S. E.P.A.* 759 F.2d 905, 921, C.A.D.C.,1985. (“An agency may utilize a predictive model so long as it explains the assumptions and methodology used in preparing the model; if the model is challenged, agency must provide a full analytical defense”).

¹⁵ 5 U.S.C. § 500 et seq.

¹⁶ Pub. L. 106-554, Section 515.

¹⁷ Office of Management and Budget, “Guidelines for Ensuring and Maximizing the Quality, Objectivity, Utility, and Integrity of Information Disseminated by Federal Agencies; Notice; Republication, [67 Fed. Reg. 8452-8460, \(Feb. 22, 2002\)](#).”

¹⁸ USPTO, “Information Quality Guidelines,” online at <http://www.uspto.gov/web/offices/ac/ido/ifoqualityguide.html> .

¹⁹ [68 Fed. Reg. 66648](#), (Nov. 26, 2003), Final rule: [69 Fed. Reg. 49960](#), (August 12, 2004).

proceedings before the Board”.²⁰ (Emphasis added). In addressing the Appeal Board workload issues by regulatory means, it could have proposed, but chose not to propose, any of the restrictive and burdensome rules of the instant Appeal NPRM. Given the historical record shown in Figure 1, if the real reasons for the instant Appeal NPRM rules were primarily workload related, these rules would have been proposed years ago, not at a time of record low backlog.²¹ Clearly, there is another agenda behind these rules that had not been disclosed in the Appeal NPRM.

An agency must give a reasoned basis for adopting a regulation. See 5 U.S.C. § 553(c). The fact that these Appeal Rules are proposed to replace existing rules that have been in place during times of appeal workloads that exceeded the highest loads projected in the Appeal NPRM, places a special burden on the USPTO to provide a reasoned justification for departing from its existing practice.²² The USPTO’s reasons for adopting the proposed Appeal Rules are not only contrary to its other pronouncements and less than ideal in clarity, but as explained above, its path from the factual record to the proposed regulations cannot be reasonably discerned. Furthermore, the Appeal NPRM stated no new objectives underlying statutory scheme it purports to construe that require the adoption of the Appeal Rules.²³

2.2 USPTO’s reason for the proposed rules appears to be directed at suppressing applicants’ appeals as they seek alternatives to the continued examination practice.

As shown above, none of the reasons given in the Appeal NPRM for adopting the Appeals Rules appear supportable by the record. It turns out that the most relevant fact has not been disclosed in the Appeal NPRM, although it is evident from USPTO statements and its senior officials’ pronouncements made elsewhere. Evidently, most relevant to the reason for the proposed Appeal Rules is the USPTO’s anticipation of a future surge in appeals *due to a problem of its own making*. It is the adoption of the Continuation Rules scheduled to become effective on November 1, 2007²⁴, and the USPTO’s efforts that appear directed at erecting new barriers and burdens, substantially curtailing applicants’ use of alternatives to the continued examination practice. Because the use of such continuation practice would be severely limited by the USPTO under its newly adopted Continuation Rules, some applicants have planned to challenge final

²⁰ [69 Fed. Reg.](#) 49960, Col. 1.

²¹ *Schurz Communications, Inc. v. F.C.C.*, 982 F.2d 1043, 1053, C.A.7, 1992, (It is not enough that administrative rule might be rational; statement accompanying promulgation must show that it is rational--must demonstrate that reasonable person upon consideration of all points urged pro and con would conclude that rule was reasonable response to problem that agency was charged with solving).

²² *Macon County Samaritan Memorial Hosp. v. Shalala* 7 F.3d 762, 765-766, (8th Cir. 1993) (“When a new rule reflects a departure from the agency’s prior policies, the agency is obligated to supply a reasoned analysis for the change beyond that which may be required when an agency does not act in the first instance.” Citing *Motor Vehicle Mfrs. Ass’n v. State Farm Mutual Auto. Ins. Co.*, 463 U.S. 29, 42 (1983)); *Simmons v. I.C.C.*, 829 F.2d 150, 156 (D.C. Cir. 1987) (While agency is always expected to rationalize its action in rulemaking context, new rule constituted departure from past policy or practice amplifies need for adequate explanation); *American Soc. of Cataract & Refractive Surgery v. Sullivan*, 772 F.Supp. 666, 671 (D.D.C. 1991) (Administrative Procedure Act imposes on agency requirement that, when promulgating rule, agency must examine relevant data and articulate satisfactory explanation for its actions, including rational connection between facts found and choice made; this requirement is particularly stringent when agency is changing long-established policy or practice).

²³ See *supra* note 22, *Simmons v. I.C.C.*, at 156 (Agency which adopts new rule, constituting departure from past policy or practice, must at minimum explain its actions with reference to objectives underlying statutory scheme it purports to construe).

²⁴ See *supra* Final Continuation Rules, note 10.

examiner rejections by filing an appeal rather than file, or petition to file, a Request for Continued Examination (“RCE”) or a continuation application with new claims.

As early as 2005, the USPTO knew and expected that in reaction to the planned limits set in its Continuation Rules, applicants would have no choice but to use the appeal channel more heavily. In fact, in its January 3, 2006 publication of the Notices of Proposed Rulemaking for the Continuation Rules²⁵ (“Continuation NPRM”), the USPTO suggested as much:

“The Office also appreciates that applicants sometimes use continued examination practice to obtain further examination rather than file an appeal to avoid the delays that historically have been associated with the appeal process. The Office, however, has taken major steps to eliminate such delays. The Board of Patent Appeals and Interferences (BPAI) has radically reduced the inventory of pending appeals from 9,201 at the close of fiscal year 1997 to 882 at the close of fiscal year 2005. The Office has also adopted an appeal conference program to review the rejections in applications in which an appeal brief has been filed to ensure that an appeal will not be forwarded to the BPAI for decision absent the concurrence of experienced examiners. See Manual of Patent Examining Procedure section 1208 (8th ed. 2001) (Rev. 3, August 2005) (MPEP). The Office is also in the process of adopting a pre-brief appeal conference program to permit an applicant to request that a panel of examiners review the rejections in his or her application prior to the filing of an appeal brief. See New Pre-Appeal Brief Conference Program, 1296 Off. Gaz. Pat. Office 67 (July 12, 2005). These programs provide for a relatively expeditious review of rejections in an application under appeal. Thus, for an applicant faced with a rejection that he or she feels is improper from a seemingly stubborn examiner, the *appeal process offers a more effective resolution than seeking further examination* before the examiner.”²⁶

In offering these appeal alternatives to continued examination, the USPTO neglected to disclose that it would foreclose on the appeal practice with which applicants were familiar with, by erecting new barriers for appellants, as in the instant Appeal NPRM. Apparently, this “invitation” to use the appeal channel that was about to be severely constricted appears disingenuous at best. At that time, the USPTO had expected that the Continuation Rules would be in place in FY 2007 and that it would cause major systemic shifts in applicants’ behavior, flooding the BPAI with appeals. That information was formulated by the USPTO as early as February 22, 2006, and quietly inserted in the USPTO budget request document²⁷ (posted on the USPTO Budget Plans & Reports web site²⁸). However, no specific news alert about its availability appeared on the USPTO news page, and at no time did the USPTO provide any indication in the context of its relevant rulemaking proceedings that the public should read its proposed budget document to glean information about its appeal projections due to the Continuation Rules. The USPTO budget request document stated (Emphasis added):

“[D]uring fiscal year 2007, the Board of Patent Appeals and Interferences (BPAI) anticipates it will begin to receive an increased level of appeals following continuation rulemaking to bring greater finality to patent application prosecution. Based on *existing assumptions*, the office anticipates BPAI’s appeal workload to *increase by approximately one-third*. Therefore, in order to maintain a level of timeliness in appeal processing while initializing post-grant review, the office estimates an increase of 10 [Administrative Patent Judges], or other legal professionals, and seven paralegals to support continuation reform.”²⁹

²⁵ USPTO Notice of Proposed Rulemaking, “Changes to Practice for Continuing Applications, Requests for Continued Examination Practice, and Applications Containing Patentably Indistinct Claims”, [71 Fed. Reg. 48, \(January 3, 2006\)](#).

²⁶ [71 Fed. Reg. 51, col 1-2](#).

²⁷ USPTO, 2007 Budget at <http://www.uspto.gov/web/offices/ac/comp/budg/fy07pbr.pdf>

²⁸ USPTO, Budgets, Plans & Reports. (February 22, 2006). At

<http://web.archive.org/web/20060619145310/http://www.uspto.gov/web/offices/ac/comp/budg/index.html>.

²⁹ USPTO 2007 Budget, note 27 at 32.

The “existing assumptions” and the conclusive projections they led to were concealed from OMB/OIRA and from the public during Continuation Rules and the Appeal Rules proceedings. The matter-of-fact workload reasons stated in the Appeal NPRM for the Appeal Rules appear as mere obfuscation in an attempt to avoid stating the actual reasons for these rules and reveal the plan the USPTO had all along to suppress the appeal surge due to the Continuation Rules - a problem of its own making. There is evidence that USPTO management believed it should adopt policies that suppress actions of applicants who use multiple continuations and RCEs because they are held by the USPTO as “*outliers*” who do not use “*best practices*”. A senior official³⁰ at the USPTO said so and has indicated that the Office intends to exert “*leverage*” on such “*outliers*” not only by limiting their right to multiple continuations, but also by “*surrounding*” them with other rules and suppressive measures to keep their alternatives in check.³¹ The content and timing of the proposed Appeal Rules are in fact consistent with such efforts by the USPTO to exert “*leverage*” and “*surround*” applicants who would otherwise file continuation applications.

Had the USPTO not attempted to exert a *simultaneous* “*leverage*”, suppress and “*surround*” applicants who seek relief through the BPAI appeal alternative to the practice of continued examination, it would not have proposed to adopt these rules at this time. Instead, it would have enabled applicants to navigate through their already difficult choices without also having ‘*tied their hands behind their back*’ by piling up arbitrary burdens and last minute changes in *all other rules of the game*. The USPTO proposes to deny applicants the ability to engage in defenses with which they have been familiar – the existing appeal practices, at the exact time that they are entering an otherwise unfamiliar and uncharted territory of patent prosecution. This only exacerbates the burdens even further, setting patent practitioners up for more failures to meet new and unfamiliar burdens. The USPTO failed to show that this is necessary.

The USPTO could have avoided harming applicants by letting the appeal practice take its course under the existing rules while the Continuation Rules take effect so that the actual trends of appeals could be ascertained and the record established. As Figure 2 shows, the BPAI has already demonstrated capability of appeal disposition rates larger than those projected in the Appeal NPRM. Moreover, the USPTO’s budget requests of the recent two consecutive fiscal years earmarked funds for expanding the BPAI and those should be allowed to run their course of enabling even further enlargement of BPAI staff.³² At that later time, the record of the appeal

³⁰ John M. Whealan, USPTO’s Deputy General Counsel for IP Law and Solicitor, *5th Annual Hot Topics In Intellectual Property Law Symposium*, Duke University School of Law, (Feb 17, 2006), <http://realserver.law.duke.edu/ramgen/spring06/students/02172006a.rm>, at time mark 53:38-54:55.

³¹ John M. Whealan remarks, Duke Symposium, note 30 supra, at 58:57 (“In your comments, if you want to suggest how people are going to plan to game the system, please tell us. We try to think of some of the ways. ... I am trying to figure out the ways people are going to try to get around these [rules]”); At 1:01:30-1:01:38 (“I don’t care whether you gave us four filing fees, we’re going to issue just one, - its going to be surrounded”).

³² This fact has been conveniently left out from the USPTO discussion of future BPAI workload projections in the Appeal Rules proceeding. In addition to its FY 2007 budget request discussed above, USPTO’s FY 2008 budget request states: “The Patent Examining Corps will implement a number of initiatives in FY2008 that will significantly expand its workload. This will result in a significant increase in the workload of appeals to the Board. This projected workload increase at the Board results in the need for 27 additional Administrative Patent Judges (APJs) and 10 paralegals and one Legal Instruments Examiner to perform the associated activities of processing and reviewing appeals to maintain current pendency goals”. The requested amount for FY 2008 was \$5.25M, projected to be \$9.97M, \$11.05M, \$11.3M and \$11.54M in FY 2009, FY 2010, FY 2011 and FY 2012 respectively. See USPTO, FY2008 President’s Budget Request, (February 2007), p. 21.

practice in the new regulatory environment can be examined and may be considered ripe for possible action in conjunction with any other changes required in the Continuation Rules. USPTO's rush to change *all* the rules before it has assessed the effects of the earlier proposed rules is simply bad policy and the real consequences of its thrashing around these rules must be questioned.

2.3 The USPTO concealed and delayed the publication of the Appeal Rules, evading review and public scrutiny in conjunction with the Continuation Rules.

As the text of the USPTO budget request quoted above²⁹ establishes, the USPTO had projected that the Continuation Rules will cause a collateral rise in appeals to the BPAI in magnitudes that had not been experienced by the BPAI for years. The BPAI collateral workload concerns were therefore fully developed by February 2006 to merit a budget request and therefore must have been a consideration early in formulating the Continuation Rules. Yet, the USPTO kept silent about this significant collateral effect in any of its relevant rulemaking proceedings. Evidently, if there were any BPAI workload concerns purported to form the underlying basis for the Appeals Rules, they were fully developed and did not have to wait for a year and a half to be raised in such rulemaking. With only a modest increase in appeals in FY 2006 and very little data from FY 2007, no new information more significant than the 33% projected collateral increase in BPAI workload has been developed by the time the USPTO had begun the official process of the Appeals Rules.³³ Therefore, as explained above, the USPTO was actually only operating on its February 2006 projection predicting 33% surge in appeals but it delayed its publication of the smaller package Appeal Rules until after the Continuation Rules were completed, including their OMB review.

The sequential timing coordination within days is remarkable, as Figure 5 shows. Therefore, the public and OMB were both denied an opportunity to consider and comment on the Continuation Rules in *light of* the severe barriers and restrictions to be imposed on the very alternative to continuations that the USPTO suggested applicants should pursue.³⁴ It is doubtful that the USPTO could have made this suggestion with a straight face, had the public and OMB been aware of USPTO's simultaneous attempt to restrict and burden the appeal opportunity. Public comments and OMB's scrutiny prior to the close of the Continuation Rules' proceeding would likely have exposed the USPTO's untenable suggestion for the "alternative" as disingenuous at best. Moreover, both public comments and OMB's scrutiny would have required that USPTO account in the Continuation proceeding for the economic impact of the incremental appeal costs on applicants who would have to file appeals rather than continuations. Therefore, one should hardly be surprised by the timeline shown in Figure 5. The incompatibility between the two rule packages suggests that both rule packages are arbitrary and capricious.³⁵

At <http://www.uspto.gov/web/offices/ac/comp/budg/fy08pbr.pdf>

³³ U.S. General Services Administration's records show that the Appeal Rules RIN establishment (0651-AC12) was made on February 21, 2007.

³⁴ Continuation NPRM as quoted above in reference to footnote 26.

³⁵ See *Mid-Tex Electric Cooperative Inc. v. Federal Energy Regulatory Comm'n*, 773 F.2d 327, 357-60 (D.C. Cir. 1985) ("double whammy" that catches parties between two different rules is invalid, and cannot be left to case-by-case resolution; rule is further infirm for failure to consider balance of economic effects).

Appeal and Continuation Rulemaking Chronology

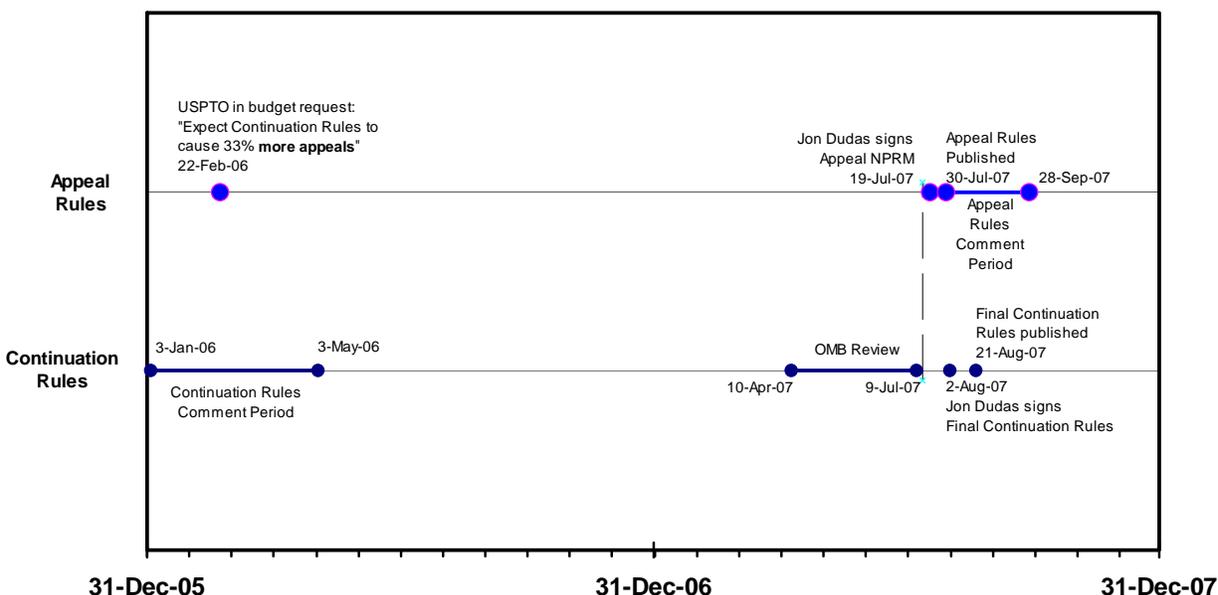


Figure 5. The temporal coordination of USPTO’s Appeal and Continuation rulemaking. It is argued that while the USPTO was apparently acting on its February 2006 fully developed projections of appeals surge, the Appeal Rules’ publication was delayed until OMB had completed its review and modification of the Continuation Rules. See text for the significance of this. *Sources:* The dates specified are from the respective Federal Register publications referred to throughout this document. OMB review period dates are based on OMB’s regulatory information.³⁶ USPTO’s projection of an appeal surge was published in its FY 2007 budget request, note 27 at 32.

Despite the fact that the proposed Appeal Rules require substantial incremental expenditures (as shown in Section 3 below), and despite USPTO’s admission that it would cost more for appellants to comply with the rules, the USPTO has been silent on its own assessment of the incremental costs. It merely made the unsupported assertion that the rules relate solely to procedures and that the changes involve interpretive rules³⁷ that would not significantly increase the cost of filing or prosecuting an appeal.³⁸ By such unsubstantiated assertion and by characterizing the proposed rule changes as non-substantive, the USPTO evaded its responsibility to submit these economically significant rules for OMB review. Further, by the sequential promulgation of these Continuation Rules and Appeal Rules, the USPTO has separated the gross economic impact of the packages of rules, intended or not, to misrepresent the true effect of its packages of rules. This has deprived the public and OMB from properly addressing the additional effects of the Appeal Rules on the Continuation Rules in combination, and by doing so has circumvented OMB and the Regulatory Flexibility Act for both packages of rules.

³⁶ OIRA Conclusion of EO 12866 Regulatory Review, RIN: 0651-AB93 at <http://www.reginfo.gov/public/do/eoDetails?rid=114344>.

³⁷ Appeal NPRM at 41483, col. 3.

³⁸ Appeal NPRM at 41484, col. 1, (“The proposed rules which change the format and content of briefs may require the appellant to spend additional time in preparing a compliant brief. ... These proposed procedural rules do not significantly increase the cost of filing or prosecuting an appeal before the Board. Accordingly, these proposed rules do not have significant economic impact on a substantial number of small entities”).

3 THE PROPOSED APPEAL RULES ARE ECONOMICALLY SIGNIFICANT UNDER EXECUTIVE ORDER 12,866

Section 3(f) of Executive Order 12,866³⁹, (the “EO”), defines in pertinent part “*Significant Regulatory Action*” as “any regulatory action that is likely to result in a regulation that may [h]ave an annual effect on the economy of \$100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities”. I show below that the proposed Appeal Rules meet the test for being economically Significant Regulatory Action because they may have an annual effect on the economy of \$100 million or more and because they may adversely affect in a material way the economy, and in particular, those sectors of the economy that develop and rely on technical innovation and intellectual property.

I present the results of my analysis of the proposed rules that show that the costs would exceed the “Economically Significant” threshold in the first year of implementation and are expected to reach levels that more than double the threshold by 2012. I conservatively calculate only the increases in the preparation costs of Appeal Briefs and the Reply Briefs as incremental costs pertaining to compliance with the proposed rules. Not included in this analysis are the costs of extra petitions and pleadings associated therewith that would arise out of these excessively restrictive rules. More importantly, not included are the costs to patentees from the loss of patent rights due to irreversible procedural barriers that may deny appellants a full and fair adjudication of patentability. These patent rights, which would otherwise be retained under current rules, could reach amounts far larger than those estimated in this section.

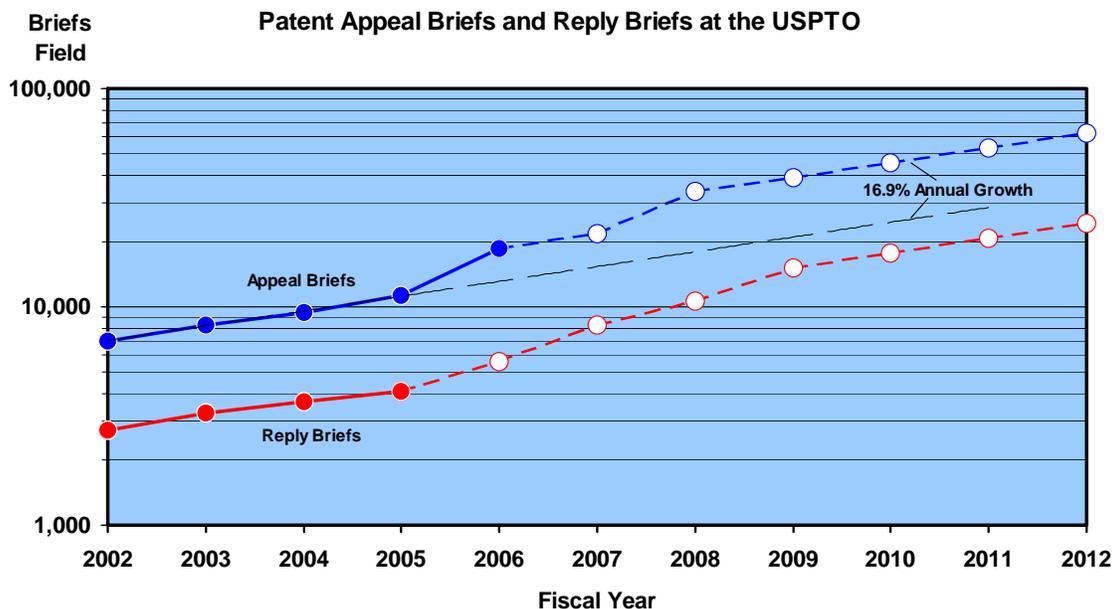


Figure 6. Actual (solid) and projected (broken lines, open circles) number of Appeal Briefs and Reply Briefs filed with the USPTO. The upward ‘bump’ projected in 2008 is based on USPTO’s own projections of a 33% collateral increase in patent appeals when the continuation rules are in effect. Sources: See text in Sections 3.1-3.2.

³⁹ [Executive Order 12866](#), *Regulatory Planning and Review*, of September 30, 1993, as amended by E.O. 13258 of February 26, 2002 and E.O. 13422 of January 18, 2007.

3.1 Appeal Briefs and their paperwork burdens

As Figure 4 shows, appeals that reach the BPAI are but a small fraction of cases for which an Appeal Brief is submitted. However, the economic impact of the proposed Appeal Rules would have broad effect on all appellants filing Appeal Briefs and Reply Briefs. Evidently, the number of Appeal Briefs grew more rapidly than the number of cases reaching the BPAI in recent years. To estimate the total number of Appeal Briefs filed, the USPTO historical data on the number of such appeals as provided in a recent answer to a Freedom Of Information Act (“FOIA”) Request⁴⁰ was used for determining the growth trends in recent years. The numerical values are tabulated under the “Actual” segment of Table 1. The actual number of Appeal Briefs in FY 2006 was provided by the USPTO in the Appeal NPRM.⁴¹ It reflects an upward deviation from prior trend that is in part likely due to USPTO’s institution of pre-appeal conference proceedings, elevating demand for the appeal process. The projected number of Appeal Briefs relies on the growth trend over the four fiscal years ending in FY 2005. As shown in Figure 6, the exponential regression analysis for these years results in an annual growth rate of 16.88%. A model of future Appeal Briefs filings assumes this 16.88% growth rate after FY 2006 and includes a step increase of 33% in FY 2008. The relative magnitude of this upward step is based on the USPTO’s own projection of a collateral appeal surge due to the continuation rules taking effect⁴². Because these continuation rules are expected to take effect after the first month of FY 2008, the model assumes the collateral “bump” in Appeal Briefs to be in FY 2008. Because the continuation rules are expected to continue to have their effect on appeals every year thereafter, there is no projected decline in appeals and the historic growth rate was applied for projecting the Appeal Brief load in later years.

The Average Incremental Appeal Brief Cost assumed in Table 1 is based on the sum of estimates for each proposed rule as further described in Table 4 of Appendix C. By multiplying this estimate by the number of Appeal Briefs filed in each year, the total incremental costs per year for all appellants is shown in the appropriate column in Table 1.

⁴⁰ USPTO, *Appeal Conference Effects - Examiner Actions in Response to Appeal Brief*. Response letter dated March 14, 2006 to FOIA Request No. 06-146.

⁴¹ Appeal NPRM at 41484, col. 1.

⁴² USPTO projection was published in its FY 2007 budget request, note 27 at 32. Although the USPTO projected the collateral increase in appeals reaching the BPAI, it is assumed that such relative increase would be a result of a proportional increase in Appeal Briefs.

	FY	Appeal Briefs Filed	Reply Briefs Filed	Incremental Appeal Costs	Incremental Reply Costs	Total Incremental Costs Due to Proposed BPAI Rules
Actual	2002	7,001	2,709	Average Incremental Appeal Brief Cost: \$3,180	Average Incremental Reply Brief Cost: \$930	
	2003	8,289	3,248			
	2004	9,470	3,676			
	2005	11,263	4,120			
	2006	18,500	5,607			
Projected	2007	21,622	8,269	(Thousands)		
	2008	33,612	10,559	\$106,885	\$9,820	\$116,705
	2009	39,285	15,024	\$124,925	\$13,973	\$138,898
	2010	45,915	17,560	\$146,010	\$16,331	\$162,341
	2011	53,665	20,524	\$170,654	\$19,087	\$189,741
	2012	62,722	23,988	\$199,457	\$22,309	\$221,765
	2013	73,309	28,037	\$233,121	\$26,074	\$259,195
	2014	85,682	32,769	\$272,467	\$30,475	
	2015	100,143	38,299	\$318,455	\$35,618	\$354,073
	2016	117,045	44,763	\$372,204	\$41,630	
	2017	136,800	52,319	\$435,024	\$48,656	\$483,681

Table 1. The economic impact of the Appeal Rules is significant. Incremental costs for preparing compliant briefs. *Sources:* For actual and projected number of briefs, see text in Sections 3.1-3.2. The average incremental costs for Appeal Brief and Reply Brief are derived in Appendix C.

3.2 Reply Briefs and their paperwork burdens

As shown in Figure 4, less than 38% of Appeal Briefs actually receive an Examiner Answer. Appellants submit Reply Briefs only in response to Examiner’s Answers. In this model, it is assumed that the number of Reply Briefs filed is virtually equal to the number of Examiner’s Answers because the latter are invariably directed at sustaining the Examiner’s rejection of at least one of the claims on appeal. Therefore, the “Actual” section of the Reply Briefs column in Table 1 identifies the number of Reply Briefs with the number of Examiner’s Answers for which information is available in the USPTO’s FOIA response.⁴⁰

Because the number of Reply Briefs appears (and is functionally) proportional to the number of Appeal Briefs, a simple model is adopted in which the number of Reply Briefs $RB(t)$ filed in the fiscal year t is given by:

$$RB(t) = r \left[\frac{1}{4} AB(t) + \frac{3}{4} AB(t-1) \right]$$

wherein $AB(t)$ is the number of Appeal Briefs filed in fiscal year t and wherein r is a proportionality fraction determined by ratio regression of the data of prior years. Because of delays in processing briefs, this model assumes that Reply Briefs are mostly related to cases for which Appeal Briefs were filed in the prior year and only fractionally to those in filed in the same fiscal year. The proportionality fraction r found by the regression of the ratios between the observed Reply Brief counts and the Appeal Brief counts in the “actual” segment was $r = 0.429$. The above equation was then used to project the number of Reply Briefs in the future and the results are shown in the “Projected” section of Table 1 and in the projected curve sector of Figure 6. The Average Incremental Reply Brief Cost assumed in Table 1 is based on the sum of estimates for each proposed rule as further described in Table 5 of Appendix C.

3.3 Economic significance under Executive Order 12,866

The USPTO offers no facts whatsoever to support its “determination” that the proposed Appeal Rules are “economically insignificant”⁴³ – this appears to be another case of USPTO rulemaking machinery simply making up any “fact” that is convenient for the day. Any careful analysis shows that the proposed Appeal Rules are “economically significant” under the EO.

The summary column in Table 1 shows that even in the first year of the implementation of the proposed Appeal Rules, the aggregate incremental cost for appeals subject to these rules would exceed the EO’s threshold of \$100 Million, and more than double it by 2012. As stated earlier, this analysis is conservative, as it does not include other significant cost elements discussed above. As shown in Table 1, right from the start, the proposed rules constitute an economically *Significant Regulatory Action* under the EO.

3.4 USPTO’s proposed rules were accompanied by no regulatory analysis of social benefits and costs

Section 1(b)(6) of the EO requires that:

“Each agency *shall* assess both the costs and the benefits of the intended regulation and, recognizing that some costs and benefits are difficult to quantify, propose or adopt a regulation only upon a *reasoned determination* that the benefits of the intended regulation justify its costs”. (Emphasis supplied)

The Appeal NPRM contains no competent or supported analysis of social benefits and costs, only a “rabbit out of the hat” assertion:

“The proposed rules which change the format and content of briefs may require the appellant to spend additional time in preparing a compliant brief. The effect of such rules, however, will be to enhance the likelihood that the appealed claims will be allowed without the necessity of further proceeding with the appeal and improve the efficiency of the decision-making process at the Board. *Any additional time burden* that is imposed by the proposed rules relating to briefs is believed to be *de minimus* [sic] in comparison to the *reduction in pendency that appellant gains* as a result of early identification of allowable claims or a more efficient decision-making process.”⁴⁴ (Emphasis added).

Setting aside the patently wrong assertion that the imposed burdens are de minimus (see the economic analysis above), the *advantages* to applicants in adopting the proposed rules are identified in the Appeal NPRM as *reduction of pendency*. While this assertion has not been supported, the opposite and conflicting characterization of what constitutes an advantage to applicants is made only five pages before:

[Under the existing practice], “appellants have *taken advantage* of the provisions of Rule 136(a) to file a reply *to maintain the appeal [increase its pendency]*. The length of possible patent term adjustment (35 U.S.C. 154(b)(2)(iii)) is based on the time an appeal is pending.”⁴⁵

Which is then an advantage to applicants? Extending or shortening appeal pendency? If the USPTO does not even know what constitutes an advantage to applicants, how can it establish that the proposed rules will benefit applicants? In any event, the assertion that applicants would

⁴³ Appeal NPRM at 41484, col. 1. (“This rule making has been determined to be not significant for purposes of Executive Order 12866”).

⁴⁴ Appeal NPRM at 41484, col. 1.

⁴⁵ Appeal NPRM at 41479, col. 3.

benefit by pendency reductions simply ignores the fact that pendency is already compensated for by patent term adjustments of 35 U.S.C. § 154(b).

4 THE PROPOSED RULES CONTRAVENE THE PAPERWORK REDUCTION ACT

The proposed Appeal Rules include information collection that is illegal under the Paperwork Reduction Act⁴⁶ (“PRA”). Proposed rules 41.37(t) and (u) and 41.41(h)(2) and (3) would require appellants to repackage and re-submit documents that are already in USPTO’s records. (See the relevant column in Table 4 and Table 5). Under the PRA, the Office of Management and Budget cannot approve Information Collection Requests that are duplicative⁴⁷: For example, proposed rule 41.37(t) (“The ‘evidence section’ shall contain only papers which have been entered by the examiner.”) demands information collection that is unambiguously duplicative. Not only is the requested information accessible to the BPAI, it is maintained electronically by the USPTO in a form and format that the USPTO itself prescribed. These requirements contravene the PRA.

5 CONCLUSION

The President himself has instructed the USPTO to “examine whether existing regulations... have created, or contributed to, the problem that a new regulation is intended to correct and whether those regulations (or other law) should be modified to achieve the intended goal of regulation more effectively.” To carry out the President’s instructions, USPTO must withdraw these proposed rules and the Continuation Rules. The agency must examine, in writing, the train-wreck that its own regulations are causing, and develop new regulations.

In developing new regulations, USPTO must immediately examine powerful alternative regulatory solutions to its workload problem such as Examination on Request, a workload savings program⁴⁸ that it has failed to seriously and publicly consider, despite specific congressional authorization under the Consolidated Appropriations Act of 2004.⁴⁹ It may also consider an entire new package, covering continuations, numbers of claims, and appeals in a new Notice of Proposed Rulemaking, with adequate factual support and analysis of the economic effect and interactions. USPTO should make very clear how the newly-proposed rules allow applicants to obtain the full patent protection granted by Congress, and how USPTO has guaranteed that it has not usurped the substantive rights granted to inventors.

⁴⁶ 44 U.S.C. § 3501 et seq.

⁴⁷ “To obtain OMB approval of a collection of information, an agency shall demonstrate that it has taken every reasonable step to ensure that the proposed collection of information: (i) Is the least burdensome necessary for the proper performance of the agency’s functions to comply with legal requirements and achieve program objectives; (ii) Is not duplicative of information otherwise accessible to the agency;...” See 5 C.F.R. § 1320.5(d)(1).

⁴⁸ Analysis of Examination On Request program described in a Letter from R.D. Katznelson to Susan Dudley of June 29, 2007, available at <http://www.whitehouse.gov/omb/oir/OIRA-0651/comments/460.pdf> at 30. (Patent applications are examined only if requested within a set period, projecting 20% immediate savings in USPTO workload).

⁴⁹ Pub. L. 108-447, 118 Stat. 2809 (2004). (Provides that 35 U.S.C. 41 shall be administered in a manner that separates user fees to permit deferred payment of examination and search fees. Based on senior USPTO officials’ comments to this author, an Examination On Request proposal was presented to AIPLA members (*Ex Parte*), who were reported to have opposed it, persuading USPTO management to abandon such rulemaking proceeding. This undocumented *Ex Parte* conduct in which Examination on Request ideas were presented only to one interest group and not to the public as a whole is a serious lapse in USPTO’s responsibility to the public to address its workload problems as provided by law).

In the alternative, USPTO should correct the procedural defects outlined above and it should designate these rules as economically “Significant Regulatory Action”. A Regulatory Impact Analysis fully compliant with OMB Circular A-4 should be prepared and published for public comment. All influential information used to support this analysis should adhere to the principles of OMB’s and USPTO’s Information Quality Guidelines.

Respectfully submitted by

/s/Ron Katznelson/

Ron D. Katznelson, Ph.D.
Encinitas, CA
Office: (760) 753-0668
Mobile: (858) 395-1440
rkatznelson@roadrunner.com

Appendix A **These comments are timely**

The attached correspondence with this author indicates that leave to file these comments after October 1, 2007 was granted.

From: McKelvey, Fred [mailto:Fred.McKelvey@USPTO.GOV] **On Behalf Of** BPAI Rules

Sent: Monday, October 01, 2007 11:53 AM

To: Ron Katznelson

Subject: RE: Extension of time for Comment on proposed RIN 0651-AC12 including its Paperwork Reduction Act analysis. Your request for a formal extension of time to comment on the Notice of Proposed Rulemaking, 71 Fed. Reg. 41472 (July 30, 2007) (Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals) has been received. The process of reviewing comments and determining a final rule has begun today, October 1, 2007. While a formal extension of time will not be granted, any comments received before comment review is complete will be considered. Please feel free to submit any comments as soon as possible.

Fred E. McKelvey

Senior Administrative Patent Judge

Board of Patent Appeals and Interferences

-----Original Message-----

From: Ron Katznelson [mailto:rkatznelson@roadrunner.com]

Sent: Wednesday, September 26, 2007 7:44 PM

To: bpai.comments@uspto.gov; Robert.Clarke@USPTO.GOV

Subject: Extension of time for Comment on proposed RIN 0651-AC12 including its Paperwork Reduction Act analysis.

I write to request that the Comment period for the proposed Ex Parte Appeal Rules be extended. Because I rely in my comments on results of a survey obtained only recently, it has recently become clear that not enough time remains to adequately structure, complete the analysis and write the Comments by September 28th. An additional 20 days would be appreciated.

Sincerely,

Ron D. Katznelson, Ph.D.

Encinitas, CA

Office: 760 753-0668

Mobile: 858 395-1440

rkatznelson@roadrunner.com

Appendix B Numerical Data

	Fiscal Year	Appeals received in FY			Appeals backlog at FY end	Appeal dispositions	Examiner's final rejections	UPR appeal rate (%)	BPAI staff members	Dispositions/Staff member
		All	Design	UPR						
Source		1	1	2	1	3	4	5	4	6
Item	Y	A	B	C	D	E	F	G	H	J
	1992				1,871					
	1993	4,487			2,273	4,085				
	1994	4,481			3,754	3,000				
	1995	5,225			5,533	3,446				
	1996	4,139			7,364	2,308	63,754	6.49	84	27.5
	1997	4,639			9,201	2,802	64,095	7.24	81	34.6
	1998	3,779			8,889	4,091	64,868	5.83	86	47.6
	1999	4,040	70	3,970	8,344	4,585	69,759	5.69	102	45.0
	2000	2,981	39	2,942	6,322	5,003	76,611	3.84	117	42.8
	2001	3,855	26	3,829	5,050	5,127	78,807	4.86	114	45.0
	2002	3,125	18	3,107	3,090	5,085	87,126	3.57	110	46.2
	2003	2,721	25	2,696	1,968	3,843	91,981	2.93	109	35.3
	2004	2,469	18	2,451	985	3,452	96,442	2.54	109	31.7
	2005	2,834	29	2,805	882	2,937	121,957	2.30	103	28.5
	2006	3,349	6	3,343	1,357	2,874				

Table 2. BPAI workload related statistics by fiscal year. *Sources:* See below.

Sources:

1. USPTO, Annual Reports, at <http://www.uspto.gov/web/offices/com/annual/> and BPAI Process Production Reports at <http://www.uspto.gov/web/offices/dcom/bpai/docs/process/index.htm>.
2. UPR Appeals derived by: $C = A - B$, for years data is available.
3. Appeal Dispositions derived by: $E(Y) = A(Y) + D(Y - 1) - D(Y)$
4. Trilateral Patent Offices, *Trilateral Statistical Reports*. At <http://www.trilateral.net/tsr>
5. UPR Appeal Rate derived by: $G = C/F$ (approximated by $G = A/F$ for years up to 1998).
6. Appeal Dispositions per BPAI staff member derived by: $J = E/H$.

Appendix C Average incremental costs for preparing Appeal Briefs and Replay Briefs compliant with the proposed Appeal Rules

In order to estimate the amount of work in excess of what is done under current practice for the same Appeal Briefs and Reply Briefs, I obtained the relevant characteristics of a small sample of cases in appeals that were before the BPAI. These were examined based on BPAI final decisions as reported most recently on its final decision database.⁵⁰ The prosecution histories available on the USPTO's PAIR system⁵¹ were then consulted and for each case, an estimate was made of the incremental time required for each proposed rule element based on the number of figures in the application on appeal, number of independent claims on appeal, dependent claims on appeal and, where available, the number of claims argued separately. For each proposed rule element, the basis for the calculation and the average incremental time burden across the sample of appeals was entered in Table 4 and Table 5 for the Appeal Brief and Reply Brief respectively. The general statistical characteristics of the appeals sample are provided in Table 3. It should be noted, however, that because the sample is small, no reliable inference can be made on the variance or 'tail' of the probability distribution for each of the attributes identified in Table 3. While the resulting *average* burdens supplied in Table 4 and Table 5 may be within reasonable confidence limits for the purpose of these comments, the USPTO must provide statistical information on a much larger sample in order to properly establish these burdens and their tail distributions.

	Total number of claims on appeal	Number of independent claims on appeal	Number of Figures in Application on appeal.	Number of pages in Appeal Brief	Number of pages in Examiner's Answer	Number of pages in Reply Brief
Average	18.1	2.4	8.3	20.7	14.8	9.6
Standard Deviation	11.4	1.6	8.5	8.8	7.6	6.2
Minimum	1	1	0	10	6	2
Maximum	45	6	29	44	32	22

Table 3. Sample statistics of the first 17 appeals decided by the BPAI on September 20, 2007. *Source:* See text.

The number of incremental hours required for the tasks identified in Table 4 and Table 5 are predominantly those of senior patent attorney time with very little paralegal support. According to the economic survey of the AIPLA, the national average billing rate of a patent attorney in 2006 was \$332 per hour.⁵² Therefore, the hourly rate in the tables assumes a \$300/hr blend for the average billing rates of a patent attorney and that of a paralegal assistant.

⁵⁰ See <http://des.uspto.gov/Foia/BPAIReadingRoom.jsp> . The first 17 cases decided on September 20, 2007 were examined.

⁵¹ Available at <http://portal.uspto.gov/external/portal/pair> .

⁵² *AIPLA Report of the Economic Survey 2007*. American Intellectual Property Law Association, Arlington, VA. (July 2007) (Page I-5, Table for Q27, Q28, Q29, Q31).

Table 4. APPEAL BRIEF REQUIREMENTS AND INCREMENTAL COSTS UNDER THE PROPOSED BPAI RULES

Item	Section	Proposed Rule	Requirement	Provided under current practice ?	Duplication of material already in Agency records	Estimated average Incremental time to comply	
						Hours	Source/ Note \$
Appeal Brief							
1	Statement of the real party in interest	41.37(f)	Identification of the name of the real party in interest	Yes			
2	Statement of related cases.	41.37(g)	Identify all related applications, patents, appeals, interferences or court docket numbers. Include all cases known that relate to, directly affect, or would be directly affected by or have a bearing on the Board's decision in the appeal.	Yes			
3	Jurisdictional statement.	41.37(h)	A statement of the statute under which the appeal is taken, the date of the decision from which the appeal is taken, the date the notice of appeal was filed, and the date the appeal brief is being filed.	In Part			
4	Table of contents.	41.37(e), 41.37(i), 41.37(v)(1)	Identification of the items listed in Proposed 41.37(e) along with a page reference where each item begins.	Rarely		0.0	This estimate is conservative, as many practitioners preparing briefs under the current rules do not know how to use the automated Table-of-Contents facilities of their word processors.
5	Table of authorities.	41.37(j)	List court and administrative decisions (alphabetically arranged), statutes, and other authorities, along with a reference to the pages where each authority is cited.	No		1.0	Automated tools require a great deal of manual intervention
6	Status of claims.	41.37(k)	List "status of pending claims" (e.g., rejected—appealed, rejected—not appealed, cancelled, allowable, withdrawn from consideration, or objected to).	Yes			
7	Status of amendments.	41.37(l)	Indicate the "status of amendments" for all amendments filed after final rejection (e.g., entered or not entered).	Yes			
8	Rejections to be reviewed.	41.37(m)	Set out the "rejections to be reviewed," including the claims subject to rejection under each statute.	Yes			
9	Statement of facts.	41.37(n)	Setting out in an objective and non-argumentative manner the material facts relevant to the rejections on appeal. Including scope and content of the prior art, any differences between the claims on appeal and the prior art, and the level of skill in the art.	In Part		1.5	To comply with new specific requirements articulated in the preamble of the NPRM, as those requirements apply to the average claim mix in the Appeals Sample.
10	Argument.	41.37(o)	Contain an argument comprising an analysis explaining, as to each rejection to be reviewed, why the appellant believes the examiner erred as to each rejection to be reviewed. Would have to address all points made by the examiner with which the appellant disagrees.	In Part		0.8	To comply with new specific requirements articulated in the preamble of the NPRM, as those requirements apply to the average claim mix in the Appeals Sample.
Appendix containing:							
11	Claims section	41.37(p)	Accurate clean copy in numerical order of all claims pending in the application, not just those under rejection. The status of each claim would have to be indicated.	In Part		0.3	To review and include claims not under appeal and identification of their status.
12	Claim support section	41.37(q)	For each claim argued separately, an annotated copy of the claim indicating in bold face between braces ({}) after each limitation where, by page and line numbers, the limitation is described in the specification as filed.	No		2.0	Requires substantial analysis of facts related to all limitations of the claims (including those not raised by the examiner) and are therefore not discussed under current practice. Reflects the requirements as applied to the average claim mix in the Appeals Sample.
13	Drawing analysis section	41.37(r)	For each claim argued separately indicating in bold face between braces ({}) where each limitation is shown in the drawings or sequence.	No		1.5	Same comment as for Item 12 above. This estimate is proportional to the number of figures in the application and reflects the requirements as applied to the average claim mix and the figure count in the Appeals Sample.
14	Means or step plus function analysis section	41.37(s)	For each claim argued separately, and for each means or step plus function limitation, provide annotated copy of the claim indicating in bold face between braces ({}) the page and line of the specification and the drawing figure and element numeral that describes the structure, material or acts corresponding to each claimed	No		0.0	The occurrence of this claiming form has become rare and its average burden is assumed to be de minimus.
15	Evidence section	41.37(i), 41.37(j), 41.37(t), 41.37(v)(1)	Contain papers which have been entered by the examiner and the applicant during prosecution and a table of contents setting forth the contents of the Evidence Section.	In Part	Yes	3.0	The Evidence appendix, its table of contents and pagination requirements of Proposed 41.37(v)(1) as stated are far more precise than the Federal Circuit's, and are circularly dependent so that they will require multiple iterations. Assembling and page-numbering the Appendix, and then back-substituting Appendix page numbers into the body of the brief cannot be done electronically. Based on Federal Circuit brief preparation experience of several practitioners, the attorney time shown is a very conservative cost estimate for actual attorney and paralegal costs.
16	Related cases section	41.37(u), 41.37(v)(1)	Provide copies of orders and opinions required to be cited pursuant to 41.37(g).	In Part	In Part		
17	Applicant's time to review the full appeal package including required appendices			In Part		0.5	Under current practice, many appeals are filed without client review. Under the proposed rules which establish strict non forgiving criteria that might result in a loss of patent right, more practitioners are expected to demand more exchange, client review and sign-off to reduce their malpractice liability.

Total Incremental Hours **10.6**

Hourly Rate **\$300**

Total Incremental Cost **\$3,180**

§ Estimates were made based on a sample of the first 20 appeals decided by the BPAI and published on September 20, 2007: Average numbers: Total claims on appeal - 18.1, with 2.4 independent claims; Figures in the application on appeal - 8.3, Pages in Appeal Brief - 20.7; Pages in Reply Brief - 9.6

\$300/Hr assumes a blend of the average billing rates of a patent attorney and of a paralegal. 2007 AIPLA Economic Survey data for average billing rate of a patent attorney in 2006 is \$332 (Page I-5, Table for Q27, Q28, Q29, Q31).

Table 5. REPLY BRIEF REQUIREMENTS AND INCREMENTAL COSTS UNDER THE PROPOSED BPAI RULES

Item	Section	Proposed Rule	Requirement	Provided under current practice ?	Duplication of material already in Agency records	Estimated average Incremental time to comply	
						Hours	Source/ Note §
Reply Brief							
1	Table of contents.	41.37(i), 41.37(v)(1), 41.41(d)(1)	Identification of the items listed in Proposed 41.41(d) along with a page reference where each item begins.	No		0.0	This estimate is conservative, as many practitioners preparing briefs under the current rules do not know how to use the automated Table-of-Contents facilities of their word processors.
2	Table of authorities.	41.37(j), 41.41(d)(2)	List court and administrative decisions (alphabetically arranged), statutes, and other authorities, along with a reference to the pages where each authority is cited.	No		0.4	Automated tools require a great deal of manual intervention
3	Statement of timeliness	41.41(d)(3), 41.41(e)	Establish that the reply brief is being timely filed by including a statement of the date the examiner's answer was entered and the date the reply brief is being filed. For reply briefs filed after the time specified in this subpart, indicate the date an extension of time was requested and the date the request was granted.	No		0.1	This statement is not required under the current practice. Compliance requires review of the timeline record (possibly of other attorney's)
4	Statement of additional facts.	41.41(d)(4), 41.41(f)	Statement of the additional facts that appellant believes are necessary to address the points raised in the examiner's answer and, as to each fact, must identify the point raised in the examiner's answer to which the fact relates.	In Part		0.6	To comply with new specific requirements articulated in the preamble of the NPRM, as those requirements apply to the average claim mix in the Appeals Sample.
5	Argument.	41.41(d)(5), 41.41(g)	Provide argument which would be limited to responding to points made in the examiner's answer. No general restatement of the case should be repeated in a reply brief.	In Part		0.8	To comply with new specific requirements articulated in the preamble of the NPRM, as those requirements apply to the average claim mix in the Appeals Sample.
<p>Supplemental Appendix: To be provided If the examiner entered a new rejection in the examiner's answer. Time estimates reflect an average including cases having no new rejections.</p>							
6	Table of contents.	41.37(i), 41.37(v)(1), 41.41(h)(1)	Identification of the items listed in Proposed 41.41(h) along with a page reference where each item begins.	No		0.2	Table cannot be generated automatically
7	The Examiner's Answer	41.37(l), 41.41(h)(2)	Include a copy of the Examiner Answer to which the Reply Brief is directed.	No	Yes	1.0	Reformatting and manual pagination required for inclusion
8	Supplemental Evidence section	41.37(l), 41.37(v)(1), 41.41(h)(3)	All evidence upon which the examiner's answer relied in support of the new rejection that does not already appear in the evidence section accompanying the appeal brief, except the specification, any drawings, U.S. patents and U.S. published applications.	No	Yes		To meet Applicant's new burden of reproducing and documenting the Examiner's Answer's evidentiary record including reformatting and manual pagination

Total Incremental Hours **3.1**

\$300/Hr assumes a blend of the average billing rates of a patent attorney and of a paralegal. 2007 AIPLA Economic Survey data for average billing rate of a patent attorney in 2006 is \$332 (Page I-5, Table for Q27, Q28, Q29, Q31).

Hourly Rate **\$300**

Total Incremental Cost **\$930**

§ Estimates were made based on a sample of the first 20 appeals decided by the BPAI and published on September 20, 2007: Average numbers: Total claims on appeal - 18.1, with 2.4 independent claims; Figures in the application on appeal - 8.3, Pages in Appeal Brief - 20.7; Pages in Reply Brief - 9.6

Exhibit 3

Dr. Richard Belzer, letter to Susan Dudley re Information Collection Request 0651-0031
(January 16, 2008) [http://www.reginfo.gov/public/do/
DownloadDocument?documentID=57744&version=1](http://www.reginfo.gov/public/do/DownloadDocument?documentID=57744&version=1)

RICHARD B. BELZER

Mt. Vernon, VA 22121

(703) 780-1850

rbbelzer@post.harvard.edu

January 16, 2008

Honorable Susan E. Dudley
Administrator
Office of Information and Regulatory Affairs
Office of Management and Budget
Washington, DC 20503

RE: ICR 0651-0031

Dear Administrator Dudley,

On September 26, 2007, the U.S. Patent and Trademark Office (PTO) submitted ICR 0651-0031 to the Office of Management and Budget (OMB) for review, as required by the Paperwork Reduction Act (PRA) and OMB's Information Collection Rule. Since then, I have provided limited comments to OMB suggesting that just one economically significant regulatory action intended by PTO,¹ and covered by this ICR, is likely to result in several billion dollars per year in new paperwork burdens.² In addition, I have met with your staff to discuss these and other paperwork burdens associated with one recently promulgated³ and a pair of recently proposed economically significant rules⁴ that PTO did not submit to OMB for review, all of which are covered by this ICR. I have responded via e-mail to requests for more information and clarification. OMB has extended its review of the ICR several times, but there is no public evidence that PTO has

¹ "Changes To Information Disclosure Statement Requirements and Other Related Matters," 71 Fed. Reg. 38808. OMB recently reviewed the draft final rule under Executive Order 12,866, but it has not been promulgated. We estimate paperwork burdens of the proposed rule at \$2.6 billion per year. PTO deemed this proposed rule "not significant" under Executive Order 12,866.

² See "Cost of Complying with the Proposed IDS Rule," October 18, 2007, at <http://www.whitehouse.gov/omb/oira/0651/meetings/663.pdf>.

³ "Changes To Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications", 72 Fed. Reg. 46835 (August 21, 2007). We estimate paperwork burdens for this regulation range from \$12.5 billion to \$24.5 billion per year. PTO deemed each rule "significant" under EO 12.866.

⁴ See "Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals," 72 Fed. Reg. 41472 (July 30, 2007); "Examination of Patent Applications That Include Claims Containing Alternative Language," 72 Fed. Reg. 44992 (August 10, 2007). We estimate paperwork burdens for the first of these proposed rules range from \$820 million to \$860 million per year, but have not yet been able to estimate burdens for the second proposed rule. PTO deemed both rules "not significant" under EO 12.866.

Honorable Susan E. Dudley

Page 2

resolved these questions so that burden estimates can be finalized that adhere to both OMB's Information Collection Rule and OMB's Information Quality Guidelines.⁵

With the assistance of experts in patent prosecution, I have prepared an extensive review of the paperwork burdens in ICR 0651-0031. In this letter, I want to summarize the results of this review. These results are illustrated graphically on page 3 of this letter; the complete review document is enclosed.

We estimate that PTO's recent and anticipated regulatory actions will result in between 45 million and 73 million new burden-hours. These burdens translate into 26,000 to 40,000 full-time equivalent work-years (2,000 hours per year). There are approximately 15,000 attorneys and agents licensed to practice before PTO. If every one of them were occupied full-time fulfilling these new paperwork burdens, it would require between 87% and 133% of their available time. The actual prosecution of patents to protect economically vital innovations and inventions could grind to a halt.

Patent attorneys and agents are scarce because patent prosecution is a highly specialized activity requiring both legal and technical education, and there are no substitutes. This training takes years, so their supply grows slowly. For these reasons, they are also expensive. Average billing rates for 2008 are expected to exceed \$350 per hour. The total cost to the U.S. economy just from these additional paperwork burden is estimated to range from \$13 billion to \$34 billion per year. For perspective, note that the total paperwork budget for the Department of Commerce – PTO's parent – is \$1.7 billion.⁶

The estimates of paperwork burden provided by PTO in its Supporting Statement are, in almost every instance, unsupported by any publicly disclosed data, models, or any other factual basis, even though the Office claims to adhere to applicable information quality guidelines. Indeed, as we show in our review, PTO also has failed to provide adequate opportunity for public participation in the development of its paperwork burden estimates. (Despite PTO's legal responsibility to consult, and its claim in the Supporting Statement to have done so, it has become clear during this review that knowledge about the Paperwork Reduction Act is quite limited in the patent prosecution community.)

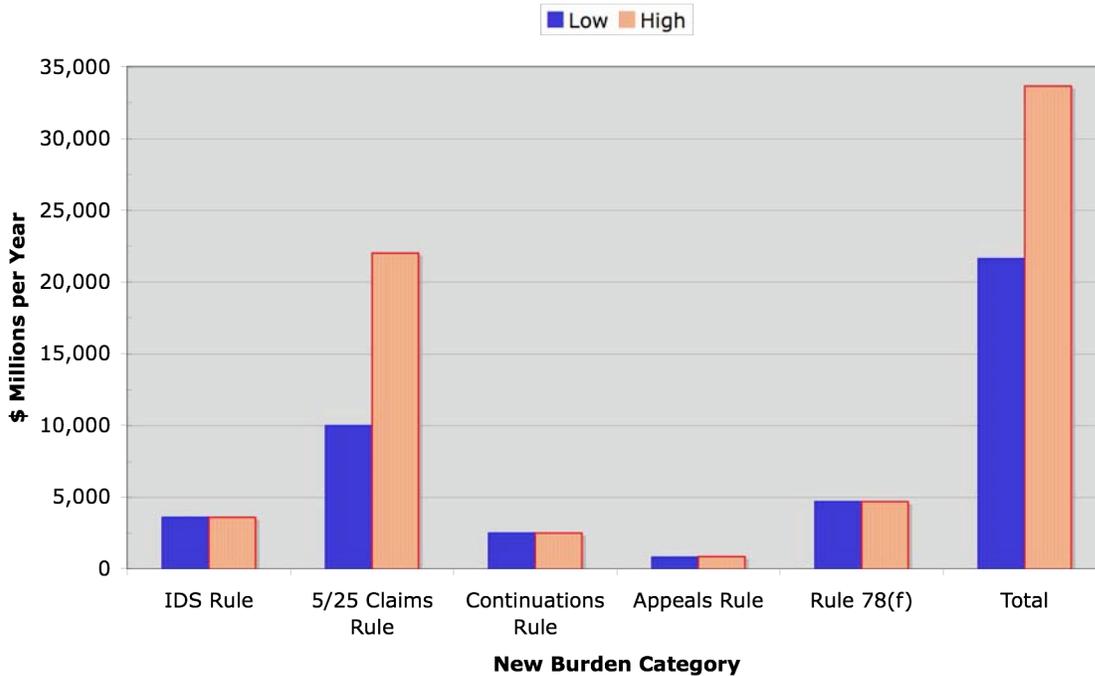
Whereas PTO has provided no support at all for its burden estimates, in our review we have explained – sometimes in pedantic detail – the basis for our alternative estimates. Our estimates are transparent and reproducible, but PTO's figures are not. Our

⁵ The Information Collection Rule requires PTO to develop and disseminate “an objectively supported estimate of burden”; see 5 C.F.R. § 1320.9(a)(4). OMB's Information Quality Guidelines require that agencies disseminate information that is “accurate, reliable, and unbiased,” or “presented in an accurate, clear, complete, and unbiased manner”; see 67 Fed. Reg. 8452.

⁶ Information Collection Budget: FY 2006, Table 4. Commerce reported a 27% increase in department-wide burden in FY 2006 due to non-statutory program changes (Table 1). USPTO is responsible for most of this increase.

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New Programmatic Burden for ICR 0651-0031



estimates adhere to the requirements of OMB's Information Collection Rule and Information Quality Guidelines, but PTO's do not.

Valid and reliable paperwork burden estimates are essential for the public to be able to understand the consequences of government actions, especially regulatory decisions. The burden estimates provided herein are new, but PTO has had our earlier submission for three months but chosen not to respond. Instead of issuing yet another short-term extension that appears highly unlikely to advance the process toward a conclusion, OMB should approve this ICR now for one year while booking the burden estimates we have derived for 2008. This would provide an excellent incentive for PTO to develop a new and properly documented ICR for 2009 and beyond. PTO should be directed to collaborate with experts in patent prosecution who, unlike PTO staff, have actual real-world experience performing these tasks.

Sincerely,

Richard Belzer, Ph.D.
Enclosure (1)

PO Box 319
Mt. Vernon, VA 22121
(703) 780-1850
rbelzer@post.harvard.edu

U.S. Patent and Trademark Office

OMB CONTROL NUMBER: 0651-0031
ICR REFERENCE NUMBER: 200707-0651-005

Submitted to OMB September 26, 2007

Alternative Burden Estimates
Revised January 17, 2008

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APPENDICES

- A. Love, J. 2007. "Notice to Examiners Regarding Claims and Continuations Final Rule: Transitional practice for restriction requirements from October 14, 2007 until November 10, 2007." Memorandum to Center Directors (October 11, 2007); Focarino, MA. 2007. "Notice to Examiners Regarding Claims and Continuations Final Rule." Memorandum to Patent Examining Corps (October 11, 2007).
- B. Katznelson, RD. 2007. "Defects in the economic impact analysis provided by the USPTO for its new claims and continuation rules."
- C. USPTO Internal Memos.

SUMMARY OF NEW BURDENS

Several items from the final Continuations and 5/25 Claims Rules, the proposed (draft final) IDS Rule, and the proposed Appeal Rule have burdens that exceed \$1 billion. We have not yet attempted to derive burden estimates for the proposed Markush Practice Rule. We summarize in **Error! Reference source not found.** only those new burden elements with costs exceeding \$100 million. They entail 85 million burden hours and \$25 billion in aggregate costs. There are approximately 15,000 patent attorneys and agents in the U.S. with 30 million theoretically billable hours per year; these new items alone consume more than two times the entire U.S. capacity of requisite private sector expertise.

Table 1: Major New Programmatic Burdens Not Accounted for in ICR

Rulemaking	ICR Supporting Statement Table 3, Row No.	Burden Hours (2 significant figures)	FTE Patent Counsel/Agent Person-Years (2,000 hours/year)	Total Cost of New Burden (2 significant figures)
IDS Rule [2008 only]	3	6.5 million	3,300.	\$2,400 million
	4	3.0 million	1,500.	\$1,100 million
	5	0.12 million	60.	\$35 million
	6	0.030 million	20.	\$9 million
	Omitted	0.23 million	120.	\$85 million
	Subtotal	9.9 million	8,300.	\$3,600 million
5/25 Claims Rule (i)	9	2.9 million	1,500.	\$980 million
	48-49 [element 1]	NA	NA	\$4,100 million
	48-49 [element 2]	1.7 – 4.9 million	850. – 2,400.	\$610 -- \$2,400 million
	48-49 [element 3]	7.0 – 31 million	3,500. – 15,000.	\$2,600 -- \$12,000 million
	48-49 [element 4]	3.4 – 4.5 million	1,700. – 2,300.	\$1,300 – 1,700 million
	48-49 [element 6]	1.7 – 2.1 million	850. – 1,100.	\$620 – 780 million
	Subtotal	17 – 45 million	8,400. – 23,000.	\$10,000 – 22,000 million
Continuations Rule	44	0.6 million	300.	\$220 million
	Omitted from ICR	2.9 million	1,500.	\$2,300 million
	Subtotal	3.5 million	1,800.	\$2,500 million
Appeals Rule	2008 duplicative burden appeal briefs	0.10 – 0.17 million	50. – 85.	\$27 -- \$62 million
	2008 duplicative burden reply briefs	0.032 – 0.05 million	16. – 27.	\$12 – \$19 million
	Omitted appeal brief burdens	1.2 million	600.	\$600 million
	Omitted reply brief burdens	0.50 million	250.	\$180 million
	Subtotal	1.8 – 1.9 million	920. – 960.	\$820 – 860 million
Rebutting Presumption that Claims Are Patently Indistinct	Omitted from ICR	12 million	6,000.	\$4,400 million
	Subtotal	12 million	6,000.	\$4,400 million
Totals		44 – 72 million	26,000. – 40,000.	\$13,000 – 34,000 million

Notes:

- (i) Range of estimates from Alternatives #1 and #2.

Supporting Statement Generally:***PTO's BURDEN ESTIMATES ARE FUNDAMENTALLY FLAWED AND/OR UNSUPPORTED BY EVIDENCE***

The Supporting Statement § 15 identifies certain regulatory actions that are included in the estimates. Most pertinently, this list includes the February 2006 ICR change accounting for the proposed Limits on Continuations Rule and Limits on Claims Rule, and the July 2006 proposed IDS Rule. It does not include the July 2007 proposed Appeals Rule, changes due to the August 2007 final combined Continuations/5-25 Claims Rule, or the August 2007 proposed Markush Practice Rule. Thus, the Supporting Statement is seriously outdated.

Hourly Rates. For patent attorneys, the Supporting Statement uses hourly wage figures obtained from the 2005 edition of a biennial survey conducted by the American Intellectual Property Law Association (AIPLA).¹ PTO is entitled, and should be encouraged, to rely on valid and reliable estimates produced by third parties. However, PTO the 2005 edition of the survey contains data from 2004, which is 4-7 years out of date given the 2008-2010 period for the ICR. At a minimum, PTO should start with the 2007 edition of the survey,² which contains data from 2005. Clearly, if this survey is to be relied upon the later edition should be preferred. A figure of \$90 per hour is used for paralegals, but its source is not disclosed.³

Although the AIPLA survey appears to provide the best available data, there are important limitations on its utility for burden estimation purposes. AIPLA reports that its 2007 survey (actually a census) yielded a 75% improvement from the 2005 edition in response rate, to 2,733 responses out of 14,132 AIPLA members and non-members to whom the instrument was delivered by web-based email connect (19%). The sample (i.e., census) used in 2005 is not reported, but if it is the same as the 2007 sample (i.e., census), the response rate for 2005 was about 13%. We reserve for a later discussion the question whether the AIPLA survey yielded representative data or used appropriate statistical methods. Both response rates are well below the 70% figure generally expected under OMB statistical policy guidelines for surveys conducted or sponsored by an agency, and OMB would not have approved it. It is PTO's responsibility under OMB's and its own information quality guidelines to demonstrate that the information it disseminates and relies upon for influential purposes satisfies information quality standards.

We use the following hourly rates from AIPLA (2007):

- Patent Attorney (mean): \$332 in 2006, increasing at 5% per year (2008: \$366; 2009: \$384; 2010: \$404)⁴
- Partner (mean): \$390 in 2006, increasing at 5% per year (2008: \$430; 2009: \$451; 2010: \$474)⁵

AIPLA (2007) does not include hourly rates for paralegals. We use fully-loaded 2007 billing rates described as "typical" obtained from New York- and Washington DC-based law firms specializing in IP:

- Paralegal \$150 in 2007, increasing at 5% per year (2008: \$158; 2009: \$165; 2010: \$174)

¹ AIPLA, Report of the Economic Survey, 2005 (at I-6). Available from the American Intellectual Property Law Association, www.aipla.org.

² AIPLA, Report of the Economic Survey, 2007. Available from the American Intellectual Property Law Association, www.aipla.org.

³ "The paraprofessional rate is \$90 per hour." See Supporting Statement at 13.

⁴ AIPLA (2007) at I-5. Average billed hours = 1,655.

⁵ AIPLA (2007) at I-5. Average billed hours = 1,800.

Estimates of Burden Hours per Response and Numbers of Respondents. Except for the hourly rate for attorneys (see above), § 12 of the Supporting Statement does not report how PTO obtained any of its estimates. Thus, we cannot reproduce PTO's figures. Because of this lack of minimal transparency, OMB should presume that PTO's burden estimates do not adhere to applicable information quality standards issued by OMB and PTO in 2002.⁶

Alternative Estimates of Burden. We provide alternative burden estimates beginning on page 20 and explain how we derived them. Burden estimates consist of two parts: (a) the average number of hours required to fulfill the set of tasks identified by the item; and (b) the number of responses per year that PTO should expect to receive. We obtained estimates of unit burden from experienced patent attorneys and agents who actually perform tasks identical or closely analogous to those described in Table 3 of the Supporting Statement. We expressly instructed them to provide *unbiased* estimates (i.e., estimates equally likely to under- or overstate the true value). We generally found that PTO's burden estimates for longstanding tasks to be reasonable. PTO's errors are largely (but not exclusively) confined to matters related to the final Continuations Rule and 5/25 Claims Rule, the proposed (and draft final) IDS Rule, and the proposed Appeals Rule. We have not yet attempted to estimate paperwork burden for the proposed Markush Practice Rule.⁷

Greater discrepancies were noted with respect to the number of responses PTO should expect to receive, and PTO's estimates in several critical places are especially problematic. As indicated above, PTO does not disclose the basis for any of its estimates. For the burdens added by the new rules, PTO's estimates do not comport with the requirements of the proposed and final rules.

We generally use the following assumptions:

- Retroactive Effects: The final 5/25 Claims Rule is retroactive.⁸ There were approximately 761,000 applications in PTO's backlog at the end of FY 2007, a 9% average annual increase since FY 2001.⁹ Based on PTO estimates,¹⁰ approximately 30% are affected under the 5/25 Claims Rule, with smaller percentages under

⁶ OMB, "Guidelines for Ensuring and Maximizing the Quality, Objectivity, Utility, and Integrity of Information Disseminated by Federal Agencies; Notice; Republication," 67 Fed. Reg. 8452 (<http://www.whitehouse.gov/omb/fedreg/reproducible2.pdf>); PTO, Information Quality Guidelines, available at <http://www.uspto.gov/web/offices/ac/ido/ifoqualityguide.html> (objectivity standard: "In those situations involving influential scientific or statistical information, the results must be capable of being substantially reproduced, if the original or supporting data are independently analyzed using the same models").

⁷ PTO, "Examination of Patent Applications That Include Claims Containing Alternative Language," 72 Fed. Reg. 44992 (<http://www.uspto.gov/web/offices/com/sol/notices/72fr44992.pdf>).

⁸ See Memorandum from John Love, Deputy Commissioner for Patent Policy, to Technology Center Directors (October 11, 2007):

Effective November 1, 2007, if any applicant presents more than 5 independent claims or more than 25 total claims in an application, applicant will be required under 37 CFR 175(b) to file an examination support document (ESD) in compliance with 37 CFR 1.265 before the first Office action on the merits (hereafter "5/25 claim threshold"). The changes to 37 CFR 1.75(b) apply to all pending applications¹ in which a first Office action on the merits (FAOM) has not been mailed before November 1, 2007.

¹ The changes to 37 CFR 1.75(b) also apply to any pending reissue applications that seek to change the patent claims.

(Emphasis added.) Attached as Appendix A.

⁹ PTO, Performance and Accountability Report, FY 2007, Table 3. PDF available at <http://www.uspto.gov/web/offices/com/annual/2006/2006annualreport.pdf>.

¹⁰ PTO internal memorandum (August 6, 2006): "As of 2/28/07, 708,321 UPR cases in the backlog. 29% of the non-small entity cases were over 5 or 25, and 30% of the small entity cases were over 5 and 25." Attached as Appendix C.

the other rules. Because of deadlines PTO established in the recent final rules, we assume that the entire burden imposed on the backlog will be borne in 2008. We use 250,000 as an approximate number of prior applications affected.

- Prospective Effects: There are about 450,000 applications filed per year, growing at a rate of 8% per year according to PTO (2008: 486k; 2009: 525k; 2010: 567k). In FY 2006, 74,793 RCEs were filed (FY 2008 estimate = $75k \times 1.08^8 \sim 88k$), leaving an annual flow of $(486k - 88k) = 398k$ (2008), $411k \times 1.08^1 = 430k$ (2009) and $398k \times 1.08^2 = 464k$ (2010). Approximately one-third of non-RCE applications would be affected by the final Continuations Rule and 5/25 Claims Rule (2008: $398k \div 3 = 133k$; 2009: $430k \div 3 = 143k$; 2010: $464k \div 3 = 155k$).

In any case where we use different figures, we explain their basis.

Typically, burden hour estimates are assumed to be constant over the three-year period of an approval. In this case, however, it is certain that burden hours will differ during the period. First, the burden on respondents from retroactive effects will be borne during the first year because of mandatory deadlines in the final Continuation and 5/25 Claims Rules, then vanish. Second, the number of applications covered by the ICR is rising at about 8% per year.

Missing Burdens. Table 3 of the Supporting Statement does not include several new paperwork burdens created by the final Continuations/5-25 Claims Rule. Because PTO asserted that the proposed Appeals Rule and proposed Markush Practice Rule have no change in burden, the Supporting Statement does not include their burdens. We have inserted new row numbers at the end to account for some of the burdens that would be imposed if the Appeals Rule is finalized.

We have not yet been able to estimate the paperwork burdens likely imposed by the proposed Markush Practice Rule. We expect that these burdens will be very large. To comply with the Paperwork Reduction Act, PTO must revise ICR 0651-0031 to account for these burdens and publish a new 60-day notice seeking public comment on the revision.

**Supporting Statement § A(5):
PTO's ESTIMATES OF IMPACTS ON SMALL ENTITIES ARE KNOWINGLY FALSE**

In lieu of any analysis of burdens on small entities, the Supporting Statement simply asserts that there are no significant impacts on small entities because the law requires PTO to provide them fee reductions of 50%.

No significant impact is placed on small entities. Small entities simply need to identify themselves as such to obtain the benefits of small entity status (p. 10).

This is analysis by non sequitur. The existence of a differential statutory fee is not proof of no significant impact, even if fees are the only costs small entities must bear. In fact, fees paid to PTO are a small fraction of paperwork burden. Absent credible information to the contrary, PTO must assume that impacts are proportional irrespective of entity size and re-estimate impacts on small entities.¹¹ At page 69ff, we present credible evidence, based on PTO data not disclosed in the Supporting Statement or the Office's Certification of No Significant Impact,¹² that the effects on small entities are greater than proportional to entity size.

^e PTO's Reg Flex Act certification is dated June 29, 2007, but apparently was not published until August 28, 2007. There are fatal analytic errors in this document; it grossly understates small entity impacts. Nevertheless, it provides burden estimates that vastly exceed those in the Supporting Statement for ICR 0651-0031. Either the Supporting Statement or the Reg Flex certification, or both, are wrong.

Katznelson has shown that PTO's Reg Flex Certification of no significant impacts on a substantial number of small entities has no analytic merit.¹³ First, the Certification is based on the unsubstantiated and counterfactual assertion that the number of applications affected by the final Continuations and Claims Rule is the same as if PTO had instead promulgated a different rule permitting five independent and 75 total claims ("5/75") and no continuations for a patent family. PTO claims in the Certification that a 5/75 rule would affect perhaps 1-3% of the application base, but elsewhere has admitted that the promulgated final rule affects 24-30% of applications.¹⁴ Moreover, the existence of data that directly contradict assertions made by PTO in the Certification strongly suggest that PTO staff disseminated, both to the public and the Small Business Administration's Office of Advocacy, influential information they knew to be false.

Second, these regulatory alternatives cannot be equivalent because a separate provision of the final rule – new rule 78(f) – establishes regulatory presumptions that are burdensome for applicants to rebut. But PTO does not account for this additional paperwork burden, either in the Certification (where their revelation would have destroyed the basis for PTO's no-effect determination) or in the ICR (where paperwork burdens must be accounted for independent of differential effects on applicants of applicants by entity size).

Third, PTO has elsewhere admitted that the predicted applicant behavior change upon which the no-effect certification is premised is already standard applicant practice. Without the ability to adapt as predicted, a no-effect certification cannot be justified. Thus, PTO based its certification on a second premise it knew was invalid.

¹¹ In the proposed Appeals Rule, PTO asserts that it will not have a significant impact on a substantial number of small entities. The Office provides no supporting evidence. See 73 Fed. Reg. 41484.

¹² PTO, "Certification Analysis Under the Regulatory Flexibility Act: Changes to Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications" (prepared by ICF International; online at: <http://www.uspto.gov/web/offices/pac/dapp/opla/presentation/cfcrcertificationanalysis.pdf>).

¹³ Ron D. Katznelson, *Defects In The Economic Impact Analysis Provided By The USPTO For Its New Claims And Continuation Rules*. See section 3.4. Attached as Appendix B.

¹⁴ The 24-30% figure explains why the final rule is so widely controversial; the 10-3% figure does not.

Supporting Statement § A(4):***THE PROPOSED APPEAL RULE CONTAINS MILLIONS OF DOLLARS WORTH OF DUPLICATIVE BURDEN***

In its PRA notice for the proposed Appeal Rule, PTO claims that it imposes no change in paperwork burden. In fact, the proposed Appeal Rule consists of economically significant changes in appeals practice because it increases cost to appellants and reducing the likelihood of success. The rule also imposes significant new paperwork burdens and exacts punishing losses on appellants who violate even the most trivial of these new requirements. We itemize these new burdens on page 83.

In addition, several specific regulatory provisions would require patentees to submit, in different format, the same information applicants have already provided to PTO in the PTO-specified format and retained electronically by PTO in its own database. No rationale is provided to justify this duplication. In Table 2 at page 15 and Table 3 at page 16, we list these duplicative requirements and provide estimates of their burden hours developed by Dr. Ron Katznelson and submitted as a public comment to PTO on October 22 and to OMB in this proceeding.¹⁵ with hourly rates updated by AIPLA (2007) as set forth on page 10ff.

We believe that Katznelson's estimates are roughly correct in terms of hourly burden per response. However, he extrapolated from historical trends in PTO data and he adopted the PTO's projection of changes in applicant behavior leading to only 33% increase in appeal flow, because of the loss of procedural options under the final Continuations Rule. We believe this understates the likely increase in appeals. Because continuations are now sharply limited, applicants can be expected to conserve them for use when no other administrative procedure is available. We expect appeals will become a default, near-universal adaptive response to the new constraint on continuation practice. For this reason, we use Katznelson's estimates of the number of appeals as a reasonable lower bound (the "LOW" estimates in Table 2 and Table 3). For a reasonable upper bound, we assume that applicants will do as PTO recommends in the preamble to the final Continuations Rule: exercise the right of appeal earlier in the process than under today's practice (the "HIGH" estimates in Table 2 and Table 3). We assume 56,094 (75% of the 74,793 RCEs filed in FY 2006) will shift to appeals in FY 2008; the actual figure could be higher.

We follow Katznelson and assume that the current, stable ratio of Appeal Briefs to Reply Briefs will be maintained. Historically, the Office concedes error in well over 50% of Appeal Briefs, eliminating the need for a Reply Brief.¹⁶ Note that this is only duplicative paperwork burden; new paperwork burdens caused by PTO's programmatic shift from the \$1,000 per response RCE procedure to the \$15,000 to \$20,000 per response appeal procedure are discussed on pages **Error! Bookmark not defined.** to **Error! Bookmark not defined.**

We report costs in millions of dollars and round to two significant figures. For 2008, duplicate burdens range from \$27 million to \$62 million for appeal briefs, and \$12 million to \$19 million for reply briefs.

¹⁵ Ron D. Katznelson public comments at <http://www.reginfo.gov/public/do/DownloadDocument?documentID=51959&version=1> .

¹⁶ See PTO statistics at <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf> at 52-63.

Table 2: Duplicative Paperwork Burdens In Proposed Appeals Rule: Appeal Brief Requirements

Proposed Rule	Requirement	Hours (a)	Number of Responses (b)		Burden Hours (a) × (b)		Hourly Rate (c)	Total Burden (a) × (b) × (c)		
41.37(i), 41.37(j), 41.37(t), 41.37(v)(1)	Contain papers that have been entered by the examiner and the applicant during prosecution and a table of contents setting forth the contents of the Evidence Section.	3.0*	LOW*						LOW	
			2008	33,612	2008	100,836	\$366	2008	\$27 million	
			2009	39,285	2009	135,216	\$384	2009	\$52 million	
			2010	45,915	2010	137,745	\$404	2010	\$56 million	
			HIGH**						HIGH	
			2008	56,500	2008	169,500	\$366	2008	\$62 million	
41.37(u), 41.37(v)(1)	Provide copies of orders and opinions required to be cited pursuant to 41.37(g).	3.0*	2009	66,100	2009	198,300	\$384	2009	\$76 million	
			2010	77,337	2010	232,011	\$404	2010	\$94 million	

Notes:

- Burden hour estimation logic, rows 1 & 2 combined: The Evidence appendix, its table of contents and pagination requirements of Proposed 41.37(v)(1) as stated are far more precise than the Federal Circuit's, and are circularly dependent so that they will require multiple iterations.
- Assembling and page-numbering the Appendix, and then back-substituting Appendix page numbers into the body of the brief cannot be done electronically. Based on Federal Circuit brief preparation experience of several practitioners, the attorney time shown is a very conservative cost estimate for actual attorney and paralegal costs.

Table footnotes:

* Estimated by Katznelson (2007) from PTO data; see accompanying text.

** Assumes number of appeals in FY 2008 = 75% of FY 2006 RCEs.

Table 3: Duplicative Paperwork Burdens In Proposed Appeals Rule: Reply Brief Requirements

Proposed Rule	Requirement	Hours (a)	Number of Responses (b)	Burden Hours (a) × (b)		Hourly Rate** (c)	Total Burden (a) × (b) × (c)	
41.37(I), 41.41(h)(2)	Include a copy of the Examiner Answer to which the Reply Brief is directed.	3.0*	LOW*				LOW	
			2008	10,559	2008	31,677	\$366	2008
2009	15,024		2009	45,072	\$384	2009	\$17 million	
2010	17,560		2010	52,680	\$404	2010	\$22 million	
HIGH**					HIGH			
41.37(I), 41.37(v)(1), 41.41(h)(3)	All evidence upon which the examiner's answer relied in support of the new rejection that does not already appear in the evidence section accompanying the appeal brief, except the specification, any drawings, U.S. patents and U.S. published applications.		2008	17,515	2008	52,545	\$366	2008
		2009	25,118	2009	75,354	\$384	2009	\$29 million
		2010	29,399	2010	88,197	\$404	2010	\$36 million
Notes:								
<ul style="list-style-type: none"> Burden hour estimation logic, row 1: Reformatting and manual pagination required for inclusion. Burden hour estimation logic, row 2: To meet Applicant's new burden of reproducing and documenting the Examiner's Answer's evidentiary record including reformatting and manual pagination. 								
* Estimated by Katznelson (2007) from PTO data; see accompanying text.								
** Estimated by Katznelson (2007) from PTO data; see accompanying text. Ratio of reply briefs to appeal briefs: 31% (2008), 38% (2009), 38% (2010).								

Supporting Statement § A(8):***PTO's PUBLIC NOTICE AND CONSULATION WITH AFFECTED PARTIES WERE DEFECTIVE***

PTO was required to follow specified procedures to seek OMB approval of 0651-0031 related to at least five regulatory actions. The table below maps (a) the regulation, (b) the date of public notice via FR publication,¹⁷ (c) the date of ICR submission, (d) the date of OMB action, and (e) a summary of public participation opportunities provided by PTO. In only one case did the public have ample *time* to comment on the ICR, and in that case PTO *did not submit a Supporting Statement* enabling the public to comment on the specific items set forth in 5 CFR 1320.8(d)(1)(i)-(iv).

In the Supporting Statement PTO claims to have consulted extensively and regularly with affected regulated parties. The nature of this consultation is expressed in vague terms that cannot be verified. Moreover, the claim itself is contradicted by extensive public comments provided to PTO by these affected parties in response to proposed rulemakings. The absence of public comments on the ICRs themselves reflects PTO's limited effort to educate its constituencies regarding paperwork matters, the absence of supporting statements with its ICR submissions, the timing of its ICR submissions, and its denial that proposed rules even impose any paperwork burden.

As Table 4 demonstrates, PTO did not follow required PRA procedures necessary to ensure informed public comment:

- ICR #1 (proposed Limits on Continuations and Limits on Claims Rules): Submitted to OMB on December 22, 2005, but public notice was not issued until January 3, 2006.¹⁸ The submission lacked a Supporting Statement, so the public did not have information essential for informed public comment.¹⁹
- ICR #2 (proposed IDS Rule): Submitted to OMB on June 5, 2006, but public notice was not issued until July 10, 2006.²⁰ This submission also lacked a Supporting Statement, so the public did not have information essential for informed public comment.²¹ OMB approved the ICR on July 12, 2006 -- two days after public notice was issued.
- ICR #3 (final Continuations and 5/25 Claims Rules): Submitted to OMB on September 26, 2007, but public notice was issued on August 21, 2007.²² This ICR included a Supporting Statement,²³ and is highlighted in yellow.
- PTO submitted no ICRs for the Appeals and Markush Practice Rules, and thus issued no public notices.

¹⁷ All public notices on paperwork matters were contained within the preambles to the relevant proposed or final rule..

¹⁸ http://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=200512-0651-002#section0_anchor.

¹⁹ http://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=200512-0651-002.

²⁰ http://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=200606-0651-001.

²¹ http://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=200606-0651-001.

²² http://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=200707-0651-005.

²³ http://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=200707-0651-005.

Table 4: Public Participation Opportunities in ICR 0651-0031, 2006 to date

(a) Rule Nickname	(b) Fed Reg Pub Date	(c) ICR Submission Date	(d) OMB Action Date	(e) Public Participation Opportunities
Proposed Continuations Rule ²⁴	01/03/06	12/22/05	02/22/06	No supporting statement; boilerplate FR notice; nothing on which to comment.
Proposed Limits on Claims Rule ²⁵	01/03/06	200512-0651-002)		
Petition to Make Special under Accelerated Examination Program ²⁶	06/26/06	Unknown; not recorded in ICR database		Change Worksheet only, not publicly disclosed. Method for deriving burden estimates not disclosed.
Proposed IDS Rule ²⁷	07/10/06	06/05/06 (200606-0651-001)	07/12/06	No supporting statement; boilerplate FR notice; nothing on which to comment; OMB approval on Day 2 after publication of notice with request for comment.
Proposed Appeals Rule ²⁸	07/30/07	N/A	N/A	No ICR submitted.
Final Continuations Rule Final 5/25 Claims Rule	08/21/07	09/26/07 (200707-0651-005)	Pending	Supporting Statement . Comments submitted to PTO and OMB on IDS Rule component only (10/18/07). Comments submitted to PTO and OMB
Proposed Markush Practice Rule ²⁹ x0031 x0032	08/10/07 08/10/07	N/A	N/A	No ICR submitted.

²⁴ “The USPTO is submitting this collection in support of a notice of proposed rulemaking, ‘Changes to Practice for the Examination’”.

²⁵ Since at least 01/01/04, no ICR abstracts reference this proposed rulemaking.

²⁶ 71 Fed. Reg. 36323.

²⁷ “The USPTO is submitting this collection in support of a notice of proposed rulemaking. ‘Changes to information Disclosure profit’”.

²⁸ “The United States Patent and Trademark Office is not resubmitting an information collection package to OMB for its review and approval because the changes in this proposed rule would not affect the information collection requirements associated with the information collection under OMB control number 0651–0031” (72 FR 41484).

²⁹ “The United States Patent and Trademark Office is not resubmitting the other information collections listed above to OMB for its review and approval because the changes in this notice do not affect the information collection requirements associated with the information collections under these OMB control numbers” (72 FR 44999).

Section A(2):***PTO's FAILURE TO PERFORM ADEQUATE INTERNAL AGENCY REVIEW AS REQUIRED BY THE PRA AND APPLICABLE INFORMATION QUALITY GUIDELINES***

PTO is required under the PRA to conduct several steps of internal agency review before submitting an ICR to OMB. See 5 CFR 1320.7(d). These planning tasks include, among other things, scheduling paperwork reviews in accordance with the timing of regulatory actions that are expected to increase paperwork burden. As Table 4 demonstrates, PTO has failed to fulfill these statutory responsibilities.

An early and fundamental internal agency review task is to determine whether a proposed regulatory action is expected to have substantive effect on paperwork requirements and burdens. PTO asserts that the Appeals and Markush Practice Rules will have no effect on paperwork requirements and burdens. However, the public comment submitted by Dr. Ron Katznelson on the proposed Appeals Rule shows that its change in burden is highly significant. Moreover, several of the proposed rule's paperwork requirements are unjustifiably duplicative. Proper internal review would have flagged these problems and led PTO to avoid proposing regulations triggering duplicative paperwork burdens, and either submit a revised ICR or specifically include paperwork burdens from the proposed Appeals Rule in the September 26th submission.

In only the most recent of these three ICR packages is there a Supporting Statement in OMB's electronic record of PTO's submission. The Supporting Statement is a crucial and essential element of the ICR submission. Without one, the public has nothing on which to comment and the public participation purposes of the PRA are completely undermined.

The final internal agency review task we highlight is the requirement to produce a specific, objectively supported estimate of burden. See 5 CFR 1320.8(a)(4). The Supporting Statement for the September 26th submission contains very specific estimates for dozens of individual items of information. None of these estimates is reproducible, and all are downwardly biased because they rely on outdated wages rates.

Supporting Statement § 12: Alternative Burden Estimates for Items Acknowledged by PTO

PTO's burden estimates for each component of ICR 0651-0031 is provided in Table 3 of the Supporting Statement. The analytic basis for these estimates is not disclosed. In this section, we provide alternative estimates in each case where we have credible information that PTO's estimate is incorrect, based on the experience of patent professionals who have complied with the ICR for many years. Where we do not have an alternative estimate, we have updated PTO's estimate with wage rates for 2008. PTO reports burden estimates in dollars, which implies up to nine significant figures. We report burdens in millions of dollars and round to two significant figures.

There are at least three reasons to believe that wage rates for 2009 and 2010 will be much higher:

- (1) AIPLA (2007) shows a steady increase of about 5% or more per year over the past several years. We are aware of no information suggesting that this trend will suddenly stop.
- (2) The final Continuations Rule and 5/25 Rule, the proposed (now draft final) IDS Rule, and the proposed Appeals and Markush Practice Rules, all impose hundreds of thousands of additional burden hours on a fixed supply of registered patent agents and patent counsel. In the short run, this will cause a substantial upward shift in the demand for their services. Hourly rates will rise accordingly to allocate these scarce resources to their most productive use, as measured by inventors' willingness to pay. In the long run, higher wages will cause more new lawyers to enter patent practice rather than other legal fields, and that will cause hourly rates to attenuate somewhat.³⁰ However, because patent law is a highly inelastic labor market – open only to those with *both* a technical degree and a law degree -- it will take many years for the market to adjust. For the foreseeable future, hourly rates for patent agents and counsel will be much higher than they are today.
- (3) Certain provisions in the final Continuations Rule and 5/25 Claims Rule require patent applicants and their counsel to immediately review all their pending applications and make certain filings in the next several months. Fulfilling these tasks will cause a further upward shift in market demand for patent agents and attorneys in 2008, which will put additional upward pressure on wages.

We recommend that OMB use our 2008 wage rates, but approve the ICR for only one year and direct PTO to obtain valid and reliable data for re-estimating burden. This also would provide an opportunity for PTO to obtain its own estimates of burden for each of the items in 0651-0031 (and perhaps other ICRs). A good vehicle for this task may be the survey now under review (ICR 0561-0052), submitted to OMB on October 18, 2007, provided that it is substantially revised in both content and methodology.³¹ If, however, OMB wishes to issue a standard 3-year approval, then the factors known to increase burden over the term of the approval should be accounted for in the burden estimates.

³⁰ Higher wage rates in private practice also will cause the “best and the brightest” in PTO's examination corps to resign from government service.

³¹ See http://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=200710-0651-002. The Supporting Statement for the survey does not include critical documents necessary for informing public comment, such as the actual survey instrument. Nevertheless, PTO projects a 21% response rate, which alone is sufficient ground for disapproval under OMB survey response guidance.

Table 3, Row 14

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) \$/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Notice of Appeal	PTO	0.20	16,500	3,300	\$304	\$1,003,200	NA	\$0
	Alt	0.20	75,000	3,300	\$366	\$27 million	$(\$366 - \$304) \times (75,000 - 3,300) \approx$ \$0.2 million	\$27 million – \$1 million – \$0.2 million ≈ \$25.8 million

Corrections:

- (i) Assumes 2008 hourly rates.
- (ii) Includes only the burden of filing the notice. The burden of preparing appeals is not included by PTO; we count it at page 83ff. Appeals are covered burden because BPAI is an extension of the examination process under the management control of the Commissioner and is not administratively separate.
- (iii) We expect a dramatic increase in the number of appeals driven by the new restriction on the number of allowable continuations. In the preamble to the final rule, PTO encouraged applicants to file appeals. In its FY 2007 budget proposal, PTO sought a significant increase in funding and staffing to handle this expected increase in appeals.

Table 3, Row 44

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) \$/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
44 Pre-Appeal Brief Request for Review	PTO	0.50	3,200	1,600	\$304	\$486,400	NA	\$0
	Alt	10.0	60,000	600,000	366	\$220 million	\$1.4 million	\$219 million

Corrections:

- (i) Assumes 2008 hourly rates.
- (ii) Burden hours per response:
 - a. PTO estimate is not credible because it excludes the burden of preparing the appeal behind the required request. (IRS burden estimates include the cost of preparing tax returns, not just filing them,)
 - b. A Pre-Appeal Request for Review is the request by an applicant that PTO invoke an internal procedure the purpose of which is to avoid the need for appeals. Submitting a Pre-Appeal Request for Review requires writing a highly persuasive, detailed 5-page brief. Neither the applicant nor the applicant's counsel may participate in the pre-appeal review, thus the document must be entirely self-contained. Under these conditions, these documents require on average about 2 hours per page to prepare, and more if the material that must be distilled is complex.
 - c. The attorney must sort through all Examiner rejections; identify which ones he believes were improper; identify rejections with a clear absence of a prima facie case; and narrow focus to the issues that are both simple and that, if won, result in allowance
 - d. GFWAG re-estimate of burden prior to final Continuations Rule: 10 hours.
 - e. Appeals will be more burdensome to prepare because the stakes are commensurately greater. Thus, cost estimates in AIPLA (2007) are no longer applicable even if the sample is representative. Because of the limits on continuations, there will be no opportunity to sift and refine issues; appeals will have to be taken on very sparse statements of examiners' positions. GFWAG: 200% × re-estimate (20 hours – 10 hours = 10 hours).
- (iii) Number of responses:
 - a. Historically, Examiners have lost 80% of appeals to the Board on Patent Appeals and Interferences (BPAI), when all layers of review are considered. PTO publicly discloses only the rate of reversal at the final stage, final decisions of the Board of Patent Appeals and Interferences. More than 2/3 of appeals result in the examiner's position being reversed or vacated before the appeal reaches the Board. PTO has previously said that over half of the appeal conferences result in allowance or reopening of prosecution. Therefore, we believe the number of pre-appeal requests for review will be the majority of first final rejections, the vast majority of all second final rejections, and all 3rd final rejections. GFWAG: 60,000 responses.
 - b. RCEs: The final Continuations Rule is expected by practitioners to dramatically increase the number of pre-appeal reviews and appeals. In the preamble to the final rule, PTO responded to commenters objecting to the limit on continuations practice by reminding them that they were still entitled to appeal and strongly recommended that applicants do so. Therefore, we estimate at least half of all final rejections will be appealed, including: There were 74,793 (~75,000) RCEs filed in FY 2006; the final Continuations Rule shuts down RCEs, and this is where we believe that about 80% will go.
 - c. PTO also expects a dramatic increase in appeals. In its FY 2007 budget submission, PTO asked for a substantial increase in FTEs to handle the increased appeal workload. The basis for PTO's estimate of 3,200 appeals is not disclosed.

OMITTED ITEM: APPEAL BRIEFS AND REPLY BRIEFS TRIGGERED BY LOSS OF CONTINUATIONS)

Table 3, Omitted Item 2 (Appeal Briefs & Reply Briefs)

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) \$/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Appeal Brief	PTO	0	0	0	NA	NA	NA	NA
	Alt	30	40,000	1,200,000	\$366	\$440 million	\$0	\$440 million
Reply Brief	Alt	16	16,000	256,000	\$366	\$94 million	\$0	\$94 million
	Oral hearing prep	8	16,000	128,000	\$366	\$47 million	\$0	\$47 million
	Oral hearing travel	8	14,400 14,400	115,200 NA	\$366 \$1,000/trip	\$42 million \$14 million	\$0	\$42 million
Total			Varies	1,699,200	NA	\$640 million	\$0	\$640 million

Corrections:

- (i) PTO counts the burden of *filing* a request for appeal (see Row 14), but not the burden of *preparing* an appeal. Appeals are covered burdens because BPAI is an extension of the examination process under the management control of the Commissioner of Patents.
- (ii) Burden hours:
 - a. AIPLA (2007) reports average cost of filing an appeal in 2006 ranged from \$4,000 without oral argument (interquartile range: \$2,500 to \$5,500) to \$6,500 with oral argument (interquartile range: \$4,500 to \$10,000). At the 2006 billing rate of \$332, these equate to 12 (8 to 17) and 20 (14 to 30) burden hours, respectively. We use 20 burden hours because oral argument is now essential.
 - b. We believe appeals will be much more expensive under the final Continuations Rule because there will be no opportunity to sift and refine issues and appeals will have to be taken on very sparse statements of examiners' positions. GFWAG: 150% of (a), or 30 hours.
 - c. Oral hearing entails additional preparation costs, plus travel. We assume 90% require non-local travel at \$1,000 per trip.
- (iii) Number of responses:
 - a. Under the final Continuations Rule, appeal is the most attractive option in the absence of additional continuations available by right.
 - b. GFWAG: 60,000 of the RCEs prevented by the Continuations Rule will convert to Pre-Appeals. In 1/3 of Pre-Appeals, the examiner will concede error and drop the rejection, leaving 2/3 (40,000) to mature into Appeal Briefs. At Appeal Brief stage, historically, the Office has conceded error in about 60% of cases, and thus 40% of the 40,000 appeals (16,000) mature to the Reply Brief and Oral Hearing stage. See note (iii)(b) for Row 44.

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November 10, 2008

By Email Nicholas_A._Fraser@omb.eop.gov

Mr. Nicholas A. Fraser
Desk Officer for Patent and Trademark Office
Office of Information and Regulatory Affairs
Office of Management and Budget 725 17th St. NW
Washington DC 20503

Re: Information Collection Request, Comment Request 0651-00xx, 73 Fed. Reg.
58943 (Oct. 8 2008, submitted to OMB Oct. 10, 2008)

Letter 1. Modification of Proposed Rule Language with Massive Paperwork
Burden Consequences

Dear Mr. Fraser:

I appreciate the opportunity to comment on the PTO's Information Collection Request (ICR) 0651-00xx. This is the first of several letters I will send you on this ICR.

- In the Final Rule, the PTO "substantially modified" – completely reversed – a crucial provision of the proposed rule
- This change alone results in uncounted but massive new paperwork burdens because it would require applicants to predict and respond to unstated, possible future examiner positions. If they cannot make these predictions accurately and comprehensively, applicants will lose many cases before the Board of Patent Appeals and Interferences (BPAI) that on the merits they should win.
- Although this change violates the Administrative Procedure Act, OMB is authorized by 44 U.S.C. § 3507(d)(4)(D) to disapprove the ICR based solely on this change and thereby eliminate the need for wasteful and expensive litigation that does not serve the public interest.
- The burden of this change is difficult to estimate, in part because its effects are so widespread. Applicants will have to perform much more intensive work on most of the 400,000 patent applications filed each year – not just the applications

that are actually appealed – because applicants cannot know in advance which applications will need to be appealed and which will not.

- If each application requires just 6 additional hours of attorney time – a realistic average figure – the total additional burden would be about **\$1 billion per year** for only these two provisions of the final rule.

OMB is well within its statutory authority to disapprove ICR 0651-00xx and direct the PTO to fully comply with the law in every respect. Alternatively, OMB could approve only those burdens associated with the appeal regulations that have been in place for years and for which the PTO has never before sought a valid OMB Control Number. This generous compromise would enable the PTO to first reconcile its past illegal conduct, which might have been inadvertent, but refrain from rewarding the PTO for conduct that it knows is illegal and for which it apparently expects OMB to cover up on its behalf.

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I. Introduction

A. Patent Law Requires Examiners to Raise Issues of Unpatentability

The Patent Act obligates the PTO not to issue invalid patents. To fulfill this obligation, examiners must raise issues of unpatentability no matter the stage of proceedings. This applies to appeals filed by applicants to the Board of Patent Appeals and Interferences (BPAI).

Patent examiners will, from time to time, recognize new questions after an appeal has commenced. The 2004-vintage appeal rules recognize this by specifically allowing examiners to raise new issues. There are many reasons this might happen: though some examiners are not diligent during regular examination and only fully engage once an application reaches appeal, even the most diligent examiner occasionally misses an issue that speaks directly to patentability and thus, by law, must be raised.

B. 2004 Regulatory Reforms Provided Applicants Protection from New Grounds for Rejection Raised at Appeal

The 2004-vintage rules provide adequate procedural safeguards so that when a "new ground of rejection" arises, the applicant has straightforward options to pursue, and is not unduly disadvantaged.¹ An applicant has the option of introducing new affidavits to overcome the examiner's new positions and taking the issue to the Board. Alternatively, the applicant can agree with the examiner and drop the issue or drop the appeal in favor of resumed normal examination.

C. The 2007 Proposed Rule Retained These Procedural Safeguards

The 2007 Proposed Rule also recognized examiners' statutory need to be able raise new issues in an appeal. The Proposed Rule weakened these procedural safeguards by barring applicants from filing new affidavits to overcome new factual assertions or new evidence introduced by an examiner, and some public commenters

¹ See, e.g., 2004 version of 37 C.F.R. § 41.37(b).

strongly objected to this change. Otherwise, the Proposed Rule followed the same broad contours.²

D. Without Any Support in the Record, the 2007 Final Rule Took These Safeguards Away

In the 2008 Final Rule the PTO reversed field completely. Final Bd.R. 41.39(b) says examiners are no longer permitted to raise any new issue in appeal. The PTO also eliminated the procedural safeguards that protect applicants' right to contest examiner positions they believe are in error. In theory, these procedural safeguards are not necessary if examiners are prohibited from raising new issues during appeal.

The problem with this neat, "burden-reducing reform" is that it is inconsistent with the Patent Act. Examiners have a statutory obligation to raise questions of patentability at any time they arise. The PTO cannot repeal the Patent Act by rule. Examiners will continue to raise new grounds for rejection, even if the text of the rule says that they cannot, because the law requires them to do so.³

E. The New Rule Denies Applicants a Fair Opportunity to Contest New Grounds for Rejection

The actual effect of new Bd.R. 41.39(b) was known to the PTO, because the 2008 final rule is essentially identical to the rule in effect from 1997 to 2004.⁴ The final 2008 rule creates a seriously uneven contest ensuring that examiners are much more likely to prevail in appeals that applicants should win on the merits. Examiners have

² See, e.g., NPRM Bd.R. 41.37(b)(1), (b)(2), 41.41(h), 41.44(a), 41.44(d)

³ *Blacklight Power Inc. v. Rogan*, 295 F.3d 1269, 1273-74, 63 USPQ2d 1534, 1537 (Fed. Cir. 2002); *Ex parte Peppel*, 1998 WL 1766687 at *4, <http://des.uspto.gov/Foia/RetrievePdf?system=BPAI&flNm=fd982848> at page 9 (BPAI 1998) (“While it is unfortunate that the Examiner [raised a new rejection too late,] there is nothing that can be done. Examiners are charged with making sure that an ‘applicant is entitled to a patent under law,’ 35 U.S.C. § 151. A statutory ground of rejection cannot be dismissed just because it was not entered earlier.”)

⁴ RIN 0651-AA80, Changes to Patent Practice and Procedure, 62 Fed. Reg. 53132, 53168 (Oct. 10, 1997) (amending 37 C.F.R. § 1.193(a)(2) to read “An examiner's answer must not include a new ground of rejection”).

unconstrained freedom to raise any issue at any time, to introduce new evidence or to change their analyses at any time. However, applicants facing new grounds for rejection can only argue that the examiner is wrong. They cannot introduce new evidence, and they cannot amend the application as they do during normal prosecution. The 2008 Final Rule even takes away applicants' option to discontinue the appeal process and return to regular prosecution before the examiner. When the examiner throws a "late hit," the applicant is absolutely powerless to do anything to defend, counter, or even retreat.

F. The Practical Effect of the New Rule is to Make Applicants Responsible for Examiner Negligence and Misconduct

In the Final Rule preamble, the PTO states both explicitly and implicitly that it will now be the applicant's burden to anticipate every new position an examiner might take during a subsequent appeal and preemptively erect defenses against those positions during regular prosecution. Anything an examiner asserts during an appeal will be presumed correct unless contradicted by evidence placed in the file by the applicant during normal prosecution – that is, prior to the commencement of an appeal.

G. Vast New Paperwork Burdens Arise Because of This Burden-Shift

To maintain the same likelihood of prevailing on appeal, an applicant and his counsel must anticipate every conceivable position the examiner might take at a future date. Each such position must be countered with evidence, often in the form of expert affidavits, submitted to the file. Applicants must undertake this even if the examiner has not raised the issue, because once the appeal process starts, the opportunity for applicants to submit these affidavits is closed. The burden of achieving his new duty of omniscience imposed by the PTO is incalculably large, so the practical result is that many deserving appeals will not be filed.

If the PTO's objective is to radically reduce the number of appeals filed irrespective of the merit of the quality of examination, this is a perfect tactic. However, if

the PTO's objective is (as the Patent Office so often claims) to improve patent quality, this tactic will simply destroy billions of dollars worth of legitimate patent value. Only the very highest valued innovations will be protected by patent.⁵

II. The Final Rule Reverses the Proposed Rule, and the PTO Failed to Follow the § 3507(d)(4) Paperwork Clearance Procedure for This Change

44 U.S.C. § 3507(d)(4)(D) gives OMB the power to disapprove this information collection if the final rule is "substantially modified" from the proposed rule, and the agency did not give the public or OMB an opportunity to comment on the change:

§ 3507(d)(4) No provision in this section shall be construed to prevent the Director, in the Director's discretion--

(D) from disapproving any collection of information contained in a final rule, if--

(i) the Director determines that the agency has substantially modified in the final rule the collection of information contained in the proposed rule; and

(ii) the agency has not given the Director the information required under [§ 3507(d)(1)] with respect to the modified collection of information, at least 60 days before the issuance of the final rule.

Both prongs of this section apply. It is already understood that the PTO provided no opportunity to comment on preliminary burden estimates for any part of the Proposed Rule, and indeed, the Patent Office certified that the Proposed Rule contained no new paperwork burdens at all. The textual change between the Proposed Rule and the Final Rule could not be more "substantially modified," as the side-by-side table below shows.

Final Bd.R. 41.39(b) triggers this provision, as well as several other grounds.

⁵ The Final Rule erects a burden that is overcome by high dollar value, not high quality.

2007 Proposed Rule	2008 Final Rule
(b) <i>New rejection in examiner’s answer.</i> <u>An examiner’s answer may include a new rejection.</u> If an examiner’s answer contains a rejection designated as a new rejection, appellant must, within two months from the date of the examiner’s answer, exercise one of the following two options or the application will be deemed to be abandoned or the reexamination proceeding will be deemed to be terminated.	§ 41.39(b) <i>No new ground of rejection.</i> <u>An examiner’s answer shall not include a new ground of rejection.</u>
(1) <i>Request to reopen prosecution.</i> Request that prosecution be reopened before the examiner by filing a reply under § 1.111 of this title with or without amendment or submission of evidence. Any amendment or evidence must be responsive to the new rejection. ...	{deleted}
(2) <i>Request to maintain the appeal.</i> Request that the appeal be maintained by filing a reply brief as set forth in § 41.41 of this subpart. A reply brief may not be accompanied by any amendment or evidence, except an amendment canceling one or more claims which are subject to the new rejection.	{deleted}
§ 41.43 Examiner’s response to reply brief. Upon consideration of a reply brief, the examiner may withdraw a rejection and reopen prosecution or may enter a supplemental examiner’s answer responding to the reply brief.	{deleted}

In the final rule, the PTO turned this scheme around 180°. ⁶ As amended in the Final Rule Notice, Bd.R. 41.39(b) states “An examiner’s answer shall not include a new ground of rejection.” This is nonsense on stilts – it ignores both the law and history.

The first violation of the Paperwork Reduction Act by final Bd.R. 41.39(b) is the requirement of § 3506(c)(2)(A)(i), that an information collection must be “for the proper performance of the functions of the agency.” On its face, this rule obligates the PTO to break the law by issuing invalid patents. The PTO has long recognized that it has a legal obligation to raise issues of patentability, no matter when they are recognized. It is incompatible with “the functions of the agency” for the PTO to lock itself into granting

⁶ This was illegal under the Administrative Procedure Act. 180° changes between an NPRM and final rule without a new round of notice and comment violate the “logical outgrowth” requirement for APA notice and comment, and such rules are invalid. *Int’l Union, United Mine Workers of Am. v. Mine Safety & Health Admin.*, 407 F.3d 1250, 1259 (D.C. Cir. 2005).

an invalid patent because an ill-considered rule requires an examiner to ignore issues when they recognize them.⁷

Second, this 180° reversal squarely triggers § 3507(d)(4). The PTO did not submit the revised rule for review.

Third, the PTO previously admitted that the “no new grounds” scheme was unworkable. During 1997-2004, when the same law was in effect, “new grounds of rejection” were nonetheless raised by examiners with some frequency, and the Board often found itself caught between incompatible substantive and procedural law.⁸ When the PTO finally admitted in 2004 that this approach was unworkable, the PTO noted that examiners could do a better job, and applicants would have a fair opportunity to respond.⁹ This unexplained return to a failed experiment violates § 3506(c)(2)(A)(i), the requirement that information collections promote “the proper performance of the functions of the agency.”

Fourth, the 2008 final version of Bd.R. 41.39 confines an applicant to filing a “continuation” application or “request for continued examination” (RCE) in order to present the necessary “amendment, affidavit, or evidence.”¹⁰ Under current law, that filing may be made as of right, on payment of a fee and an hour or so of preparing papers for filing. However, under the Continuations Rule that the PTO continues to

⁷ *Blacklight Power Inc. v. Rogan*, 295 F.3d 1269, 1273-74, 63 USPQ2d 1534, 1537 (Fed. Cir. 2002); *Ex parte Peppel*, 1998 WL 1766687 at *4, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&flNm=fd982848> at page 9 (BPAI 1998) (“While it is unfortunate that the Examiner [raised a new rejection too late,] there is nothing that can be done. Examiners are charged with making sure that an ‘applicant is entitled to a patent under law,’ 35 U.S.C. § 151. A statutory ground of rejection cannot be dismissed just because it was not entered earlier.”)

⁸ *E.g.*, *Ex parte Brissette*, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&flNm=fd991499> at 3 n.1, 2002 WL 226585 at *1 n.1 (BPAI May 19, 2000)

⁹ RIN 0651–AB32, Rules of Practice Before the Board of Patent Appeals and Interferences, Final rule, 69 Fed. Reg. 49960, 49963 (Aug. 12, 2004).

¹⁰ This alone has a substantial economic effect. Filing of an RCE – rather than pursuing these issues within an appeal, as in the 2004 rules, deprives an applicant of substantial patent term. 35 U.S.C. § 154(b)(1)(B)(i), § 154(b)(1)(C).

pursue,¹¹ an applicant must often file a petition¹² to be permitted to file that continuation or RCE.¹³ The PTO has indicated that it intends to grant these petitions very sparingly, so the burden of preparing this petition will be very substantial. The PTO has not even acknowledged the existence of this burden in this ICR, let alone made any objective attempt to estimate it. Final Bd.R. 41.39 violates the PTO’s obligation of objective estimation.

The PTO changed the rule 180° between the NPRM and the final rule, and “has not given the Director the information required under [§ 3507(d)(1)].” The ICR should be disapproved.

III. By Shifting the Burden of Proof, the PTO Adds Incalculable Burdens to Appeals and to Pre-Appeal Prosecution

For decades, the courts have uniformly held that the burden of proof is always on the PTO to establish unpatentability to a preponderance of the evidence. This level of burden of proof applies to both the examiner and the Board.¹⁴ That is, if the evidence is in equipoise, the applicant wins. The evidence is to speak for itself – the examiner’s

¹¹ Changes to Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications, Final Rule, 72 Fed. Reg. 46716 (Aug. 21, 2007), final rule

¹² Aug. 21, 2007 version of 37 C.F.R. § 1.78(d)(1)(vi) or § 1.114(g).

¹³ The PTO stated that “will likely not grant the petition for an additional continuing application or request for continued examination” arising out of “issues pertaining to inadequate examination,” 72 Fed. Reg. 46771, col. 2. Not only is the paperwork burden substantial, the PTO’s willingness to correct its own errors substantially deprives applicants of important property rights.

¹⁴ *In re Swanson*, 540 F.3d 1368, 1377, 88 USPQ2d 1196, 1203 (Fed. Cir. 2008 (“In PTO examinations ... the standard of proof [is] a preponderance of evidence”); *In re Kahn*, 441 F.3d 977, 989, 78 USPQ2d 1329, 1338 (Fed. Cir. 2006) (“the Board need only establish motivation to combine by a preponderance of the evidence”); *In re Glaug*, 283 F.3d 1335, 1338, 62 USPQ2d 1151, 1153 (Fed. Cir. 2002) (“patentability is determined by a preponderance of all the evidence”); *In re Oetiker*, 977 F.2d 1443, 1445, 24 USPQ2d 1443, 1444 (Fed. Cir. 1992) (“After evidence or argument is submitted by the applicant in response, patentability is determined on the totality of the record, by a preponderance of evidence with due consideration to persuasiveness of argument.”)

interpretation of the evidence is entitled to no more (and no less) weight than the applicant's.

It has also been clear for decades that an examiner's view of what the law is, and the application of the law to facts, is reviewed *de novo*, "from new," with no deference, no weight toward either applicant or examiner, on the Board's independent judgment. The Board is to reexamine these issues on a blank slate. Most importantly, the examiner's opinion of "claim construction," the interpretation of what a claim covers, the single most important issue in the vast majority of patent cases, has historically been given no weight – the Board has reviewed this issue *de novo*.¹⁵ This is a practical necessity: only a tiny fraction (under 10%) of all examiners have law degrees.

In this rulemaking, the PTO clearly shifts the burden of proof – while disingenuously stating it is not doing so. The PTO's own explanation states that anything an examiner says – a bald assertion of fact with no evidentiary support, an assertion of what the law is, or a finding of application of law to the facts – will be taken as correct, unless an applicant makes a showing of error:

In most appellate administrative and court tribunals, a decision under review is presumed to be correct until an appellant can convince the appellate tribunal that the decision is incorrect, whether the decision involves a question of fact or an issue of law or both. As one comment correctly stated: "[t]he appellant has to make the case for error on the record." On appeal to the Board, an appellant can overcome a rejection by showing insufficient evidence to support a *prima facie* case or rebutting any *prima facie* case with appropriate evidence.

Giving the benefit of doubt to an examiner until an applicant proves error is the very definition of a shift of the burden of proof. The new "presumptions" in favor of an examiner are similarly and unquestionably shifts of the burden of proof.

This is a giant thumb on the scale, and applicants will work hard to counterbalance it, using similar techniques, and with similar burdens, to those we

¹⁵ *Ex parte Toda*, 2001 WL 1729659 at *3, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fINm=fd980078> at 6 (BPAI Apr. 26, 2001)

discuss in § I.G at page 5. The PTO does not even acknowledge the existence of the burdens imposed, let alone estimate them. That violates the Paperwork Reduction Act.

The 2008 Final Rule is not required by law – indeed, it is almost certainly an illegal exercise of rulemaking authority.¹⁶ Without an OMB Control Number, the PTO cannot legally enforce it. Before OMB can even consider granting the PTO an approval that covers this provision, however, the PTO must acknowledge that the burdens exists and, for the first time, produce credible, objectively-based burden estimates for the steps applicants will take in response, and allow the public a reasonable opportunity to review and comment on them.

IV. Conclusion

This ICR should be disapproved, or should be approved with terms of clearance covering only the burden arising under 2004 appeal rules (except for the duplicative burdens, and those burdens the PTO imposes in violation of the Final Bulletin for Agency Good Guidance Practices). Only after the PTO has fully complied with the Paperwork Reduction Act should it be permitted to even seek OMB approval of the burdens in the 2008 Final Rule.

OMB should remember that the PTO’s 2007 rule sharply limiting continuation practice – enjoined but now under appeal to the Federal Circuit – envisioned appeals as the preferred way for applicants to seek remedies from improper examiner decisions. The 2008 Final Rule fundamentally altering the appeals practice betrays the PTO’s fundamental dishonesty, for this rule would destroy appeals as a practical alternative. The PTO did not provide objectively based estimates of the burdens for that rule either. The relevant ICR (0651-0031) has been “under review” at OMB for 14 months, with no

¹⁶ In *Tafas v. Dudas*, 541 F.Supp.2d 805, 817, 86 USPQ2d 1623, 1632 (E.D. Va. 2008), the Court specifically held that rules that shift burdens of proof are outside the PTO’s rulemaking authority. The PTO’s going final with another shift of burden of proof only two months later suggests that the PTO’s rulemaking and legal oversight functions may be malfunctioning.

sign that the Patent Office is the least bit interested in obtaining honest burden estimates.

The difference is that the PTO has an OMB Control Number for 0651-0031 and OMB continues to issue 30-day extensions. So the Patent Office has no incentive whatsoever to do anything constructive. If OMB issues a Control Number for 0651-00xx, the PTO will learn that aggressive and persistent refusal to comply with the Paperwork is an effective bureaucratic strategy.

Sincerely,

/s/ David E. Boundy

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November 13, 2008

By Email Nicholas_A._Fraser@omb.eop.gov

Mr. Nicholas A. Fraser
Desk Officer for Patent and Trademark Office
Office of Information and Regulatory Affairs
Office of Management and Budget
725 17th St. NW
Washington DC 20503

Re: Information Collection Request, Comment Request 0651-00xx, 73 Fed. Reg.
58943 (Oct. 8 2008)

Letter 2. PTO Severely Limited the Public's Opportunity to Provide Comments,
then Ignored the Comments It Received

Dear Mr. Fraser:

I appreciate the opportunity to comment on the PTO's Information Collection Request 0651-00xx. This is my second of several letters on this ICR. This letter addresses two classes of procedural issues, most relating to the PTO's abuse of the public comment process and its misstatements of burden-hour estimates that the PTO ironically states that it obtained from public commenters.

- The public comments in reply to the so-called 60-day notice dated June 9, 2008, suggested a number of ways in which burdens could be reduced or practical utility improved. **The PTO paid no attention whatsoever to these comments in preparing the final rule.** Indeed, the PTO could not have given them any attention because it promulgated the final rule on June 10, 2008 -- one day after seeking public comment. *The final rule went on display at the Office of the Federal Register the same day the request for comment was published.*
- The Final Rule notice and the Supporting Statement to the ICR respond selectively and mischievously to the comments members of the public provided. The Supporting Statement fails to even acknowledge many of these comments,

and mischaracterizes many others to imply things their authors never intended, OMB's Information Collection Rule requires the PTO to "demonstrate that it has taken every reasonable step" to minimize burden and avoid duplication. Inasmuch as publication of notice and the final rule were concurrent, and the PTO avoided giving any fair answer to a majority of the public comments, the PTO cannot possibly demonstrate PRA compliance.

- By statute and regulation, the PTO was required to "consult with members of the public" to (a) evaluate whether the information collection has practical utility, (b) evaluate the accuracy of the agency's burden estimates, (c) enhance the utility and clarity of the information to be collected, and (d) minimize the burden, both by notice and comment "and otherwise." For an information collection that is part of a proposed rule, this consultation must occur before a Notice of Proposed Rulemaking is published, so that the agency's burden estimates informed by consultation can be included in the notice required by § 1320.11(a) and the results of the agency's consultation can be evaluated as part of the public comment process.¹ On the record the PTO generated, there is no evidence that PTO consulted with **any member of the public**.

If OMB approves this information collection, it will reward PTO for its serial abuse of both the letter and the spirit of the PRA's public participation provisions. It is shocking to imagine that PTO could get away with certifying the absence of paperwork burden in the NPRM, seek public comment on June 9, 2008,² promulgate a final rule on June 10, 2008,³ and submit a ICR exactly 60 days before the final rule is scheduled to become effective.

¹ For information collection requests contained in a proposed rule, 44 U.S.C. § 3507(d)(1)(A) requires that an agency submit an ICR to OMB "as soon as practicable, but no later than the date of publication of a notice of proposed rulemaking in the Federal Register." An agency also is required, by 44 U.S.C. § 3507(a)(1)(D)(ii)(V), to publish a notice in the Federal Register "setting forth ... an estimate of the burden that shall result from the collection of information." § 3506(c)(1)(A)(iv) requires that any burden estimate submitted to the OMB Director, including those under § 3507(d)(1)(A), be "objectively supported." For the types of burden in this rulemaking – new requirements for papers – the only practical source of "objective support" for burden estimates is "conferring" with attorneys who do similar work. This chain of syllogisms requires consultation with the public sufficiently before the NPRM to permit the results to be included in the NPRM.

² Board of Patent Appeals and Interferences Actions, New collection; comment request, 72 Fed. Reg. 32559 (June 9, 2008).

³ RIN 0651-AC12, Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals, 73 Fed. Reg. 32938 (Jun. 10, 2008).

The issue presented to OMB is clear: Will OMB take reasonable action consistent with its statutory authority and responsibility to compel the PTO to adhere to the most elementary procedures of the Paperwork Act and OMB's Information Collection Rule, or will it become an accessory to the PTO's reckless disregard for both?

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I. Background: Patent Appeals Are Mostly the Result of the PTO's High Error Rate in Examination, in Turn Caused by Failure to Implement Good Guidance Practices

It is crucial to understand where the burdens of this information collection come from. The Patent Act, 35 U.S.C. § 134, expressly provides for appeals because examiners sometimes make mistakes. Over the last decade, the number of mistakes

has risen so much that examiners now lose between **80-90%** of appeals.⁴ This high error rate, in turn, is heavily influenced by two factors: (a) the PTO misincentivizes its employees by flawed compensation and performance metrics, urging them to reject meritorious applications, and (b) PTO management has stated that it refuses to implement the Final Bulletin for Agency Good Guidance Practices or to otherwise manage or direct its examiners to examine applications carefully.⁵ Because of these two factors, proceedings before patent examiners can be procedurally chaotic and unpredictable. Meritorious applications may be rejected simply because there is no way for an applicant to invoke the supervisory machinery of the PTO to compel an examiner to follow the PTO's Manual of Patent Examination Procedure (MPEP). Often, an appeal is the only way to secure a fair and competent examination in accordance with the MPEP and applicable legal standards.

⁴ Some PTO officials, including Commissioner John Doll, have incorrectly stated in recent public talks that the win/loss ratio is about 50/50. The 80-90% figure cited in the text comes from the PTO's own published data. Appeals proceed through three stages, "pre-appeal," "appeal conference" and final decisions of the Board of Patent Appeals and Interferences. Statistics from final Board decisions are available on the web; statistics on the two earlier levels are harder to come by and the PTO has disclosed only incomplete information in response to FOIA requests. When all the PTO's statistical facts are combined, e.g., Figure 4 of Katznelson <http://www.reginfo.gov/public/do/DownloadDocument?documentID=51959&version=1> one finds that the BPAI affirmed the examiner in only about 10% of appeals filed by applicants. **Examiners' erroneous rejection rate is between 80-90%.**

⁵ See Executive Order 13,422, http://www.whitehouse.gov/omb/inforeg/eo12866/eo12866_amended_01-2007.pdf (Jan. 18, 2007); Final Bulletin for Agency Good Guidance Practices, OMB Memorandum M-07-07, 72 Fed. Reg. 3432, <http://www.whitehouse.gov/omb/memoranda/fy2007/m07-07.pdf> (Jan. 25, 2007); and "Implementation of Executive Order 13422 (amending Executive Order 12866) and the OMB Bulletin on Good Guidance Practices," OMB Memorandum M-07-13, <http://www.whitehouse.gov/omb/memoranda/fy2007/m07-13.pdf> (April 25, 2007).

Almost two years after the issuance of the Bulletin, the PTO's web site still does not have the information required.

II. The PTO Systematically Violated the Public Comment Requirements of the Paperwork Reduction Act

A. The PTO's Notice and Comment Procedure for the NPRM was a Sham

From the outset, the PTO ignored mandatory public notice requirements in both law and regulation.

- In the preamble to the NPRM, the PTO states: "The collection of information involved in this proposed rule has been reviewed and previously approved by OMB under control number 0651-0031." 72 Fed.Reg. at 41484, col. 1-2.

This statement is knowingly false: the PTO has never submitted an ICR addressing appeals. ICR 0651-0031 includes a single reference to these procedures: the filing of a routine form announcing the intent to appeal, which the PTO estimates requires 12 minutes to prepare and submit. The 50-100 hours of substantive work for an appeal have never been disclosed to or approved by OMB.

- In the preamble to the NPRM, the PTO states: "The United States Patent and Trademark Office is not resubmitting an information collection package to OMB for its review and approval because the changes in this proposed rule would not affect the information collection requirements associated with the information collection under OMB control number 0651-0031." 72 Fed.Reg. at 41484, col. 2.

This statement is knowingly false. In its Supporting Statement, the PTO admits to more than \$250 million per year in burden.

- In the preamble to the NPRM, the PTO states it "determined" that the modifications it proposed to make to the existing appeal rules were "not significant for purposes of Executive Order 12866." 72 Fed.Reg. at 41484, col. 1.

This determination is knowingly false. Though the PTO has never acknowledged that the modified rule will have economically significant effects, such effects are certain given the magnitude of paperwork burdens it has more recently acknowledged. Indeed, the paperwork burdens the PTO has acknowledged are by themselves sufficient to render the NPRM "economically significant." Note that the PTO also neglected to submit the NPRM to OMB for review under Executive Order 12,866.

Even though the PTO did everything possible in the NPRM to evade the Paperwork Reduction Act, the public nonetheless provided significant input on the paperwork implications of the proposed rule. Microsoft estimated that the rule would double the costs of the most-expensive parts of appeals. Kodak estimated that the rules would “increase the attorney hours to prepare an appeal brief by multiples,” “double or triple.”⁶ Many of the public comment letters noted that some of the most-burdensome parts of the rule had absolutely **zero** practical utility to the agency.⁷

The public comment letters came from a strikingly large spectrum of companies: small entities, large entities, and from all sectors of technology. The commenters included IBM, Microsoft, 3M, Eastman Kodak, many companies in health sciences fields that depend for their existence on the patent system – from a 130-employee biofuels company to several of the most innovative biotech pharmaceutical companies to two of the pharmaceutical giants, Eli Lilly and Wyeth – all of the major intellectual property law associations, several state bar associations, and almost 30 individuals. While these companies have been in irreconcilable disagreement over statutory changes pending before Congress, they spoke nearly unanimously on this issue: their comments were nearly 100% negative, recommending either the status quo or other alternatives to achieving the PTO's goals at lower burden or higher utility. In this entire collection of 48 letters addressing dozens of specific items, there were at most a handful of comments that approved particular changes proposed in these rules.

In the preamble to the Final Rule, the PTO's response to these comments is highly selective and misleading. The PTO was **dead silent** on at least a dozen of the public comments.⁸ For dozens of others – perhaps a third of all the comments – the

⁶ <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/microsoft.doc> at page 3; <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/ea.pdf> at page 2.

⁷ See §§ IV.B, IV.C, IV.D, and IV.F of this letter.

⁸ The comments that the PTO ignored are laid out in § IV below.

PTO mischaracterized the comment into a form the commenter would not recognize and responded only to the PTO's mischaracterization.

These are not merely Administrative Procedure Act issues. The Paperwork Act requires notice on or before the date of the publication of a proposed rule and a reasonable degree of diligence to respond to public comments received. The PTO provided no such notice, going to the extreme of denying that the NPRM entailed any new burden. When it received well-targeted public comments anyway, the PTO treated these comments as a nuisance.

B. The PTO is Using ICR 0651-00xx to Avoid Responding to Public Comments Submitted on ICR 0651-0031

ICR 0651-0031 has been pending before OMB for over a year, since September 26, 2007. A number of public comments were submitted to OMB. One commenter provided well-supported estimates developed in consultation with several experienced attorneys showing that the burdens of appeals-related paperwork burdens alone exceeded **\$800 million per year**. Another **\$30 billion per year** in burden was estimated for four of the five new major rules that are covered by this ICR.⁹ The PTO has not publicly disclosed any response to these public comments.

ICR 0651-0031 has historically been the "home" for appeals, as the PTO itself concedes.¹⁰ It is important that ordinary examination and appeals be covered by a single ICR – rule changes in one will inevitably affect burdens in the other, and if they are split, the changes in burden would too easily be concealed. I previously commented on this potential for "3 card Monte" concealment of burdens.¹¹ The PTO ignored my comment. Given that the PTO has ignored these and other comments, it is entirely reasonable to infer from the PTO's conduct that deceiving OMB is precisely PTO's

⁹ <http://www.reginfo.gov/public/do/DownloadDocument?documentID=57744&version=1>

¹⁰ Supporting Statement at p. 1.

¹¹ http://www.uspto.gov/web/offices/dcom/bpai/bpai_comments/boundy_revised.pdf at page 46.

intent. To prevent the PTO from accomplishing this, OMB should require all information collection elements related to appeals be incorporated into ICR 0651-0031, where they belong. If OMB allows separation, then it is almost certain that every time the PTO makes any change in either patent processing or appeals practice, the Paperwork Act would require that both ICRs be reopened for public comment and submitted to OMB. It is inconceivable that the PTO intends to do this.

C. The PTO's June 9th Request for Comment Was Invalid

The June 9, 2008 request for comment purports to be a § 3506(c)(2)(A) "60-day notice." Such notices apply to information collections that are not part of proposed rules. The PTO itself conceded that modification of appeals practice, proposed on July 30, 2007, was a proposed rule.¹² The PTO was obligated by § 3506(c)(2)(B) to publish notice and seek comment on or before the date of publication of the NPRM. It did not do so.

Assuming that this error was inadvertent, the reasonable thing for the PTO to have done was to re-propose the NPRM and cure the defective notice. That notice would have to include transparent, reproducible, objectively-based estimates of burden and invite the public to provide informed comments. The PTO did not do this, either.

The June 9, 2008 notice includes no acknowledgement of prior error, though it does acknowledge that public comments on the July 30, 2007 NPRM specifically identified paperwork burdens. The notice contains a mixture of burden estimates for various information collection elements. These estimates are neither transparent nor reproducible, and no distinction is made between the baseline burdens of the appeal rules and the incremental burdens associated with the NPRM. The text treats the burdens of the NPRM as if they had been previously approved by OMB when in fact

¹² RIN 0651-AC12, Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals, Notice of proposed rule making, 72 Fed. Reg. 41472 (Jul 30, 2007).

none of the burdens associated with appeals practice have ever been submitted to OMB, let alone approved.

The PTO also tried to sneak the June 9th notice past the public in a manner calculated to deter public comment. The PTO advises the public of Federal Register notices on three web pages: the main "News" page, a "Recent Patent-Related Notices" page, and a "Federal Register Notices" page.¹³ The PTO did not inform the public of the June 9 Notice through any of these channels.

About a month later, I found the notice in the Federal Register, and alerted the blogs, who gave notice to the public that the PTO tried so hard to prevent. Twelve public comment letters were filed. These comment letters noted that the burden estimates in the PTO's June 9th notice were simply fanciful; of the comments that offered quantitative estimates, all but one were far higher than the PTO's.¹⁴

D. The PTO's Supporting Statement Responds Selectively and Mischievously to the Comments Members of the Public Provided

As I discuss in detail in § IV starting at page 14 of this letter, the PTO either totally ignored, or unfairly mischaracterized many of the public comments it received. The public provided dozens of ways to reduce burdens or increase practical utility – the PTO simply ignored these comments without explanation.

E. The PTO Has Done Everything Possible to Avoid Being Transparent and Publicly Accountable

The PTO has never sought, let alone obtained, OMB clearance or a control number for any of the paperwork burdens associated with appeal rules. This issue was

¹³ <http://www.uspto.gov/main/newsandnotices.htm>, <http://www.uspto.gov/web/offices/pac/dapp/ogsheet.html> and <http://www.uspto.gov/web/menu/current.html>

¹⁴ I opined that the PTO's estimate of 30 hours was a reasonably accurate under current rules, and that the burden under the new rules was far higher. The PTO misrepresents the facts to OMB, suggesting that I opined that 30 hours was reasonable for the new 2008 rules.

brought to the PTO's attention in public comments on the 0651-0031 ICR.¹⁵ It is conceivable that the PTO crafted ICR 0651-00xx in response to these comments, but that cannot be inferred from anything the PTO has publicly disclosed.¹⁶

In ICR 0651-00xx, the PTO estimates annual burden exceeding \$250 million per year. What the PTO does not reveal is that the PTO's objective support all relates to the 2004 rules, not the new 2008 rules, and the PTO applies no correction factor or increment for the rising unit costs or the rising number of appeals. The independent estimates of knowledgeable patent attorneys place the burdens of the 2008 rules at 2X, 3X or more higher.¹⁷

F. If OMB Approves ICR 0651-00xx, OMB Accepts Responsibility for the PTO's Serial Disregard for the Requirements of Law, and Imposes Further Costs on the Public

At every turn, the PTO has violated the procedural requirements of the Paperwork Reduction Act, and has thereby thwarted the Act's substantive goals. Even after the violation was squarely brought to PTO's attention,¹⁸ and the public asked the PTO to step back and follow the law, the PTO has charged ahead with no perceptible respect for the rule of law. The PTO does not even acknowledge the timeline set out in §§ 3506 and 3507, and ignores public comments in the Supporting Statement, without "evaluating" or "explaining" its views.

¹⁵ <http://www.reginfo.gov/public/do/DownloadDocument?documentID=57744&version=1>, "Alternative Burden Estimates" pages 14-16.

¹⁶ Susan Fawcett, the PTO's Records Officer, on August 13, 2008, asked me for a copy of one of the 0651-0031 comment letters, apparently unaware of its existence at OMB's reginfo web site.

¹⁷ <http://www.reginfo.gov/public/do/DownloadDocument?documentID=57744&version=1>, "Alternative Burden Estimates" at page 9 (estimates developed "With the assistance of experts in patent prosecution" place new burden at \$820-\$860 million, or 4.5X the PTO's numbers); Eastman Kodak, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/ea.pdf> at page 2 ("double or triple"); Microsoft Corp., <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/microsoft.doc> at page 3 ("at least double today's cost").

¹⁸ http://www.uspto.gov/web/offices/dcom/bpai/bpai_comments/boundy_revised.pdf at pages 1-2, 4, 12-16.

OMB must not cover up the PTO's serial violations of law, or it will become an accessory to PTO's lawlessness. If OMB disapproves the information collection nothing bad happens. To date no one has invoked the Paperwork Act's public protection provisions in 44 U.S.C. § 3512 and 5 C.F.R. § 1320.6 by contesting the absence of a valid OMB Control Number for the burdens of the PTO's existing rules. Doing so may be entirely justified as a matter of law, but patent attorneys are more interested in serving their clients than making legal points. However, if OMB issues a control number (particularly if it covers the 2008 rules), then the public loses even the option of utilizing these public protection provisions.

III. The PTO Did Not Consult with the Public

In addition to complying with applicable notice and comment requirements, 44 U.S.C. § § 3506(c)(2)(A) provides that an agency must "otherwise consult with the public" to ensure that burdens are minimized and accurately estimated. This obligation is restated and elaborated at 5 C.F.R. § 1320.8(d)(1).

In past ICR submissions, the PTO has stated in the relevant Supporting Statement that it performed the required consultation.¹⁹ There is no such averment in this Supporting Statement.

Over the last few weeks, I have phoned or emailed the heads of all of the relevant committees of the relevant trade associations (the American Bar Association, the American Intellectual Property Law Association, Intellectual Property Owners Association, and the National Association of Patent Practitioners), many of the recently-retired senior PTO officials who are now in private law practice, and the PTO liaison officers or chief patent counsel of several of the PTO's largest customers. None that I talked to were ever contacted by the PTO to "consult" on the required issues. Obviously

¹⁹ *E.g.*, <http://www.reginfo.gov/public/do/DownloadDocument?documentID=85615&version=0> § 8, <http://www.reginfo.gov/public/do/DownloadDocument?documentID=75279&version=0> § 8; <http://www.reginfo.gov/public/do/DownloadDocument?documentID=66557&version=0> § 8.

I did not talk to every possible "member of the public," but I talked to enough of the most likely candidates that one must infer that the PTO did not fulfill its duty to consult.

Several of the public comment letters provided burden estimates. The letters stated that these estimates were based on actual experience. I talked with several of the authors of the letters – the PTO did not "consult" with them, either.

In the rulemaking file of the Continuations rulemaking were samples of analogous documents that PTO submitted to the Small Business Administration to show paperwork burden. I phoned the authors of those papers to ask if the PTO had ever consulted them on burden. All said they had not been consulted. Thus, the PTO did not consult those persons it had previously identified as reliable sources of burden information.²⁰

The PTO's past Supporting Statements have stated that the PTO consulted with its Patent or Trademark Public Advisory Committees, as required by 35 U.S.C. § 3(a)(2)(B).²¹ I phoned one member of the Patent Public Advisory Committee who would have known whether this consultation occurred. He told me that PTO General Counsel James Toupin advised him not to respond. The PPAC is a federally chartered advisory committee subject to expansive disclosure requirements, the least of which consists of meeting agendas, and PPAC also generates an annual report. The information I sought is information the agency is required to make public. It is not clear what justification the PTO might have for denying public access to this information. I encourage OMB to get answers because apparently I cannot.

²⁰ In that rulemaking, the PTO based all its burden estimates on naked "belief" of PTO staff with no disclosed basis. See www.uspto.gov/web/offices/pac/dapp/opla/presentation/ccfrcertificationanalysis.pdf. PTO employees are not "members of the public" and thus cannot qualify as consulted parties.

²¹ *E.g.*, http://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=200802-0651-001 § 8.

IV. The PTO Failed to Evaluate Public Comments and Suggestions for Reducing Burden

In addition to seeking and obtaining public comment, the PTO has several legal obligations under the Paperwork Reduction Act to take public comment seriously.²²

- **44 U.S.C. § 3507(a)(1)(B) and 5 C.F.R. § 1320.5(a)(1)(ii) require an agency to “evaluat[e] the public comments received,” and forbid the agency from enforcing a rule if the agency failed to do so. § 3507(d)(2)(B) and 5 C.F.R. § 1320.11(f) required the PTO to explain, in the final rule Federal Register notice, why it rejected any comments relating to paperwork.**

The PTO received a number of comments for reducing burden or increasing utility, and the PTO responded by either totally ignoring the suggestion, or by recharacterizing the suggestion into an absurdity, and then responding only to the PTO's own absurdity, not the comment. The PTO breached all these laws, repeatedly.

- **44 U.S.C. § 3506(c)(2)(A)(iv) and 5 C.F.R. § 1320.5(d)(1)(i) require an agency to certify or “demonstrate that it has taken every reasonable step to ensure that the proposed collection of information ... is the least burdensome necessary.”**

The PTO did no investigation before the NPRM, and simply ignored suggestions for reducing burden, so it cannot possibly make this “demonstration.” The PTO's certification was false.

²² See 44 U.S.C. § 3507(a)(1)(B) and 5 C.F.R. § 1320.5(a)(1)(ii); The Administrative Procedure Act also requires agencies to fully and fairly address comments raised in Notice and Comment letters. The APA does not permit an agency to create diversionary characterizations of issues raised by public comments, and respond only to such “strawmen.” The PTO failed to reply to a number of issues, and instead “replied” only to irrelevant softball mischaracterizations of the comments. “Unless an agency answers objections that on their face appear legitimate, its decision can hardly be said to be reasoned.” *Mistick PBT v. Chao*, 440 F.3d 503, 512 (D.C. Cir. 2006). It is a *per se* APA violation for an agency to dismiss alternatives proposed in public comment letters without careful discussion. *Motor Vehicle Mfrs. Ass'n v. State Farm Mutual Auto. Ins. Co.*, 463 U.S. 29, 48 (1983) (“not one sentence” of discussion of a reasonable alternative is a category of agency behavior that is *per se* arbitrary and capricious); *Yale-New Haven Hosp. v. Leavitt*, 470 F.3d 71, 80 (2d Cir. 2006) (an “agency must consider reasonably obvious alternatives and, if it rejects those alternatives, it must give reasons for the rejection...”); *Chamber of Commerce of U.S. v. Securities and Exchange Comm'n*, 412 F.3d 133, 145 (D.C. Cir. 2005) (agency's failure to consider an alternative that was neither frivolous nor out of bounds violated the APA). By refusing to consider suggested alternatives, the PTO repeatedly violated both the Paperwork Reduction Act and the Administrative Procedure Act.

- **44 U.S.C. § 3506(c)(3)(B) and 5 C.F.R. § 1320.5(d)(1)(ii) forbid “unnecessarily duplicative” collection of “information otherwise reasonably accessible to the agency.”**

The comment letters pointed out several duplicative elements, including at least one that the PTO itself had characterized as duplicative when it removed it in a 1997 rulemaking. The PTO reinstates or retains these duplicative elements, sometimes with no explanation, sometimes with an explanation of convenience, but never necessity.

- **44 U.S.C. § 3506(c)(2)(A)(ii) and § 3506(c)(1)(A)(iv) require an agency to objectively evaluate and objectively support its burden estimates.**

In the one case where the PTO offered “objective support,” the objective data shows the errors in the PTO’s position. All of the rest of the PTO’s estimates appear to be based on subjective “belief” of people who have never responded to information collections similar to those at issue here.

- **44 U.S.C. § 3506(c)(2)(A)(i) bars information collections with no practical utility.**

A number of comments noted that particular portions of the information collection have no utility; the PTO responded only with *non sequiturs*, that other portions might have utility. OMB may infer from PTO’s repeated failure to address the issues presented that the particular burdens addressed in the comment letters are purely gratuitous, with no practical utility.

- **44 U.S.C. § 3506(c)(3) and 5 C.F.R. § 1320.9 require that an agency provide a “record” with its submission supporting its certification that the agency complied with the Paperwork Reduction Act.**

The “record” submitted by the PTO is empty, showing that the PTO did not comply with the Act, and suggesting that the PTO’s certification was false.

- **44 U.S.C. § 3506(c)(3)(D) and 5 C.F.R. § 1320.9(d) forbid ambiguous agency regulations.**

The comments showed that several provisions are ambiguous. The PTO made no direct answer to the comments, but instead made incidental statements in the Final Rule notice that increase the ambiguity.

A. The “Claim Support and Drawing Analysis Section” of Rule 41.37(r) is Burdensome Far Out of Proportion to Any Practical Utility, and PTO Failed to Consider Suggestions for Reducing Burden

Rule 41.37(r) requires that every appeal have a “claims support and drawing analysis section” analyzing every limitation of every independent claim and separately-argued dependent claim, even those that have nothing to do with any issue in dispute. My comment letters, as well as a number of others, noted that there cannot be any practical utility to the Board for having superfluous and irrelevant information unrelated to the issues under appeal.²³ Preparing and submitting irrelevant information can take many hours because of the volume of work and the care that must be exercised – even though it doesn't matter to the agency.²⁴ Given the PTO's decision not to respond to these comments, one must infer that the PTO's purpose is to make the appeal process gratuitously burdensome in hopes that this will deter applicants from exercising their statutory rights to appeal.

Several public comments proposed alternatives that could both reduce burden and increase utility, for example:²⁵

- placing the “claim support and drawing analysis” discussion at the place in the brief where the information is relevant, rather than buried in an appendix, where the Board clearly does not intend to look at any but a small fraction of the information collected. It's far easier for appellants to present information in one consolidated place in a brief, rather than spread over multiple disconnected sections. It's far more useful to readers, such as the Board, to have the facts

²³ Boundy Pre-ICR letter, August 17, 2008, <http://www.reginfo.gov/public/do/DownloadDocument?documentID=87032&version=0> of page 26-27; Boundy notice-and-comment letter, Oct. 11, 2007, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf> at 35-37; American Bar Assn Sept. 28, 2007, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/aba.pdf> at pages 2-3; American Intellectual Property Law Assn, Sept 28, 2007, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/aipia.pdf> at pages 5-6.

²⁴ Letter of Ron Katznelson, Oct. 15, 2007, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/katznelson.pdf> at Table 4 (PDF page 23).

²⁵ Boundy Pre-ICR letter, August 17, 2008, <http://www.reginfo.gov/public/do/DownloadDocument?documentID=87032&version=0> of pages 26-27; Boundy notice-and-comment letter, Oct. 11, 2007, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf> at 10-11 and 35-37.

presented at the point where the reader is presented with the analysis of those facts. Ironically, in answering another question, the PTO conceded that the suggestion was good, and that briefs that followed it had been "very useful."²⁶

- Instead of a "drawing analysis section," the appeal rules should be revised to use a word count limit, not a page limit, to encourage – rather than discourage – appellants to paste the drawings themselves in the body of the brief, at the place that they will be most helpful to the Board.

The PTO did not "evaluate" these suggestions or "explain" its reasons for rejecting them.²⁷ The PTO simply ignored them.

B. The Requirement for "Consecutive" Page Numbering is Immensely Burdensome and Provides No Practical Utility, and the PTO Refused to Consider Less Burdensome Alternatives Used Elsewhere

Rule 41.37(v)(1) requires all pages of a brief and the appendix to be numbered "consecutively," with no gaps in page numbers. This provision has no legitimate practical utility – all other tribunals find that non-consecutive page numbers fully accomplish the purpose of giving an unambiguous way to refer to page locations. The comment letters²⁸ suggested that the PTO follow the example of all other tribunals, which permit non-consecutive page numbers and other techniques that ease the process of assembling an appendix.²⁹ The comment letters noted that the "consecutive" page numbering requirement alone could add full *days* of attorney and

²⁶ 73 Fed.Reg. 32964, col. 2, Answer No. 42.

²⁷ See footnote 22.

²⁸ Boundy Pre-ICR letter, August 17, 2008, <http://www.reginfo.gov/public/do/DownloadDocument?documentID=87032&version=0> of page 27-28; Boundy notice-and-comment letter, Oct. 11, 2007, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf> at 11-12.

²⁹ *E.g.*, Federal Rule of Appellate Procedure 30(c)(2) (permitting the appendix to be filed after the briefs are filed, and a week later, filing a replacement brief with final page numbers substituted); Federal Circuit Rule 30(c)(2) ("Omission of pages need not be noted, *e.g.*, page 102 may be followed by page 230 without stating that pages 103-229 are not reproduced in the appendix").

paralegal time, representing tens of millions of dollars in incremental costs over current rule.

The preamble to the Final Rule and the Supporting Statement misstate these public comments and respond only to the PTO's own misstatements.³⁰ The preamble also states that the PTO will not permit applicants to use the techniques that the PTO itself uses to reduce the burden of preparing its own briefs and appendices when it litigates in court.³¹ The PTO has never attempted to "objectively support" its contention that "consecutive numbering" has any practical utility. Given the PTO's decision not to respond to public comments, it is reasonable to infer that the PTO intends to make the appeals process gratuitously burdensome in hopes that this will deter applicants from exercising their statutory rights to appeal.

C. The Requirement for a Table of Authorities is Immensely Burdensome and Provides No Practical Utility, and the PTO Did Not Respond to Public Comments

Several public comment letters noted that a "Table of Authorities" is not easy to generate: using the automatic tools in Microsoft Word, a Table of Authorities takes a bare minimum of 2 or 3 hours, and almost always considerably more. The public comment letters also noted that a Table of Authorities has essentially no utility in any but a tiny fraction of appeals, and that whatever utility exists will be outweighed by the burden of creating it.³² The PTO offered no objective basis to disagree.

³⁰ <http://www.reginfo.gov/public/do/DownloadDocument?documentID=89627&version=0> at page 14, Question and Answer 5; Final Rule Notice, 73 Fed. Reg. at 32965, col. 2, Answer No. 81.

³¹ 73 Fed.Reg. 32944 col. 3, forbidding the use of roman numerals for front-matter pages, and forbidding restarting numbering for appendices.

³² Boundy Pre-ICR letter, August 17, 2008, <http://www.reginfo.gov/public/do/DownloadDocument?documentID=87032&version=0> at pages 28-29; Boundy notice-and-comment letter, Oct. 11, 2007, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf> at pages 12-13; IBM Corp., Sept. 28, 2007, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/ibm.doc> at page 3; American Intellectual Property Law Assn, Sept 28, 2007, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/aippla.pdf> at page 5

A "table of authorities" is a concordance of the citations in a brief, listing the case law, statutes, etc. mentioned in the brief, and listing the page numbers on which each authority is mentioned. A table of authorities can be useful when the dispute is over what the law is, to help a court consult precedential cases to decide that dispute. However, a table of authorities has no utility when the dispute is over facts, such as what a technical document does or doesn't say.

The preamble to the Final Rule concedes that in about 75% of appeals, a Table of Authorities will have essentially no utility, because it will only be read by agency personnel who cannot make "efficient and effective ... use of the information to be collected."³³ Moreover, the PTO apparently agrees with public commenters that a Table of Authorities may have non-zero utility for the PTO in perhaps 10% of all appeal briefs.³⁴ Nevertheless, the PTO insists on imposing this burdensome requirement on all appeals. Both the Final Rule Notice and the Supporting Statement make clear that the PTO did no factual investigation to determine the magnitude of this burden, and the authors of both of PTO's documents clearly have never tried to produce one.³⁵

³³ 73 Fed.Reg. 32959, col. 3, Answer No. 42. A table of authorities has no utility in the 75% or so of appeals decided at one of the early stages, before the appeal goes to the Board, because the examiners that decide appeals in these early stages are not lawyers, are not instructed to apply case law, and therefore rarely make "efficient and effective ... use" of the case law information in a Table of Authorities.

³⁴ See 73 Fed.Reg. at 32959, col. 3.

³⁵ The preamble to the Final Rule states "Modern word processors make the creation of ... a table of authorities fairly easy when headings are used in a document. ... it would add 5 to 10 minutes to the preparation of the brief to insert the table of contents and table of authorities." See 73 Fed.Reg. at 32969 col. 3; Oct. 10, 2008 Supporting Statement, <http://www.reginfo.gov/public/do/DownloadDocument?documentID=89627&version=0> at pages 9-10. However, "headings" are totally irrelevant to a Table of Authorities. The PTO fails to inform OMB that "modern word processors" offer only minimal computer assistance to an intensely manual process. This fact was brought to PTO's attention in my comment letter, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf> at pages 12-13. The PTO's reply demonstrates the PTO's haphazard approach to Information Quality of the information it disseminates.

If the PTO can demonstrate some utility, there is a simple way to reduce burden, by confining the requirement for a Table of Authorities to only those situations where it might be genuinely useful. For example, a Table of Authorities could be deferred until all briefing is complete (which eliminates 80% or so of all appeals). Then a single Table of Authorities could be provided for both the principal Appeal Brief and Reply Brief in a single document (which increases its practical utility), confined to only cases on issues where there is a genuine dispute of law (which decreases burden).

D. The Requirement for Attorney Signature of a Notice of Appeal is an Unnecessarily Gratuitous Burden

In the major 1997 rulemaking in which the PTO “cleaned house” of unnecessary regulations shortly after enactment of the Paperwork Reduction Act of 1995, the PTO eliminated the requirement for signature of a Notice of Appeal, because signature of a Notice of Appeal is “redundant” with signature of a subsequent Appeal Brief.³⁶

Inexplicably, the PTO now reimposes this burden. 73 Fed.Reg. at 41483, col. 2 (noting that signature of a notice of appeal is one of the changes). Neither the NPRM nor the Final Rule offers any explanation for reimposition of this burden, or any justification for an information collection that was previously conceded to be duplicative.

At least two public comment letters noted that the PTO's previous concession that the signature requirement was duplicative, and therefore incompatible with the Paperwork Reduction Act.³⁷ The PTO's reply? **Dead silence.**

E. The Extension of Time Rule is Unnecessarily Burdensome

For all other extensions of time, the PTO permits either an extension after the fact by mere payment of a fee and a purely formal petition for extension under 37 C.F.R. § 1.136(a), or a petition “filed on or before the day on which such reply is due.”

³⁶ 62 Fed.Reg. 53132, 53167, col. 2 (Oct 10, 1997).

³⁷ Boundy Pre-ICR letter, August 17, 2008, <http://www.reginfo.gov/public/do/DownloadDocument?documentID=87032&version=0> of page 29-30; Microsoft letter of Sept. 28, 2007, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/microsoft.doc> at page 3.

§ 1.136(b). In almost all courts in almost all situations, a petition for extension of time or enlargement of page limit may be filed on the date a paper is due, if it is filed with the consent of opposing counsel, which is almost never denied.

In contrast, new 37 C.F.R. § 41.41(d) requires that any petition either for extension of time or for enlargement of the page limit be filed at least 10 days before the final due date. This requirement to predict the future 10 days in advance imposes unnecessary burdens: the petition must be filed speculatively if there is any possibility that an extension will be required. This issue was squarely raised at least twice in public comments. The comments noted that burden could be reduced if filing were not required until the last day, when it is clear whether or not the petition is actually required.³⁸ The rule in effect in every other tribunal and setting cuts down the number of such petitions to be filed by a significant fraction.

The preambles to the NPRM and the Final Rule Notice, and the Supporting Statement, provide no rationale for adopting the burdensome “10 day” rule. The comments suggested “last day” rule in order to reduce the number of petitions; the PTO twice mischaracterized the comment, and justified the “10 day” rule by irrelevantly and incorrectly stating that the per-response burden would be no larger.³⁹ It is reasonable to infer that the PTO adopted the “10-day” rule precisely because it is burdensome, in hopes that it would deter petitions.

³⁸ Boundy Pre-ICR letter, August 17, 2008, <http://www.reginfo.gov/public/do/DownloadDocument?documentID=87032&version=0> of page 30; Boundy comment letter, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf> at pages 8-9.

³⁹ The PTO's statement is false, even if taken on its own terms. Any request for permission to act in the future has to consider more contingencies than a request for permission to act in the present. The “10 day” rule also increases burden per response.

F. Public Comments Suggested Less Burdensome Alternatives, but the PTO Failed to Acknowledge These Comments, Let Alone "Evaluate" Them

Several of the comment letters proposed alternatives to various provisions, many of which would reduce paperwork burdens and/or improve utility. The preamble to the NPRM does not justify the provisions that were subject of these comments, and neither the preamble to the Final Rule nor the Supporting Statement acknowledge having received comments, let alone respond to them. Many comments are totally ignored, most are unrecognizably recharacterized.

1. Word count limit instead of page limit

At least three commenters proposed that the rules should use a word-count limit rather than a page-count limit,⁴⁰ as required by all federal appeals courts, especially the specialized court that deals with patent issues (the Court of Appeals for the Federal Circuit).⁴¹ The comments noted that a word limit rather than a page limit would improve the practical utility of briefs to the agency, by encouraging the use of drawings in the body of the brief. The Final Rule Notice and Supporting Statement are **dead silent** on the suggestion of a word-count limit.

2. Automatic proportional enlargement of word-count limits

Courts that have page-limit or word-limit rules provide that where one party goes over the limit, the limit for the other party is enlarged without the need for a formal request.⁴² Several comment letters suggested that this should apply to the Patent

⁴⁰ Boundy Pre-ICR letter, August 17, 2008, <http://www.reginfo.gov/public/do/DownloadDocument?documentID=87032&version=0> at page 33; Boundy notice-and-comment letter, Oct. 11, 2007, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf> at 10-11; American Intellectual Property Law Assn, Sept 28, 2007, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/aipla.pdf> at page 9.

⁴¹ Federal Rules of Appellate Procedure, Rule 32(a)(7)(B) <http://www.cafc.uscourts.gov/pdf/rules.pdf>

⁴² <http://www.cafc.uscourts.gov/pdf/rules.pdf> Rule 28(c).

Office as well: if the examiner's paper is large, the limit for the appeal brief should be enlarged symmetrically.⁴³ The PTO has been **dead silent** on this suggestion.⁴⁴

3. Symmetrical limits

Many of the letters noted that if page limits and strict formal requirements would encourage efficiency on the part of appellants, than analogous requirements would be efficient if imposed on examiners.⁴⁵ The Final Rule Notice and Supporting Statement are **dead silent**. The PTO must explain the double standard – either page limits and tight formatting requirements are efficient if imposed on both parties, or they are inefficient and unnecessarily burdensome for both parties.

4. Requiring information that is necessarily irrelevant to the issues the Board is allowed to consider

Many comments noted that the requirement of Bd.R. 41.37(o)(3) to identify where in the prosecution record an issue was first raised is (a) unacceptably ambiguous, (b) imposes substantial unnecessary and duplicative burdens, and (c) has no observable practical utility, in view of the Board's repeated holdings that it has no jurisdiction to consider the purely procedural issues of timing to which this information

⁴³ Boundy notice-and-comment letter, Oct. 11, 2007, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf> at 7; 73 Fed.Reg. at 32966 Comment and Answer No. 88.

⁴⁴ *E.g.*, 73 Fed. Reg. at 32966, Comment and Answer No. 87.

⁴⁵ Boundy Pre-ICR letter, August 17, 2008, <http://www.reginfo.gov/public/do/DownloadDocument?documentID=87032&version=0> at page 33; Boundy notice-and-comment letter, Oct. 11, 2007, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf> at 15, 18, 19; American Intellectual Property Law Assn, Sept 28, 2007, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/aipla.pdf> at page 9; Microsoft Corp., Sept 28, 2007, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/microsoft.doc> at pages 2-3

might be relevant.⁴⁶ The PTO's answer was circular: "Indicating whether an argument previously has been made will help both the examiner and the Board recognize when a new argument has been made."⁴⁷ But the PTO never explains why "recogniz[ing] when a new argument has been made" has any practical utility. If an argument is persuasive, it is persuasive whether made for the first time or the tenth.

5. Inconsistency with existing reporting requirements

Several comments noted that the requirements for 14-point font, double space, is unnecessarily inconsistent and incompatible "with the existing reporting and recordkeeping practices,"⁴⁸ in violation of § 3506(c)(3)(E). The PTO's response to these comments, 73 Fed. Reg. 32965-66, makes representations that are directly contrary to facts PTO asserted in a contemporaneous rulemaking: (a) the PTO has recently converted to end-to-end electronic images, so that there are no "numerous levels of electronic image processing,"⁴⁹ (b) the PTO recently proposed to disallow filing by FAX,⁵⁰ and (c) the PTO formally reaffirmed that existing "reporting requirements" for font size and page format are perfectly acceptable for all other PTO papers.⁵¹ These three statements elsewhere directly refute the three reasons PTO gives OMB here. In

⁴⁶ American Intellectual Property Law Assn, Sept 28, 2007, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/aipla.pdf> at page 6; IBM Corp., <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/ibm.doc> at page 4; Microsoft Corp., Sept. 28, 2007, at <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/microsoft.doc> at page 4.

⁴⁷ 73 Fed.Reg. 32963, col.1, Answer No. 61.

⁴⁸ American Intellectual Property Law Assn, Sept 28, 2007, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/aipla.pdf> at page 9.

⁴⁹ In a May 13, 2008 public talk, John Doll stated that the vast majority (over 70%) of all papers are filed as degradation-free PDF's, so there is not even a single step of scanning degradation. <http://www.klgates.com/newsstand/Detail.aspx?publication=4547>.

⁵⁰ 73 Fed. Reg. 45662 (August 6, 2008).

⁵¹ 12-point font is adequate for the Office's needs in all other contexts. 73 Fed.Reg. at 45666 col. 3.

addition, 12-point font, 1½ or double spacing, has been accepted by the Board for decades. And so we are left with the Paperwork Reduction Act issue: on the facts as PTO concedes them to be, why is there any “need” to impose special “reporting and recordkeeping practices” for appeals? Does the 14-point font rule have any purpose other than to cut the useable length of a brief to half that of any other tribunal, thereby to reduce applicants’ likelihood of success?

6. Imposing paperwork burden is not a legitimate substitute for supervisory oversight

One commenter made several suggestions for improved supervisory oversight and review at key points in the process so that examiner errors could be identified and resolved earlier, thereby sharply reducing paperwork burdens.⁵² The commenter observed that these suggestions would likely significantly reduce error-correction costs for the PTO as well. In neither the preamble to the Final Rule nor the Supporting Statement did the PTO disagree with the commenter’s observation: apparently the PTO concedes that most rejections are vacated once the PTO performs proper supervisory review. The PTO did not even acknowledge the suggestion, let alone explain reasons for withholding supervisory review until applicants have incurred the expense of writing and submitting an appeal brief.

7. Requiring applicants to perform superfluous but expensive tasks

One commenter noted that Rule 41.37(n) requires that the appeal brief discuss and analyze issues that have nothing to do with any matter in dispute in the appeal, specifically “the level of skill in the art” in a § 103 rejection.⁵³ The commenter showed that the “level of skill in the art” is only relevant in rare cases. The PTO “replied” only

⁵² <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/ibm.doc> at page 2, lines 4-32.

⁵³ <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/ibm.doc> at page 3.

with a *non sequitur*, that different kinds of evidence can be used, but otherwise failed to explain what practical utility might justify these burdens.⁵⁴

8. Ambiguity of “level of ordinary skill”

Commenters observed that Rule 41.37(n) is ambiguous,⁵⁵ and thus it violates the requirement of § 3506(c)(3)(D). “Level of ordinary skill” is not a clear, factual concept. Instead, it is usually a matter of opinion, and as such would require an expert opinion, which is almost always too difficult and expensive an undertaking for an ex parte appeal.

The PTO did not respond to this comment. Ironically, in the preamble to the Final Rule, the PTO conceded that the text of the rule was indeed ambiguous and proposed text that would resolve the ambiguity.⁵⁶ But the PTO refused to amend the actual text of the rule to use the unambiguous language.

9. Ambiguity of the terms “new ground of rejection” and “appealable subject matter”

Many provisions of the appeal rules (and indeed, pre-appeal prosecution before examiners) turn on the definitions of two terms, “new ground of rejection” and “appealable subject matter.” Though the two terms have reasonably clear and consistent definitions, those definitions are spread among dozens of court and PTO decisions; no consolidated definition exists in any guidance document that PTO employees feel bound to follow. Instead, various PTO employees use mutually-contradictory definitions. In my comment letter, I noted that that the ambiguity in the PTO’s choice of language leads to intra-agency disagreement, and that ambiguity creates large and unnecessary paperwork burdens: (a) applicants are shunted between officials who each insist that they have no responsibility for dealing with a problem, or

⁵⁴ 73 Fed.Reg. 32960, col. 2, Answer No. 47.

⁵⁵ <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/ibm.doc> at page 3.

⁵⁶ 73 Fed. Reg. at 32962, col. 1, Answer No. 54.

(b) applicants are forced into expensive options when less-expensive options should be open if the PTO followed the correct definitions of these terms.

I twice suggested that the PTO add guidance in the MPEP to define these two terms, to resolve the intra-PTO disputes.⁵⁷ I provided solid first drafts of the two requested guidance sections, with extensive footnotes and quotations from binding authority.

Both the Final Rule Notice and the Supporting Statement ignore my two comments. Both documents are **dead silent** on the suggestion to add definitions of these two terms.

Instead, for “new ground of rejection,” the PTO states in the preamble that it will **maintain the ambiguity**: each PTO employee will have the power to define the term, and therefore the scope of his/her own responsibilities, on a “case by case basis,” apparently without regard to court or agency precedent. 73 Fed.Reg. at 32945, col. 1.

10. Duplicative requirements

Several commenters noted that the requirement to re-file documents in an evidence appendix is indisputably duplicative and could be eliminated if the PTO permitted appellants to simply identify the location of existing evidence documents in the PTO's PAIR document database.⁵⁸ The preamble to the Final Rule notice fails to even acknowledge this suggestion. Ironically, the preamble notes an “effective use of information technology” to solve the problem – “consecutively numbered pages” embossed onto the page images as they come in, 73 Fed. Reg. 2965, Answer No. 77 -- and notes that these page numbers would have utility for both the PTO and applicants throughout prosecution. But then the PTO declines to adopt its own suggestion.

⁵⁷ Boundy Pre-ICR letter, August 17, 2008, <http://www.reginfo.gov/public/do/DownloadDocument?documentID=87032&version=0> at pages 24-25; Boundy notice-and-comment letter, Oct. 11, 2007, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf> at pages 4, 36-37, and Attachments E and F (PDF pages 66-80).

⁵⁸ <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/ibm.doc> at page 4.

11. Failure to acknowledge, much less adhere to, applicable Good Guidance Practices

My public comment showed that much of the PTO's inefficiency flows from the its failure to implement OMB's Bulletin on Agency Good Guidance Practices and its stated refusal to enforce its own procedural rules.⁵⁹ I included documented examples, including papers signed by top-30 officials in the PTO, who presumably have the authority to state PTO policy, and several recent statements by the PTO in the Federal Register. To PTO did not respond in either the preamble to the Final Rule or the Supporting Statement.

12. Disregard for the public's superior expertise

At several points, the PTO appears to reject public comments simply because the suggestions came from the public.⁶⁰ The PTO arbitrarily and capriciously dismisses these suggestions as "beyond the scope of the rulemaking."⁶¹

⁵⁹ <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf> at page 30, examples of statements by SPE's and T.C. Director Jack Harvey attached as Attachments A and B.

⁶⁰ See 73 Fed.Reg. at 32956 Comment and Answer No. 13; 73 Fed.Reg. at 32957 Comment and Answer No. 19; 73 Fed.Reg. at 32958 Comment and Answer No. 33; 73 Fed.Reg. at 32964, Answer No. 71; 73 Fed.Reg. at 32967 Comment and Answer No. 93A. The PTO also rejects suggestions on the ground that it could not adopt proposals without first performing a pilot test. The PTO apparently has a double standard, that pilot tests are only required for suggestions made by the public. The PTO did not perform a pilot test of its proposed revision.

⁶¹ The only way that alternative solutions to the PTO's appeal backlog problem could be "beyond the scope" is if the PTO had a predetermined and inflexible definition of the solution, such that no other solutions would be considered. The APA imposes the same requirement is the Paperwork Reduction Act: an agency must approach its rulemaking, and conduct its notice and comment procedure, with a "flexible and open-minded attitude towards its own rules." *Chocolate Mfrs' Ass'n of the U.S. v. Block*, 755 F.2d 1098, 1103 (4th Cir. 1985). An "agency must consider reasonably obvious alternatives and, if it rejects those alternatives, it must give reasons for the rejection..." *Yale-New Haven Hosp. v. Leavitt*, 470 F.3d 71, 80 (2d Cir. 2006). The PTO did neither.

G. The PTO failed to respond to issues arising under the Information Quality Act

A number of commenters raised issues arising under the Information Quality Act and the PTO's own Information Quality Guidelines,⁶² that the PTO was disseminating influential information that failed objectivity, reproducibility, and utility, or that lacked any objective support.⁶³

Both the preamble to the Final Rule and the Supporting Statement decline to respond to these comments. The Supporting Statement contains a boilerplate assertion of information quality compliance that is not supported by any evidence and contradicted by all the evidence that is available. The PTO pretends to "answer" a mischaracterization of my question, relating to quality of information collected rather than the quality of information disseminated – a *non sequitur*.

V. Conclusion

The PTO repeatedly violated the public notice and comment requirements in the Paperwork Reduction Act (44 U.S.C. §§ 3506 and 3507) and OMB's Information Collection Rule. This ICR should not be approved, or should be approved with terms of clearance as follows:

- (a) covering only the burden arising under 2004 appeal rules;
- (b) not covering the duplicative submissions required by the 2004 version of 41.37(c)(1)(ix); and
- (c) extending only to burdens arising under the text of the 2004 rules – not internal PTO guidance, for which the PTO has never sought an OMB Control Number.

⁶² <http://www.uspto.gov/web/offices/ac/ido/infoqualityguide.html>

⁶³ Boundy Pre-ICR letter, August 17, 2008, <http://www.reginfo.gov/public/do/DownloadDocument?documentID=87036&version=0> at pages 16-23; Katznelson Pre-ICR letter, Aug. 9, 2008, <http://www.reginfo.gov/public/do/DownloadDocument?documentID=87052&version=0> at page 8; Microsoft letter of Sept. 28, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/microsoft.doc>

In addition, the PTO should be directed to promptly address public comments received concerning ICR 0651-0031. Indeed, burdens associated with appeals practice should not be separated from burdens of "patent processing." These burdens are highly interrelated such that changes in examination can be expected to affect burdens in appeals practice, and vice versa. Separating them invites – or rather, encourages – the PTO to continue playing fast and loose with the law and deceiving OMB about its actual information collection activities.

Ideally, the PTO should be directed to start over with this entire series of major regulatory actions and, for the first time, comply with both the Paperwork Act and Executive Order 12,866. There cannot be any doubt that the PTO knew from the outset that these regulations would have massive economic and paperwork consequences but hoped that the OMB staff would find them too technical to understand and the public too busy to resist. So far, that strategy has proved to be quite effective. The public cannot be expected to devote more resources to participating in ICR reviews if OMB does not act on the extraordinary volume of information it already has. If OMB does not act responsibly, the public is likely to conclude that OMB is a paper tiger and that the Paperwork Reduction Act and Executive Order 12,866 are dead letters.

Sincerely,

/s/ David E. Boundy

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November 14, 2008

By Email Nicholas_A._Fraser@omb.eop.gov

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Desk Officer for Patent and Trademark Office
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Office of Management and Budget
725 17th St. NW
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Re: Information Collection Request, Comment Request 0651-00xx, 73 Fed. Reg.
58943 (Oct. 8 2008)

Letter 3: Falsified certifications of economic effect and burden

Dear Mr. Fraser:

This is my third of several letters on Information Collection Request 0651-00xx ICR. This letter addresses the PTO's pattern of obviously falsified certifications.

In the preamble to the 2007 proposed rule,¹ the PTO certified to OMB and the Small Business Administration Office of Advocacy that the rule would have negligible economic effects and no new paperwork burdens (72 Fed. Reg. at 41483 col. 3 to 41484, col. 2):

Regulatory Flexibility Act

...
Accordingly, these proposed rules do
not have significant economic impact on
a substantial number of small entities.

¹ RIN 0651-AC12, Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals, 73 Fed. Reg. 32938 (Jun. 10, 2008).

Executive Order 12866

This rule making has been determined to be not significant for purposes of Executive Order 12866 (Sept. 30, 1993).

Paperwork Reduction Act

This proposed rule involves information collection requirements which are subject to review by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*). The collection of information involved in this proposed rule has been reviewed and previously approved by OMB under control number 0651-0031. The United States Patent and Trademark Office is not resubmitting an information collection package to OMB for its review and approval because the changes in this proposed rule would not affect the information collection requirements associated with the information collection under OMB control number 0651-0031.

Yet, on the very same page, the PTO provided a catalog of changes in the proposed rule. Here is an excerpt from the list, focusing only on those elements that add new paperwork burdens (72 Fed. Reg. at 41483, col. 2-3). Note that this list does not include changes that have non-paperwork economic effects (e.g., changes in the burden of proof to the disadvantage of applicants with meritorious claims, the loss of patent property rights abandoned simply because the procedures are too expensive, and businesses that cannot be formed because of the reduced availability of patent protection):

The notable changes in the proposed rules are: (1) Providing additional delegated authority from the Director to the Chief Administrative Patent Judge to decide certain petitions authorized by Part 41 as proposed, including requests for extension of time to file certain papers after the appeal brief and requests to enlarge the page limit on certain appeal papers; (2) defining the record on appeal to clarify what documents the Board will consider in resolving the appeal; (3) requiring the notice of appeal to be signed; (4) providing a definition of non-appealable issues; (5) transferring jurisdiction of an appeal to the Board upon entry of a docket notice by the Board; (6) relinquishing the Board's jurisdiction in an appeal when the Board orders a remand or enters a final decision and judicial review is sought or the time for seeking judicial review expires; (7) changing the format and content of the appeal brief to require the following additional sections: (a) Jurisdictional statement, (b) table of contents, (c) table of authorities, and (d) statement of facts; (8) changing the format and content of the appeal brief appendix to include the following additional sections: (a) claim support section, (b) drawing analysis section, (c) means or step plus function analysis section, and (d) an expanded evidence section to include, inter alia, relevant Office action(s) and portions of papers filed by appellant during prosecution; (9) providing page limits for all briefs; (10) prohibiting incorporation by reference in briefs; (11) establishing a format for a reply brief to include: (a) Table of contents, (b) table of authorities, (c) statement of timeliness, (d) statement of facts in response to a new ground of rejection in examiner's answer, (e) argument, and where appropriate, (f) supplemental appendix; (12) providing for a supplemental reply brief, if a supplemental examiner's answer is furnished by the examiner; (13) establishing a format for a supplemental reply brief to include: (a) Table of contents, (b) table of authorities, (c) statement of timeliness, and (d) argument; (14) requiring appellant to supply a list of technical terms and other unusual words at the time of confirmation of the oral hearing to aid in transcription at the oral hearing; (15)

(16) establishing a format for a request for rehearing to include: (a) Table of contents, (b) table of authorities, (c) statement of timeliness, and (d) argument; and (17) providing sanctions to be imposed on the appellant for misconduct during prosecution of the appeal.

It is inconceivable that anyone – whether a patent attorney, a PTO Commissioner, the PTO’s § 1320.7 “Senior Official” responsible for making submissions to OMB, or an OMB Desk Officer – could look at this list of “new,” “additional,” “expanded” and newly “established” requirements and seriously believe that there is no new burden.

Then, in the preamble to the 2008 Final Rule, the PTO again stated to OMB, and certified to SBA-Advocacy, that the rule would have negligible economic effects and no new paperwork burdens (73 Fed. Reg. 32969 col. 1 and 32972 col. 2):

Regulatory Flexibility Act

The Deputy General Counsel for General Law of the United States Patent and Trademark Office certifies to the Chief Counsel for Advocacy of the Small Business Administration that this final rulemaking, Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals (RIN 0651–AC12), will not have a significant economic impact on a substantial number of small entities. See 5 U.S.C. 605(b).

Executive Order 12866

This rulemaking has been determined to be not significant for the purpose of Executive Order 12866 (Sept. 30, 1993).

In contrast, in the preamble, the PTO lists some of these changes (73 Fed. Reg. 32969, col. 2):

The primary changes in this rule are: (1) The requirements for an appeal brief include new sections for jurisdictional statement, table of contents, table of authorities, statement of facts, new format for arguments in the appeal brief and for claim support and drawing analysis section and means or step plus function analysis section in the appendix of the appeal brief, new section for table of contents in the evidence section of the appendix, new format in 14-point font, and 30-page limit for the grounds of rejection, statement of facts, and argument sections, (2) the requirements for a reply brief include new sections for table of contents, table of authorities, statement of additional facts, new format for arguments in the reply brief, new format in 14-point font, and 20-page limit for the statement of additional facts and argument sections, (3) the requirements for a request for rehearing include new sections for table of contents, table of authorities, new format for arguments in the request for rehearing, new format in 14-point font, and 10-page limit for the argument section, (4) new grounds of rejection are no longer permitted in an examiner's answer, (5) the examiner's response to a reply brief is eliminated, (6) petitions to exceed the page limit for an appeal brief, reply brief or request for rehearing are made under Rule 41.3 which requires a \$400 fee, (7) petitions for an extension of time to file a reply brief, request for oral hearing, or request for rehearing are made under Rule 41.3 which requires a \$400 fee, and (8) a list of technical terms or unusual words to be provided to the transcriber at the oral hearing. The rules described in (1)

Again, no person with the slightest experience with patent law, or regulatory policy of any form, could possibly believe that this list involves no new paperwork burdens.

Further, it is astoundingly naïve to believe that changes like these would have no material economic effects.

Anyone who also read the so-called “60-day notice” the PTO published on June 9, 2008² would know that the certifications in the June 10 notice were obviously and knowingly false. The “60-day notice” admitted to paperwork burdens exceeding \$250 million per year. The PTO has never had to publicly explain how it is that \$250 million in annual paperwork burden is the same as “no burden,” or how \$250 million in annual paperwork burden is “not significant” for purposes of Executive Order 12,866.

With all due respect, one can only conclude that PTO purposefully deceived OMB about the contents of this rule. The primary means of the deception was PTO’s assurance to OMB that the rule was a minor administrative exercise, and thus it deserved no OMB oversight. The question posed by ICR 0651-00xx is whether OMB will reward the PTO for its deceitful conduct or hold it accountable in accordance with its longstanding statutory authority under the Paperwork Reduction Act.

Sincerely,

/s/ David E. Boundy

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² Board of Patent Appeals and Interferences Actions, New collection; comment request, 72 Fed. Reg. 32559 (June 9, 2008).

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November 17, 2008

By Email Nicholas_A._Fraser@omb.eop.gov

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Re: Information Collection Request, Comment Request 0651-00xx, 73 Fed. Reg.
58943 (Oct. 8 2008)

Letter 4: Paperwork burdens attributable to PTO's attempt to overrule
established Procedural Due Process protections

Dear Mr. Fraser:

This fourth letter on the PTO's Information Collection Request 0651-00xx addresses paperwork burdens that arise from certain comments in the preamble to the Final Rule notice, in which the PTO states that it refuses to follow precedential court decisions on an issue of Procedural Due Process, and instead will maintain the authority of individual PTO employees to make up the law on a "case-by-case" basis.

This letter considers the term "new ground of rejection." The facts considered in this letter overlap with the facts raised in my first letter. However, the legal issues are non-overlapping, and if OMB accepts the positions I state here, the terms of any clearance will have additional limitations. My first letter looked at only the PTO's failure to follow the procedures that are required when an agency changes its mind in the middle of rulemaking. This letter looks at the PTO's redefinition of an established term of art, and gives a semi-quantitative estimate of paperwork burden.

The PTO's comments raise two classes of new paperwork burdens:

- If the PTO overrules due process protections created by the courts, and the term "new ground of rejection" is subject to the nontransparent, discretionary judgment of each Technology Center Director to determine on a "case by case" basis, applicants will face significant new burdens during regular prosecution trying to foresee what these decisions will be. Attorneys will have a duty to prospectively protect themselves and their clients, at enormous expense.
- Uncertainty about the law creates burdens of its own. What PTO guidance is a reliable guide to agency behavior, and what is not? The conventional understanding is that precedential court decisions are binding and non-precedential decisions are not – what does it mean when the PTO states vice-versa? The final rule creates these uncertainties and resolves none of them. The consequence of unresolved uncertainty is increased paperwork burden.

These issues are material to OMB's review under the Paperwork Reduction Act:

- 44 U.S.C. § 3507(a)(1)(B) and 5 C.F.R. § 1320.5(a)(1)(ii) require an agency to "evaluat[e] the public comments received," and forbid the agency from enforcing a rule if the agency failed to do so. § 3507(d)(2)(B) and 5 C.F.R. § 1320.11(f) require the PTO to respond to significant public comments in the preamble to the final rule. PTO is silent on comments I raised on these issues with specific reference to the Paperwork Reduction Act.
- 44 U.S.C. § 3506(c)(3)(D) and 5 C.F.R. § 1320.9(d) forbid ambiguous agency regulations. The PTO states that it does not want predictability or clarity, meaning that it intends for the term "new ground of rejection" to be ambiguous in order to preserve its discretion. PTO may be able to defend this dubious legal position, but it has a significant effect on paperwork burdens that has to be addressed.

I. Background: the Term "New Ground of Rejection" and its Practical Importance

For decades, the courts that oversee the PTO have required that when the PTO raises a "new ground of rejection" late in examination, or during the appeal process, the PTO must give the applicant appropriate procedural rights to respond. Depending on the procedural stage of proceedings, if the PTO raises a "new ground of rejection" relative to the previous PTO paper, the PTO must give the applicant opportunity to make responsive arguments such as by adding new evidence (including affidavit evidence) or amending claims. The basic principle is that the PTO should raise all

issues in its first paper, and when the PTO raises new issues later that could have been raised earlier, the applicant's procedural or substantive rights should not be compromised, and the PTO should bear the cost of correcting its earlier omission.

However, as I described in my first letter, new issues raised late in the process are a necessary evil – both legally required and practically inevitable. All that can be done is (a) incentivize examiners to do a complete job as early in the process as possible, and (b) provide procedures that are fair when this unfortunate event occurs, so that inventors can obtain the patent protection to which they are entitled by law, with minimal cost involved to correct PTO's untimeliness.¹ The term "new ground of rejection" is crucial to both of these:

- (a) Examiners' and supervisors' performance and compensation schemes are tied to the definition of "new grounds of rejection." The definition stated by the courts works with this compensation scheme to encourage examiners to do the job right the first time. The definition stated by the PTO in the preamble to the 2008 final rule incentivizes examiners to game the system by delaying full consideration of the application, or withholding a full explanation of position, until further "counts" can be extorted from the applicant. This creates immense paperwork burdens on the public. It has "practical utility" for the PTO only if the Patent Office's mission is construed as reducing the number of invalid patents issued irrespective of the collateral damage to valid patents that are improperly denied.
- (b) The definition is also crucial as a dividing line that determines procedural rights at several stages of prosecution: a shift in position by the PTO large enough to constitute a "new ground of rejection" triggers procedural options for applicants to exercise, while smaller adjustments of the PTO's previously-stated positions on existing issues, that are not "new grounds of rejection," do not trigger these options.

¹ 35 U.S.C. § 102 ("A person shall be entitled to a patent unless...").

The courts' definition of "new ground of rejection" is any "position or rationale new to the proceedings,"² including new evidence, reliance on a new part of existing evidence, any new analysis of existing evidence, or new inference drawn from an existing reference, a new legal theory, or a new application of law to facts. To first approximation, if some argument or evidence is relevant to the PTO's new position that was not relevant to the old position, the new position is a "new ground of rejection." If a later PTO paper merely re-explains a position taken in an earlier paper, that re-explanation is not a "new ground of rejection."

The courts' definition provides significant incentives to the PTO to "get it right the first time." If an examiner gets all the issues on the table and fully explains his/her position in the first paper, the examiner will earn production counts, and a final decision will be reached, with the minimum back-and-forth. It also and gives applicants fair protections when the PTO imposes a "late hit" for whatever reason. If an examiner does an incomplete job in the first paper, then any "new grounds of rejection" in later papers will force the examiner to keep prosecution open, delaying progress of the application and counts for the examiner. But this all relies on enforcement by PTO management vis-à-vis a robust definition of "new ground of rejection."

II. My Comment Letters on the Proposed Rule and the so-called 60-Day Notice, and the PTO's Final Rule Notice

A few of the elements in the NPRM relied on the term "new ground of rejection" as a trigger for further proceedings.

In my comment letter, I provided a well-researched and fair synthesis of the case law stating the definition of "new ground of rejection," and requested that this statement

² *In re DeBlauwe*, 736 F.2d 699, 706 n. 9 (Fed. Cir. 1984) (interpreting the term "new ground of rejection:" "Where the board makes a decision advancing a position or rationale new to the proceedings, ..."); *In re Eynde*, 480 F.2d 1364, 1370-71, 178 USPQ 470, 474 (CCPA 1973) ("We do agree with appellants that where the board advances a position or rationale new to the proceedings... the appellant must be afforded an opportunity to respond to that position or rationale by the submission of contradicting evidence.").

of the law – or something similar – be incorporated into the PTO's significant guidance document, the Manual of Patent Examining Procedure (MPEP). I provided extensive footnotes and quotations from binding authority.³ I also explained the procedural havoc that arises because the PTO does not currently provide its employees with guidance on the definition of the term "new ground of rejection."⁴ I also included a transcript of a telephone conversation with Technology Center Director Jack Harvey (a "T.C. Director" is a top-30 official in the PTO, typically responsible for 100-400 examiners), in which he stated he would not read the relevant published PTO precedent or precedential decisions of the Federal Circuit to determine the definition of the term "new ground of rejection."

The PTO's Final Rule notice was surprising. The "Response to Comments" section simply ignored my comment. Instead, in the preamble the PTO states it will **maintain the ambiguity**: each PTO employee will have the power to define the term, and thereby the scope of his/her own responsibilities, on a "case by case basis," apparently without regard to court or agency precedent. 73 Fed.Reg. at 32945, col. 1. The PTO said that instead, it would rely on non-precedential cases that did not even involve the issue. If the PTO were deliberately attempting to signal to patent applicants that it intends to exercise its power arbitrarily and capriciously, it's hard to imagine what more it could have done.

I re-raised the issue in my letter responding to the PTO's June 9, 2009 so-called "60 day" notice. The PTO's Supporting Statement ignored my comment entirely.

³ <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf>
Attachment F (PDF pages 75-80).

⁴ I mentioned a formal written decision by Jack Harvey, one of the top-30-or-so officials in the PTO, in which Mr. Harvey stated that he would not follow the law, simply because in his personal opinion, "it cannot be seen" why he should. That decision is attached as Exhibit 1 to this letter.

III. The Final Rule Notice Introduces a Number of New Ambiguities that Further Increase Paperwork Burdens

The PTO promises in final Bd.R. 41.39(a) that “An examiner’s answer shall not include a new ground of rejection.” However, the preamble states that this is a promise the PTO made with its fingers crossed:

“an appellant runs a risk that it will be confronted for the first time in the Examiner’s Answer with new rationale in support of the rejection or new evidence or both”⁵

For decades, “new rationale” and “new evidence” both have been “new grounds of rejection.” Here are a number of quotes from precedential decisions of the Federal Circuit – the court with exclusive jurisdiction over cases arising from the Patent Office – and the PTO’s contrary statements in the Final Rule preamble:

The PTO’s Final Rule Notice	The Law
“it would <i>not</i> be a new ground of rejection... if the Examiner relies on ... yet another reference,....” 73 Fed. Reg. at 32945, col. 2, with no citation to any authority	“it is not uncommon for the board itself to cite new references, in which case a new ground of rejection is <u>always</u> stated.” <i>In re Ahlert</i> , 424 F.2d 1088, 1092 n. 4 (CCPA 1970) (emphasis added);
“it would <i>not</i> be a new ground of rejection ... if the Examiner relies on any part of the record ... to meet the new argument made for the first time in the appeal brief.” 73 Fed. Reg. at 32945, col. 2	“We find the new reliance [to be] a new ground of rejection. New portions of the reference are relied upon to support an entirely new theory.” <i>In re Echerd</i> , 471 F.2d 632, 635, 176 USPQ 321, 323 (CCPA 1973), <i>reaffirmed by Kronig</i> , 539 F.2d at 1303, 190 USPQ at 427.
“it would <i>not</i> be a new ground of rejection... if the Examiner relies on [new evidence] to meet the new argument made for the first time in the appeal brief.” 73 Fed. Reg. at 32945, col. 2	The Federal Circuit has repeatedly rejected exactly this position. Any new “position or rationale new to the proceedings” triggers “new ground of rejection” options for an appellant during on appeal, even if that new position or rationale is expressed by the PTO in response to a new argument from the applicant. <i>In re Kumar</i> , 418 F.3d 1361, 1367, 76 USPQ2d 1048, 1051-52 (Fed. Cir. 2005) (Board’s new analysis of the identical disclosure, by calculating new derived values from those expressly disclosed in the reference, was a “new ground”); <i>In re DeBlauwe</i> , 736 F.2d 699, 705-06, 222 USPQ 191, 196-197 (Fed. Cir. 1984) (when an

⁵ 73 Fed. Reg. at 32945, col. 2-3.

	<p>applicant has argued a point, the examiner and Board are obligated to respond to those arguments, and their new response requires giving an applicant a new opportunity to respond); <i>In re Eynde</i>, 480 F.2d 1364, 1371, 178 USPQ 470, 475 (CCPA 1973) (even though Board's new rationale, based on the Eynde patent, was in response to arguments made in the appeal Reply Brief, it was nonetheless a "new ground")</p>
<p>PTO states that a "new rationale" will be permitted in an Examiner's Answer, even over the proscription of "new ground of rejection." 73 Fed. Reg. at 32945, col. 2-3.</p>	<p>"merely advanc[ing] 'an additional reason' for affirming the examiner" is a "new rejection," <i>In re Waymouth</i>, 486 F.2d 1058, 1061 (CCPA 1973), <i>modified</i> 489 F.2d 1297 (CCPA 1974), <i>reaffirmed by Kronig</i>, 539 F.2d at 1303, 190 USPQ at 427</p>

The PTO defends these departures from case law with an amateurish legal analysis. First, the PTO cites two non-precedential cases. Every non-precedential case from the Federal Circuit starts with the sentence: "Pursuant to Fed.Cir.R. 47.6, this order is not citable as precedent." By citing *Gately* and *Ansel* as precedent, the PTO leaves one wondering – were there no precedential decisions supporting the point? Why did the PTO cite decisions as precedent when the authors of the decisions instructed the PTO not to? By citing non-precedential cases and ignoring clear statements in precedential cases, the PTO creates great ambiguity and uncertainty in all its rules. Do precedential court decisions control, or notes in the background of a rule that are based on non-precedential decisions? When the Federal Circuit holds that certain fact patterns are "always" new grounds of rejection, and the PTO states that these fact patterns will be considered "case by case" with no stated standards, what is the law? What predictable procedures can applicants rely on?

Second, the PTO's representation of the non-precedential case *In re Gately*, 69 Fed. Appx. 993 (Fed. Cir. 2003) is exactly wrong. The Board had introduced a new calculation based on the identical references, and the Board held that that this new analysis of existing evidence was a "new ground of rejection," and the court accepted that holding without comment. However, under the "definition" the PTO gives in the preamble, this would not be a "new ground." The PTO makes no attempt to explain the

basis for disagreeing with the very case it relies on. The other cases the PTO relies on either do not support or undermine its argument.^{6,7}

The PTO has never responded to my comment, or my suggestion to provide guidance in the MPEP. There should be no doubt that this is a major issue that cuts to the heart of whether the 2008 final rule is even legal.

IV. Paperwork Consequences, and Burden Estimate, of the Ambiguity

The PTO long operated under an incorrect definition of the term "appealable subject matter," and stated in August 2007 that it would not implement the Final Bulletin for Agency Good Guidance Practices with respect to supervision of procedural aspects of examination of claims.⁸ Because of these two errors, the PTO refuses to enforce the procedures for examination of claims set out in MPEP Chapter 2100.⁹ Now the PTO adds a new and illegal incorrect definition of "new ground of rejection," and takes away

⁶ *Gately* only holds that if the Board has "use it or lose it" rules, and a party chooses to forego an option at the time the rules say it must be exercised, the party can't resurrect the option later. The PTO's rules clearly do not and never have required an applicant to exercise every available option before an appeal begins, and the courts and the PTO's own rules have been uniform in stating that it is always the PTO's "burden to come forward" first, and that an applicant's duty is only to reply to positions the examiner states. 37 C.F.R. § 1.111(b). The PTO's attempt to require applicants to anticipate what an examiner might do in the future thus violates case law.

⁷ The PTO also cites *In re Bush*, 296 F.2d 491 (CCPA 1961), a 47-year-old case. The reasoning of *Bush* is either irrelevant to or incompatible with the definition of "new ground of rejection" that crystallized over the decade of the 1970's.

⁸ Changes to Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications; Final Rule, 73 Fed. Reg. 46716, 46752, col. 2-3 (Aug. 21, 2008).

⁹ The PTO gives examiners almost 250 pages of guidance on examination of claims of patent applications. http://www.uspto.gov/web/offices/pac/mpep/mpep_e8r6_2100.pdf However, the PTO refuses to enforce this guidance during examination. I have asked this question several times of appropriate supervisory officials, "So an examiner can write 'All claims rejected because we're having a job action over bad coffee.' You're telling me that your supervisory authority is so completely absent that you can't even intervene in a case like that?" The answer is consistently "Yes. I would not be able to intervene." Not all, but a solid majority of supervisors insist that they have no obligation to supervise.

the procedural protections afforded by the 2004 version of the appeal rules. The consequence is that an examiner can do the following:

1. The first Office Action can be a cursory, 100,000-foot flyover. This is not theoretical. For example, in 09/385,394, Office Action of February 20, 2002 "considered" 95 claims in 4 pages. For this substandard work, the Examiner received the same performance credit that would have been earned by doing a first-rate job.
2. The second Office Action can then fill in a few details, but still leave major gaps. Over the course of post-final Rule 116 papers, the examiner may dribble out further little bits of his position.

Under a correct definition of "new ground of rejection," at this point an applicant has the right to ask the examiner to start over. Under the PTO's new definition, this right is lost and can only be restored by the "case by case" benevolence of the examiner's supervisor – whose bonus, promotion and evaluation structure incentivizes him/her to permit the examiner to play "hide the ball."

The most reasonable action for the applicant to take at this point is to file either a continuation application or an appeal, solely for the purpose of motivating the examiner to perform the review that should by now have been complete.

3. If the applicant chooses appeal, the Examiner's Answer is then the first time that the examiner gives a detailed explanation of his/her position, perhaps with addition of new evidence. Under the new rules, however, the examiner is free to raise new issues (regulatory language otherwise notwithstanding) and the applicant has very limited options to respond.

Because of interactions among this appeal rule and the Continuations/Claims rule that the PTO continues to pursue, at this point the applicant may well have to withdraw the appeal, and petition for a continuation to regain the right to add new evidence or claim amendments whose need should have been made clear in step 1.

The ambiguity in the PTO's new definition of "new ground of rejection" affects over half the applications I work on. Examiners in some examining groups are probably aware that their supervisors will not hold them accountable to give anything more than cursory consideration in a first Office Action, and often do no more. When the examiner makes a rejection "final" after only cursory examination, an applicant has to go to

supervisory personnel to enforce the PTO's written rules, under the courts' definition of "new ground of rejection." Since there is no PTO guidance on the definition of the term, convincing supervisory personnel to rely on the precedential definition instead of personal opinion or whim takes great effort. This typically takes 6-12 hours' work, in about ¼ of the applications I work on. Other attorneys of similar skill do not press this issue as hard as I do, but their paperwork burdens are about the same magnitude, realized at a different place in the prosecution. It would be fair to book this as burden for about 100,000 applications per year, at a cost of 8 hours times \$380 per hour.

The PTO violated 44 U.S.C. § 3506(c)(3)(D) by introducing in the final rule new language that creates maximum uncertainty throughout prosecution and appeals practice with clear paperwork implications for both. The majority of the new paperwork burdens are covered by a different ICR (0651-0031). The PTO must be held accountable for this sleight of hand.

V. Conclusion and Recommendations

The PTO has repeatedly stated to the public that the new rule on appeals practice is intended to improve efficiency. In the Supporting Statement, the PTO tells a different, and unwittingly more honest story. The purpose, the PTO now admits, is "judicial economy" – that is, the convenience of the PTO. If the PTO's real goal were overall efficiency, it would take actions to improve the quality of examiners' first Office Actions. Nothing in any of the PTO's recent rules will improve examiner performance, and the 2008 appeal rule – the ambiguity in the term "new ground of rejection" among other provisions – actively incentivizes examiners to perform worse than they do today.

Even the "judicial economy" story from the PTO is unsupportable. The 2004 appeal rules are working – the PTO states that they have "radically reduced" backlog. There is no appeals crisis that needs a regulatory solution – the number of appeals actually reaching the Board has been almost flat for a decade. The "appeals crisis" is in examination – last year, in over 80% of appeals, the examiner admitted error and gave up before even writing an Examiner's Answer. This forced admission of an 80% error

rate occurs because appeal is the first point where the PTO requires examiners to think carefully – 100,000 foot flyovers won't do for an Examiner's Answer. If the PTO simply enforced its existing guidance as required by Good Guidance Practices, and incentivized careful examination up front instead of delay so examiners earn more "counts," these applications would have been allowed far earlier, at far lower cost for both the PTO and the public. The PTO's backlog would rapidly be whittled down, and the 80% of expensive appeal briefs directed to totally worthless rejections would rapidly drop.

The legal issues I've covered in my letters reinforce those I've made in previous public comments: this ICR is the predictable result when agencies are allowed free rein to act for self-interest, without concern for the public interest or OMB's regulatory oversight law. The PTO has had regulations governing appeals practice since enactment of the Paperwork Reduction Act, but has never bothered to obtain a valid OMB Control Number for their paperwork burdens. The PTO belatedly acknowledges in the Supporting Statement for ICR 0651-00xx that these burdens have all along exceeded \$200 million per year, yet it refuses to even acknowledge that it was running an illegal bootleg operation. Nor did the PTO bother to think through the consequences of its rules to identify all of the information collection elements created or affected by its most recent actions – or perhaps it did, and decided to "certify" no economic effect anyway. This is part of a well-established practice: over the last few years, as the problems caused by poor management have mounted, the PTO has consistently displayed a dismissive attitude toward OMB and its statutory responsibilities.

The PTO's pattern of evading and obstructing OMB and public accountability has been so consistent that it can only have been intentional. When the PTO published the proposed rule modifying appeals practice in 2007, it deceived OMB and the public about what it was doing by evading OMB review under Executive Order 12,866 and falsely certifying that the proposed rule had no incremental burden. But the public caught on to these deceptions and submitted informed and detailed comments on both the

proposed rule and its paperwork burdens. The PTO's response has been to stonewall – ignore all the public comments it possibly can and misrepresent the others. To show the last full measure of its devotion to the law and public accountability, the PTO grudgingly sought public comments on June 9, 2008, promulgated the final rule one day later, and submitted ICR 0651-00xx exactly 60 days before the effective date of the rule. Surely OMB is not fooled for even a minute.

The PTO's only perceptible attempts to cure the consequences of its own failure to follow the law and Good Guidance has been to impose hundreds of millions of dollars of burden on the innovation sector of the economy, burdens that will go into force on December 10 unless OMB acts to prevent them.

The PTO desperately needs adult supervision, and when it comes to the key provisions of the Paperwork Reduction Act, OMB is the only entity with the authority to provide it. Before the PTO will even consider changing its ways, OMB must first get its attention. The right way to do that it is to disapprove ICR 0651-00xx and direct the PTO to start over. Other specific suggestions within OMB's authority are contained in my presentation to OMB of June 15, 2007.¹⁰ We will all get a better idea of the true benefits, costs, practical utility and burdens of the PTO's intended changes when the PTO prepares for OMB review and public comment a comprehensive Regulatory Impact Analysis – something it should have done more than ten years ago.

Sincerely,

/s/ David E. Boundy

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¹⁰ <http://www.whitehouse.gov/omb/oira/0651/meetings/619-3.pdf>

EXHIBIT 1



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MAILED

NOV - 8 2005

Technology Center 2100

In re Application of: Yates, et al.)
Application No. 09/385,394)
Attorney Docket No. 114596-03-4000)
Filed: 08/30/1999)
For: COMPUTER WITH TWO)
EXECUTION MODES)

DECISION ON PETITION FOR
SUPERVISORY REVIEW
UNDER 37 CFR §1.181

This is a decision on the petition under 37 CFR § 1.181, originally filed April 8, 2005, and supplemented on June 14, 2005 and June 17, 2005, requesting the Commissioner to invoke his supervisory authority and withdraw the finality of the Final Office action mailed October 25, 2004 and to enter the amendment under 37 C.F.R. 1.116 filed on April 14, 2005 (copy filed April 18, 2005). The instant petition(s) also requests Examiner consideration of a reference cited on form 1449, filed July 15, 2004.

The petition is **GRANTED-in-PART**, to the extent indicated below.

RECENT PROSECUTION HISTORY

- (1) On February 9, 2004, a petition requesting reconsideration of the petition decision of December 4, 2003 was filed.
- (2) On February 11, 2004, a Non-Final Office action, treating all pending claims, was mailed. In addition, a copy of the Examiner considered references on form PTO-1449 was attached.
- (3) On May 4, 2004, a petition decision was mailed, denying Petitioner's request for reconsideration of the decision to dismiss a request for withdrawal of the Finality of a previous Office action. In the petition decision, it was noted that a proper request for continued examination (RCE) had been filed by Applicant on July 3, 2003.
- (4) On July 15, 2004, an amendment, response, two-month extension of time and IDS was filed by Applicant.
- (5) On October 25, 2004, a Final Office action, treating all pending claims, was mailed.

(6) On January 25, 2005, a response was filed including: an amendment after Final rejection under 37 CFR 1.116; I.D.S.; as well as a request for reconsideration and request to withdraw the Finality of the October 25, 2004 Office action.

(7) On February 14, 2005, an Advisory Action was mailed, indicating that the proposed amendment(s) would not be entered as they raised new issues that would require further consideration and/or search. The action also indicated that all references cited had been considered on attached (or previously provided) form(s) PTO-1449, with the exception of the reference to Kelly (WO 99/08188).

(8) On April 8, 2005, a Petition under 37 CFR 1.181 requesting the Commissioner to invoke his supervisory authority and withdraw the finality of the Final Office action mailed October 25, 2004, to enter the amendment under 37 C.F.R. 1.116 and to consider the reference(s) cited on form 1449 was filed.

(9) On April 14, 2005, a response, exhibit, an amendment, a three month extension of time, and copy of IDS (previously filed) was filed.

(10) On April 18, 2005, a request to withdraw the Finality, duplicate copy of response and amendment, and IDS was filed.

(11) On April 28, 2005, a Notice of Appeal, response and (apparently different) amendment under 37 CFR 1.116 was filed.

(12) On June 7, 2005, an Advisory Action treating proposed amendments filed April 14, 18 & 28, 2005 was mailed, indicating that the proposed amendment(s) would not be entered as they raise new issues that would require further consideration and/or search. The action also included a copy of non-considered PTO-1449. The Advisory Action also recognized that the submission of April 8, 2005 was in fact a petition to withdraw the finality of the action mailed October 25, 2004, and forwarded such submission to the appropriate deciding officials.

(13) On June 14, 2005, in response to the Advisory Action, a supplemental petition (to the original petition filed April 8, 2005) was filed.

(14) On June 17, 2005, an additional supplemental petition was filed. Petitioner acknowledges that all references cited have been considered by the Examiner with the exception of Kelly (WO 99/08188) noted above.

RELIEF REQUESTED

The instant petition filed under 37 CFR 1.181 requests the following relief: A) withdrawal of the finality of the October 25, 2004 office action as prosecution was alleged to have been prematurely closed; B) entry of the amendment filed April 14, 2005 under 37 CFR 1.116 (duplicate copy filed April 18, 2005); and C) Examiner consideration of the reference to Kelly (WO 99/08188) filed in an IDS (PTO form 1449) on July 15, 2004.

REQUIREMENTS

A petition under 37 CFR §1.181 must include: (1) a statement of facts involved and (2) the point or points to be reviewed and the action requested. Note, the mere filing of a petition will not stay any period for reply that may be running against the application, nor act as a stay of other proceedings. In addition § 1.181(f) sets forth: any petition under this part not filed within two months of the mailing date of the action or notice from which relief is requested may be dismissed as untimely. Further, when a petition is taken from an action or requirement of an examiner in the ex parte prosecution of an application, ... it may be required that there have been a proper request for reconsideration (37 CFR §1.111) and a repeated action by the examiner.

The petition initially filed on April 8, 2005 (and supplemented on June 14 & 17, 2005) includes elements (1) and (2) above. The petition was filed within two months of the action (Advisory Action, mailed February 14, 2005) from which the relief is requested i.e. the Examiner maintaining his position in response to the request for reconsideration (of the propriety of the final rejection of October 25, 2004).

OPINION

A) The request for Withdrawal of the Finality of the Office action mailed October 25, 2004 will be addressed first.

Petitioner presents the following arguments in support of the position that the Final rejection was premature:

In consideration of unamended claim 87, does the Final Office action of October 25, 2004 support closing of prosecution, i.e. no new grounds of rejection, see *In re Kronig* and *In re Wiechart*.

Does the Final Office action of October 25, 2004 timely comply with 37 CFR §1.113 for final rejection of unamended claim 22, i.e. no new grounds of rejection.

Under the definition for “new grounds of rejection” by the Federal Circuit and Board definitions, the new grounds of rejection of claims 104* and 87 were not necessitated by amendment.

In addition, Petitioner argues that since a reference, submitted on form PTO-1449 has not been considered, (i.e. WO 99/08188 to Kelly), “present procedures” for examination of the application were not completed and therefore closing of prosecution is premature.

ANALYSIS

The relevant section of the MPEP concerning finality of Office practice is MPEP § 706.07. The MPEP does discourage the shifting “from one set of references to another in rejecting in successive actions claims of substantially the same subject matter. However, contrary to Petitioner’s assertion, clear issues have been developed. In the language of the MPEP:

*Note, claim 104 was first identified in the request for reconsideration filed on January 25, 2005 and then again in the supplemental petitions of June 14 & June 17, 2005, but not in the original petition filed on April 8, 2005.

While the rules no longer give to an applicant the right to “amend as often as the examiner presents new references or reasons for rejection,” present practice does not sanction hasty and ill-considered final rejections. The applicant who is seeking to define his or her invention in claims that will give him or her the patent protection to which he or she is justly entitled should receive the cooperation of the examiner to that end, and not be prematurely cut off in the prosecution of his or her application. ***But the applicant who dallies in the prosecution of his or her application, resorting to technical or other obvious subterfuges in order to keep the application pending before the primary examiner, can no longer find a refuge in the rules to ward off a final rejection.***

The examiner should never lose sight of the fact that in every case the applicant is entitled to a full and fair hearing, and that a clear issue between applicant and examiner should be developed, if possible, before appeal. However, it is to the interest of the applicants as a class as well as to that of the public that prosecution of an application be confined to as few actions as is consistent with a thorough consideration of its merits.

Neither the statutes nor the Rules of Practice confer any right on an applicant to an extended prosecution; Ex parte Hoogendam, 1939 C.D. 3, 499 O.G.3, 40 USPQ 389 (Comm'r Pat. 1939).

In making the final rejection, all outstanding grounds of rejection of record should be carefully reviewed, and any such grounds relied on in the final rejection should be reiterated. They must also be clearly developed to such an extent that applicant may readily judge the advisability of an appeal unless a single previous Office action contains a complete statement supporting the rejection.

However, ***where a single previous Office action contains a complete statement of a ground of rejection, the final rejection may refer to such a statement and also should include a rebuttal of any arguments raised in the applicant's reply.*** If appeal is taken in such a case, the examiner's answer should contain a complete statement of the examiner's position.

Finally, as set forth in MPEP 706.07(a):

Under present practice, second or any subsequent actions on the merits shall be final, except where the examiner introduces a new ground of rejection that is neither necessitated by applicant's amendment of the claims nor based on information submitted in an information disclosure statement filed during the period set forth in 37 CFR 1.97(c) with the fee set forth in 37 CFR 1.17(p). (emphasis added)

It is noted that numerous communications after Final rejection have been filed in the instant application, including some apparent duplicate or refiled communications restating issues that had been previously presented by Applicant. Such numerous filings confuse the prosecution history of the instant application.

With respect to the petition at hand, in the instant application, with respect to claims 22, 87 and 104, a comparison of the Non-Final Office action of February 11, 2004 with the Final Office action of October 25, 2004 reveals that the Examiner maintained the same statutory basis of rejection for each of claims 22, 87 and 104. That is, claim 104 was rejected in both actions under 35 USC 102(e) as being clearly anticipated by Goetz et al. (US 5,854,913) and claims 22 and 87 were each rejected in both actions under 35 USC 103(a) as being obvious over Goetz et al. (US 5,854,913) in view of Brender et al. (US 5,339,422) and Murphy et al. (US 5,764,947).

First, Petitioner should be advised that there is no requirement that an element or limitation for limitation identification (between the claims and reference(s) be provided to applicant in the grounds of rejection set forth in the examination process, particularly in a rejection wherein the identification of the claimed limitations are readily apparent. Second, upon careful reading of both the Non-Final Office action of February 11, 2004 and the Final Office action of October 25, 2004, it is apparent that the Examiner has fully developed a position on the above identified claims in these Office actions. Further, the position taken by the Examiner has been presented to Applicant in multiple Office communications including the Final rejection. Specifically, with respect to each of claims 104, 22, 87, the Examiner's rejection of these claims is identified clearly in the Non-Final Office action at paragraphs 10 and 46, respectively. In applicant's response filed July 15, 2004, in which these claims were not amended but separately argued that the applied references do not teach a feature of the claim(s), the Examiner responded directly (in the Final rejection of October 25, 2005) to Applicant's arguments by pointing out where the argued feature was taught.

Contrary to the citations of case law presented by Petitioner, it cannot be seen how further clarifying ones position and responding directly to limitations identified as "not taught by the cited art" could be construed to be "a new line of reasoning" (*In re Kronig*) or "relying on a new portion of a reference" (*In re Wiechert*). The rejections presented and explanations provided by the Examiner are not read in a vacuum, but rather with an understanding and knowledge of one having "ordinary skill in the art" (MPEP 2106).

The Examiner clearly identifies the specific elements in the applied art which are being relied upon to meet the claim limitations. Furthermore, Applicant's response to the rejections and the arguments presented in this petition delineate issues which have been clearly developed between the Examiner and Applicant. The Examiner has explained his position in detail in the Non-Final action. Applicant has traversed and the Examiner has correspondingly responded to each traversal in a timely manner, addressing all points raised by Applicant in even greater detail in the Final Office action. Differences of opinion are not unexpected in regular examination processes. It is apparent that these issues are now ripe for appeal.

The Examiner's holding of Finality with respect to the rejections of record in the Final Office action mailed October 25, 2004 is correct and in accordance with Office policy and practice. Accordingly the petition to withdraw the finality is **DISMISSED**.

Thus, Petitioner's assertion that "because present practice was not observed in the Office action of October 2004, MPEP § 706.07(a) does not authorize closure of prosecution", finds no merit since MPEP § 706.07(a), as it relates to 37 CFR § 1.97, is based upon the introduction of an improper "new grounds of rejection". Since no "new grounds of rejection" is present in the Final Office action (as discussed above), and since consideration of a reference cited in an information disclosure statement is not a controlling factor as to whether an Office action can or cannot be made final, closing of prosecution in the Final Office action of October 25, 2004 is deemed to be proper.

B) The propriety of the Examiner's refusal to enter the amendment after final will now be addressed.

In the response filed April 14, 2005, Applicant indicates that since the finality of the Office action of October 25, 2004 was premature, that "the amendments proposed here may be entered as a matter of right. Even if finality is maintained, these amendments are entitled to entry under Rule 116".

The relevant section of the MPEP concerning entry of amendments after final rejection is MPEP § 714.13 which states:

ENTRY NOT A MATTER OF RIGHT

It should be kept in mind that applicant cannot, as a matter of right, amend any finally rejected claims, add new claims after a final rejection (see 37 CFR 1.116) or reinstate previously canceled claims. Except where an amendment merely cancels claims, adopts examiner suggestions, removes issues for appeal, or in some other way requires only a cursory review by the examiner, compliance with the requirement of a showing under 37 CFR 1.116(c) is expected in all amendments after final rejection.

Newly amended claim 63, as proposed, is not equivalent to a previously presented claim, but rather it presents a combination of limitations not previously presented. This change in scope of the claim limitations requires more than a cursory review, as indicated in the Advisory Action mailed June 7, 2005. In addition, it is noted that the proposed amendment of April 14, 2005 presents additional claims (proposed claims 134 & 135) without canceling a corresponding number of finally rejected claims.

Therefore, the Examiner's refusal to enter the proposed amendment filed in Paper No. 14 is correct and consistent with Office policy and practice. Accordingly, the petition to compel the examiner to enter the amendment is **DISMISSED**.

C) The propriety of the Examiner's refusal to consider the reference cited in the IDS, filed on July 15, 2004 will now be addressed.

The relevant section of the MPEP concerning consideration of references filed is found in MPEP § 609 and 37 CFR §§ 1.97, 1.98:

37 CFR 1.97. Filing of information disclosure statement.

(c) An information disclosure statement shall be considered by the Office if filed after the period specified in paragraph (b) of this section, provided that the information disclosure statement is filed before the mailing date of any of a final action under § 1.113, a notice of allowance under § 1.311, or an action that otherwise closes prosecution in the application, and it is accompanied by one of:

- (1) The statement specified in paragraph (e) of this section; or
- (2) **The fee set forth in § 1.17(p).**

37 CFR 1.98. Content of information disclosure statement.

(d) A copy of any patent, publication, pending U.S. application or other information, as specified in paragraph (a) of this section, listed in an information disclosure statement is required to be provided, even if the patent, publication, pending U.S. application or other information was previously submitted to, or cited by, the Office in an earlier application, **unless:**

- (1) **The earlier application is properly identified in the information disclosure statement and is relied on for an earlier effective filing date under 35 U.S.C. 120; and**
- (2) **The information disclosure statement submitted in the earlier application complies with paragraphs (a) through (c) of this section.**

A review of the file history indicates that the IDS filed July 15, 2004, which lists the Kelly WO 99/08188 reference, includes a fee payment of \$180.00 received by check on July 16, 2004 as per 37 CFR 1.97(c)(2). Further, a copy of the Kelly reference is found in the earlier filed US application SN 09/239,194 to which the instant application directly relies upon for an earlier effective filing date under 35 U.S.C. § 120 (instant application is a continuation-in-part of the earlier application, as referenced on page 1 line 5 of the instant specification). Since the Kelly reference was properly cited and considered in the earlier application, it is found to comply with 37 CFR 1.98(d)(1)(2) and thus entitled to consideration in the instant application.

Since present Office practice with respect to consideration of references properly cited was not followed, accordingly, the petition to compel the Examiner to consider the reference is **GRANTED**.

CONCLUSION

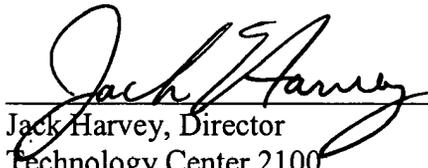
For the above stated reasons, the petition to withdraw the finality of the final Office action of October 25, 2004 is **DISMISSED**.

For the above stated reasons, the petition to enter the amendment filed after final rejection under 37 CFR §1.116 is **DISMISSED**.

The petition for Examiner consideration of the reference to Kelly (WO 99/08188) is **GRANTED**. The Examiner is directed to consider the reference as cited on form PTO-1449 filed on July 15, 2004 (note, copy present in related application SN 09/239,194).

The application is being forwarded to the examiner for consideration of the reference to Kelly (WO 99/08188). Appellant is reminded that the Brief must be filed within the period set forth in 37 CFR 1.192(a), or any extension thereof (37 CFR 1.191(d)), to avoid dismissal of the appeal.

Any inquiries related to this decision may be directed to Specials Program Examiner Brian Johnson at (571) 272-3595.


Jack Harvey, Director
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Computer Architecture, Software, and Information Security