



29 May 2012

Susan K. Fawcett, Records Officer
Office of the Chief Information Officer
United States Patent and Trademark Office
P.O. Box. 1450
Alexandria, VA 22313-1450

By email: usptoinfo@uspto.gov, subject “0651–0031 comment”

John B. Owens, Chief Information Officer
United States Patent and Trademark Office
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Alexandria, VA 22313-1450

By email: InformationCollection@uspto.gov,
subject “Data Quality”
Attn: Information Quality request for correction
at Section 2 at page 5

CC: David J. Kappos, Director
United States Patent and Trademark Office
P.O. Box. 1450
Alexandria, VA 22313-1450

Re: Patent Processing (Updating) 0651-0031, comment request, 77 Fed. Reg. 16813-17
(Mar. 22, 2012), <http://www.gpo.gov/fdsys/pkg/FR-2012-03-22/pdf/2012-6888.pdf>

Dear Ms. Fawcett and Mr. Owens:

IEEE-USA submits these comments on the above-captioned 60-day Notice published pursuant to the Paperwork Reduction Act (44 U.S.C. § 3501 *et seq.*, “PRA”). IEEE-USA is the United States unit of the IEEE, the world’s largest professional association for technological professionals. IEEE-USA has 210,000 members, largely electrical, software, electronic, mechanical, and biomedical engineers, working in thousands of companies from the largest and most-established to the smallest and newest. IEEE-USA seeks to represent the interests of its members, their careers, and their ability to create the next generation of America’s companies and jobs. Efficient operation of the patent system is one of the keys to that future. The entire patent system would operate more efficiently if the PTO observed the requirements of the administrative law (including the Paperwork Reduction Act) with greater care, and IEEE-USA writes to offer observations on how the PTO could simultaneously improve compliance with the law, reduce paperwork burden on the public, and operate more efficiently to meet internal performance goals.

IEEE-USA requests the personal attention of the PTO Director, who is copied on this letter. This 60-day Notice covers all of Information Collection Request (“ICR”) 0651-0031, that is, it is the first step in the PTO’s request for approval of essentially all paperwork activities after

an application is filed and before the application is allowed, appealed, or abandoned. ICR 0651-0031 encompasses the overwhelming majority of all PTO operations, and is acknowledged by the PTO to cover \$4 billion of annual paperwork burden on the public, a majority of all attorney fee burden for the entire U.S. patent procurement process. The magnitude, complexity, and efficiency of the activities covered by this 60-day Notice are crucial to the PTO, to the public, and to the entire innovation segment of the economy. That importance is reflected in the broad range of topics and depth of coverage in this letter, importance that warrants the personal attention of Director Kappos and Deputy Director Rea.

IEEE-USA believes that paperwork burden in 0651-0031 that lacks practical utility or is unreasonably duplicative arises from the PTO's administration of the patent examination process. A recent analysis confirmed the personal experience of experienced patent attorneys, that far too many applications are being rejected on grounds that are unwarranted by law: 75% of appeals are successful in obtaining vacatur or reversal,¹ a figure that rose rapidly during the period 2005-08.² This 75% rate of vacatur or reversal is strong evidence that the PTO's examination process is fundamentally flawed: some years ago, the Third Circuit found that a reversal rate of one-third was a strong indicator that the agency's procedures were so haphazard that they likely violate constitutional due process, and "cannot be defended."³ A reversal rate of 75% confirms that examiners are rejecting far too many applications that, by law, should be allowed. IEEE-USA submits that there is a tight causal connection between this unfortunate reality and paperwork burdens imposed by the PTO that lack practical utility: legally-unwarranted rejections lack practical utility because they are inconsistent with "proper performance of the agency's functions to comply with legal requirements."⁴ Throughout this letter, IEEE-USA notes how the PTO's current processes fail the requirement for "practical utility,"⁵ and to avoid duplicative

¹ Kip Werking, 75% – The Real Rate of Patent Applicant Success on Appeal, IP Watchdog, May 2, 2012, <http://www.ipwatchdog.com/2012/05/02/75-the-real-rate-of-patent-applicant-success-on-appeal/id=24525> (showing a reversal rate of 79% in his sample).

² Ron D. Katznelson, Patent Reforms Must Focus on the U.S. Patent Office, *Medical Innovation & Business Journal*, Vol. 2, No. 2, pp. 77-87, Fig. 3 at p. 83 (Summer 2010), <http://bitly.com/MIBJ-PTO-Reform> (reporting a reversal rate of about 80%).

³ *Mattern v. Weinberger*, 519 F.2d 150, 161 (3d Cir. 1975).

⁴ 44 U.S.C. § 3506(c)(3)(A) and 5 C.F.R. § 1320.5(d)(1)(i) ("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"). A particular official will have to certify that the agency's collection of information is "necessary for the proper performance of the functions of the agency," 5 C.F.R. § 1320.9(a).

⁵ When an existing submission is sufficient for an examiner to conclude that an application should be allowed, but the examiner fails to "process such information in a timely and useful fashion" and rejects the application anyway, the PTO breaches the "practical utility" requirement of 44 U.S.C. §§ 3502(11), 3506(c)(2)(A), 3506(c)(3)(A), and 5 C.F.R. §§ 1320.3(l), 1320.5(d)(1)(iii), 1320.8(d)(1)(i), 1320.9(a) and (h).

submissions,⁶ as reflected in the appeal reversal rate. And most importantly, IEEE-USA recommends reforms to the PTO's procedures that will simultaneously benefit both the PTO and the public, reduce or eliminate paperwork burdens that lack practical utility or are unreasonably duplicative, will reduce backlog, and will improve the PTO's compliance with many laws.

While IEEE-USA can only speak from the experience of the authors of this letter, attorneys talk to each other, and there is a remarkably broad and uniform consensus of experience and view. If the PTO has any doubt that examiners behave as described, and that the supervisory chain all too often backs up these kinds of examiner misconduct, and that the factors we describe are a major contributor to unreasonably duplicative paperwork burden and PTO backlog, IEEE-USA suggests a formal survey to determine whether the authors' experiences are representative. IEEE-USA offers to assist the PTO in crafting such a survey of the patent bar that would solicit information meeting the PTO's Information Quality Guidelines.

1. THE PAPERWORK REDUCTION ACT LIMITS WHAT INFORMATION THE PTO CAN COLLECT FROM THE PUBLIC AND REQUIRES THE PTO TO MAKE CERTAIN FACTUAL DEMONSTRATIONS

The PTO only has authority to collect information from the public subject to the Paperwork Reduction Act (PRA) and its implementing regulations at 5 C.F.R. Part 1320, issued by the Office of Management and Budget (OMB) on August 29, 1995.⁷ In particular, § 1320.5 specifically limits the collection of information as follows (emphasis added):

1320.5 General requirements.

(a) An agency shall not conduct or sponsor a collection of information unless, in advance of the adoption or revision of the collection of information—

(1) The agency has—

(i) Conducted the review required in § 1320.8;

(ii) Evaluated the public comments received under § 1320.8(d) and § 1320.11;

...

(d)(1) 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; and

(iii) Has practical utility. The agency shall also seek to minimize the cost to itself of collecting, processing, and using the information, but shall not do so by means of shifting disproportionate costs or burdens onto the public.

The requirement to “[c]onduct the review established under § 1320.8, including the seeking of public comment under § 1320.8(d)” refers to the following regulatory requirements:

⁶ When an applicant must file the same or similar information repetitively to secure allowance, the later submissions violate proscriptions against requiring “unnecessarily duplicative” submissions, of 44 U.S.C. § 3506(c)(3)(B) and 5 C.F.R. § 1320.5(d)(1)(ii) and § 1320.9(b).

⁷ Office of Management and Budget (OMB), Controlling Paperwork Burdens on the Public; Regulatory Changes Reflecting Recodification of the Paperwork Reduction Act, 60 Fed. Reg. 44978-44996 (Aug. 29, 1995).

(1) Before an agency submits a collection of information to OMB for approval, and except as provided in paragraphs (d)(3) and (d)(4) of this section, the agency shall provide 60-day notice in the FEDERAL REGISTER, and otherwise consult with members of the public and affected agencies concerning each proposed collection of information, to solicit comment to:

- (i) Evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility;
- (ii) Evaluate the accuracy of the agency's estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used;
- (iii) Enhance the quality, utility, and clarity of the information to be collected; and
- (iv) Minimize the burden of the collection of information on those who are to respond, including through the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, *e.g.*, permitting electronic submission of responses.

In this letter, IEEE-USA identifies several aspects of this 60-day Notice (ICR 0651-0031) that exceed the PTO's statutory authority under the PRA. In addition, IEEE-USA identifies a longer list of procedural violations in this 60-day Notice that substantially overlaps lists of procedural violations provided in numerous prior public comments on previous 60-day Notices, and on 30-day Notices accompanying submission to OMB for approval. Our comments are organized as follows:

Section 2 provides the housekeeping details the PTO requires for requests for correction submitted pursuant to its Information Quality Guidelines, which were issued by the PTO in 2002 to implement the Information Quality Act, and OMB's government-wide guidelines. In accordance with the administrative procedures set forth in these Guidelines, IEEE-USA also submits this request for correction as part of our public comment.

Procedural violations of the PRA in this 60-day Notice are discussed in Section 3. These violations generally make it impossible for any member of the public to provide informed comments on the practical utility of the individual Information Collection line items ("ICs") in the Notice or the accuracy of the PTO's burden estimates. IEEE-USA is unable to provide informed comments because the PTO has not complied with the disclosure requirements set forth in 5 C.F.R. § 1320.8 and OMB's Information Quality Guidelines.

Section 4 explains IEEE-USA's diagnoses of causes underlying patent-processing paperwork burdens that lack practical utility or are unreasonably duplicative, and identifies specific management and regulatory reforms the PTO could (and should) undertake in order to make good-faith compliance with the PRA's requirements. These require that the PTO's requests for information are "the least burdensome necessary for the proper performance of the agency's functions to comply with legal requirements and achieve program objectives," collect only information with actual, not merely theoretical "practical utility" to the agency, avoid imposing burdens that are "duplicative of information otherwise accessible to the agency," and "minimize the cost to itself of collecting, processing, and using the information" without "do[ing] so by means of shifting disproportionate costs or burdens onto the public."

2. REQUEST FOR CORRECTION UNDER PTO INFORMATION QUALITY GUIDELINES

In its Information Quality Guidelines,⁸ which implement OMB's government-wide Information Quality Guidelines,⁹ the PTO promises as follows:

“A proper request received concerning information disseminated as part of and during the pendency of the comment period on a proposed rule ..., including a request concerning the information forming the record of decision for such proposed rule, plan or action will be treated as a comment filed on that proposed rulemaking, plan, or action, and be addressed in the issuance of any final rule” (emphasis added).

For a 60-day Notice published pursuant to the PRA, the relevant final agency action by PTO is its submission of a request for clearance to OMB, the Supporting Statement, and the accompanying 30-day notice to be published in the Federal Register.

In accordance with PTO's Information Quality Guidelines, IEEE-USA provides the housekeeping details that the Guidelines require of those who request correction of information that does not comply with the PTO's or OMB's Guidelines.

- Requester's name: IEEE-USA
- Requester's telephone number: c/o Erica Wissolik, (202) 530-8347
- Requester's electronic mail (e-mail) address: e.wissolik@ieee.org
- Requester's return address: Erica Wissolik, IEEE-USA, 2001 L Street, N.W., Suite 700, Washington, D.C. 20036-5104 USA
- An accurate citation to and a description of the particular information disseminated that is the subject of the request for correction (For recurring or systemic errors, please provide a few examples (no more than 50)): Examples of recurring and systemic information quality errors are shown in Sections 3.5 and 3.6.
- An explanation of how the requester is affected by the alleged error: As noted above, IEEE-USA is the United States unit of the IEEE, the world's largest professional association for technological professionals. IEEE-USA has 210,000 members, largely electrical, software, electronic, mechanical, and biomedical engineers, working in thousands of companies from the largest and most-established to the smallest and newest. IEEE-USA seeks to represent the interests of its members, their careers, and their ability to create the next generation of America's companies and jobs. Efficient operation of the

⁸ United States Patent and Trademark Office, Information Quality Guidelines, <http://www.uspto.gov/products/catalog/infoqualityguide.jsp> (hereinafter “PTO Information Quality Guidelines”).

⁹ 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 (hereinafter “OMB Information Quality Guidelines”). Because the PTO Information Quality Guidelines are subordinate to the OMB Information Quality Guidelines, any definition, provision, or procedural element in the former that is inconsistent with the latter violates the federal Information Quality Act (Section 515 of the Treasury and General Government Appropriations Act for Fiscal Year 2001; Public Law 106-554, codified at 44 U.S.C. § 3516 note) (hereinafter “IQA”).

patent system is one of the keys to that future. IEEE-USA members are harmed by the PTO functioning less efficiently than it would if the PTO accurately estimated burden on the public.

- An explanation of how the information at issue fails to comply with (these) PTO information quality guidelines or the applicable OMB guidelines: Our comments in Sections 3.5 and 3.6 demonstrate PTO noncompliance with its own Guidelines. IEEE-USA is generally unable to comment on the accuracy of the PTO's burden estimates or the validity of methodology and assumptions because the PTO has failed to disclose sufficient information to make informed comment possible. In the handful of instances where IEEE-USA can reasonably infer the PTO's methodology, it is clear that the PTO's burden estimates substantially underestimate average burden, and thus they are not objective. This 60-day Notice thus violates the information quality standards of transparency, reproducibility, and objectivity. These information quality errors and suggested steps for correction are discussed throughout Section 3, and most importantly in Sections 3.5 and 3.6.
- An explanation of why the requester believes that the disseminated information is not correct: As noted above, Section 3 (and particularly Sections 3.5 and 3.6) demonstrates PTO noncompliance with its own Guidelines. IEEE-USA is generally unable to comment on the accuracy of the PTO's burden estimates or the validity of methodology and assumptions because the PTO has failed to disclose sufficient information to make informed comment possible. In the handful of instances where IEEE-USA can reasonably infer the PTO's methodology, it is clear that the PTO's burden estimates substantially underestimate average burden, and thus they are not objective. This 60-day Notice thus violates the information quality standards of transparency, reproducibility, and objectivity. These information quality errors and a request for correction are discussed in Sections 3.5 and 3.6.

3. COMMENTS ON "VALIDITY OF THE METHODOLOGY AND ASSUMPTIONS," PROCEDURAL ISSUES AND INFORMATION QUALITY ERRORS IN THIS 60-DAY NOTICE

The list of Information Collections ("ICs") in this 60-day Notice consists of a single, unnumbered table (pp. 16814-16815), with each row purporting to show average hourly burden per respondent, the expected number of respondents, and expected total annual burden-hours.¹⁰ Although the law requires PTO to disclose its assumptions and methodology (§ 1320.8(d)(1)(ii)) and prepare burden estimates that are specific and objectively supported (§ 1320.8(a)(4)), such information is not included in the table or elsewhere in the Notice.

The PTO is required by law to have an objectively supported basis for its estimates and to disclose enough information so that the public can provide informed comments, in accordance with § 1320.8(d)(1). Because the PTO does not disclose any information at all concerning how it

¹⁰ 5 C.F.R. § 1320.8(d)(1) requires the PTO to provide no less than 60 days to comment on a proposed Information Collection Request ("ICR") "and otherwise consult with members of the public and affected agencies concerning each proposed collection of information" prior to its formal submission to OMB for review. Such notices are colloquially referred to as "60-day notices," a shorthand term that is used herein.

derived its estimates, this 60-day Notice violates both the letter and the spirit of the PRA and its implementing regulations. A 60-day Notice that is bereft of the information required by law is itself in violation of the law. Because the 60-day Notice was disseminated by the PTO and is obviously “influential,”¹¹ in that it seeks approval from OMB for paperwork burdens on the public—in the amount of \$4 billion per year—the fact that it is bereft of transparency and reproducibility means the Notice violates the primary information quality principles of transparency and reproducibility.

This problem is not isolated to this particular 60-day Notice. The PTO has received a number of comment letters (including those listed in footnote 32) reminding the PTO of its legal obligations under the PRA and IQA and objecting to the lack of objective support for its estimates.¹² IEEE-USA is concerned that the PTO has amended its historic practice of basing burden estimates on the non-transparent, non-reproducible, and subjective “beliefs” of undisclosed PTO staff by choosing to withhold any explanation for how it derived them. Disclosing less information about how the PTO derived its estimates cannot be an appropriate strategy for improving the PTO’s legal compliance, nor can it be a responsible way to respond to legitimate public concerns.

3.1. This 60-day Notice does not seek public comment on its most important elements

This 60-day Notice seeks public comment on “the accuracy of the agency’s estimate of the burden (including hours and cost) of the proposed collection of information.”¹³ This is not what the law requires, however. By law, the PTO is required to seek public comment on “the accuracy of the agency’s estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used.”¹⁴ The PTO’s failure to seek comment on the validity of its methodology and assumptions may be related to its failure to disclose its methodology and assumptions.

In the past, the PTO has acknowledged that it relied on the opinions and beliefs of unnamed PTO employees. This 60-day Notice goes an important step backwards: it discloses no sources at all for its estimates. The PTO’s omission of data and analytical methods leaves us unable to provide informed comment on the PTO’s burden estimates. This is no small thing because the value of just the burdens acknowledged by the PTO exceeds \$4 billion per year.

¹¹ PTO’s disseminated information in this Notice is “influential,” as defined in both the OMB and PTO Information Quality Guidelines, because it is “information that will have or does have a clear and substantial impact on important public policies or important private sector decisions.” PTO Information Quality Guidelines § IV(A)(3). Indeed, the PTO specifically states that “Influential Information” disseminated by the USPTO ... consists primarily of statistical information on USPTO filings and operations.” *Id.* § VII(A).

¹² Burden estimates submitted to OMB must be “objectively supported,” and submitted with a certification and “a record supporting such certification.” 44 U.S.C. § 3506(c)(1)(A)(iv), § 3506(c)(3), 5 C.F.R. § 1320.8(a)(4), § 1320.9.

¹³ 75 Fed. Reg. 16817, col. 1.

¹⁴ 5 C.F.R. § 1320.8(d)(1), emphasis added.

PTO's violation of law by failing to disclose "methodology and assumptions used" vitiates the whole purpose of the notice and public comment process under the PRA, rendering the public's role under the PRA ineffective. For example, comparing the number of responses the PTO projects for the next 3 years in this Notice to the PTO's last estimates from three years ago shows remarkable changes in the following estimates:

- Notices of Appeal tripled, from 16,500 to 37,500.
- Rule 136(a) petitions for extension of time doubled, from 189,000 to 315,100.
- Disclaimers tripled, from 15,000 to 45,000.
- § 3.73(b) Statements increased seven-fold, from 19,450 to 150,000.

At the same time, the PTO projects:

- Transmittal forms will increase by only 5.8%, from 1,039,500 to 1,100,000
- Express Abandonments under 37 CFR 1.138 will decline by about 50%, from 13,825 to 7,000

No justification for the numerical values of these projections were given and it is unclear how they relate to patent application filing increase of 8.1% over these three years.¹⁵

With such immense growth in some estimates, and high variability among them, the PTO must have used some estimation method—what is it? The public cannot comment on the "accuracy of the estimates" without full disclosure of the PTO's methodology, assumptions, models and methods.¹⁶

Before the PTO submits a request for clearance to OMB, the PTO must publish a legally valid 60-day Notice. To do that, the PTO must first complete the review required by § 1320.8(d)(1). This includes "consulting with the public" and developing objectively supported estimates. When these tasks are complete, the PTO then would be able to publish a new 60-day Notice fully disclosing "the methodology and assumptions used" (including their objective support), and seeking informed comment on both the estimates themselves and on "the validity of the methodology and assumptions used." Anything less violates the letter and the spirit of the PRA and raises serious doubt about the PTO's 2002 commitment to information quality principles such as transparency, reproducibility, and objectivity.¹⁷

¹⁵ New utility patent applications have grown from 466,258 in FY 2008 to 504,089 in FY 2011. USPTO 2011 Annual Report, p. 159 at www.uspto.gov/about/stratplan/ar/2011/USPTOFY2011PAR.pdf.

¹⁶ *Washington Trollers Ass'n v. Kreps*, 645 F.2d 684 (9th Cir. 1981) (high-level summary, without underlying model or data to "enable an interested or affected party to comment intelligently," is arbitrary and capricious). See also *Owner-Operator Independent Drivers Ass'n v. Fed Motor Co.*, 494 F.3d 188, 199 (D.C. Cir. 2007) (rule invalid when agency failed to provide opportunity for comment on model's methodology, or to disclose data and assumptions).

¹⁷ U.S. Patent and Trademark Office. "Information Quality Guidelines." Available at <http://www.uspto.gov/products/cis/infoqualityguide.jsp>.

3.2. Laws governing disclosure of information at the opening of public comment periods

The PRA and its implementing regulations require agencies to prepare and disclose burden estimates that are objectively supported¹⁸ and unbiased.¹⁹ The statute requires more than mere publication of random burden numbers, and more than a statement from the PTO that objective support exists. The objective support for the PTO's burden estimates must be disclosed so that the public can comment on the "validity of the methodology and assumptions used."²⁰

The PTO's disclosure responsibilities do not end with a legally valid 60-day Notice. When the PTO submits a request for clearance to OMB, 5 C.F.R. § 1320.9 says the PTO (emphasis added):

... shall certify (and provide a record supporting such certification) that the proposed collection of information—

(a) Is necessary for the proper performance of the functions of the agency, including that the information to be collected will have practical utility;

(b) Is not unnecessarily duplicative of information otherwise reasonably accessible to the agency;

(c) Reduces to the extent practicable and appropriate the burden on persons who shall provide information to or for the agency, including with respect to small entities, as defined in the Regulatory Flexibility Act (5 U.S.C. § 601(6)), the use of such techniques as:

(2) The clarification, consolidation, or simplification of compliance and reporting requirements; ...

(g) Informs potential respondents of the information called for under § 1320.8(b)(3);

(h) Has been developed by an office that has planned and allocated resources for the efficient and effective management and use of the information to be collected, including the processing of the information in a manner which shall enhance, where appropriate, the utility of the information to agencies and the public;

¹⁸ 44 U.S.C. § 3506(c)(1)(A)(iv) and 5 C.F.R. § 1320.8(a)(4) (in evaluating requests to be made from the public for information, an agency must develop "a specific, objectively supported estimate of burden" for submission to OMB under 44 U.S.C. § 3506(c)(1)(A)(iv) and 5 C.F.R. § 1320.8(a)(4).

¹⁹ Information Quality Act, 2001 Pub.L. 106-554, § 1(a)(3), § 515 (Dec. 21, 2000); Office of Management and Budget, Guidelines for Ensuring and Maximizing the Quality, Objectivity, Utility, and Integrity of Information Disseminated by Federal Agencies, Final Guidelines (corrected), 67 Fed. Reg. 8452 (Feb. 22, 2002) at <http://www.whitehouse.gov/sites/default/files/omb/fedreg/reproducible2.pdf> ; U.S. Patent and Trademark Office, Information Quality Guidelines (footnote 20); John D. Graham, Executive Office of the President, Office of Management and Budget, for the President's Management Council, Executive Branch Implementation of the Information Quality Law (October 4, 2002), at http://www.whitehouse.gov/sites/default/files/omb/assets/omb/inforeg/pmc_graham_100402.pdf .

²⁰ 5 C.F.R. § 1320.8(a)(4), § 1320.8(d)(1)(ii), PTO's Information Quality Guidelines. See also Patent and Trademark Office, Information Quality Guidelines, <http://www.uspto.gov/products/catalog/infoqualityguide.jsp> (Oct. 1, 2002) ("Effective October 1, 2002, information disseminated by the USPTO will comply with all applicable OMB and (these) USPTO information quality guidelines," including requirements for "objectivity" (as defined in the Guidelines, including a requirements for transparency and reproducibility), and "utility").

Historically, the PTO has made the required certifications, but failed to provide any record supporting them.²¹ This includes previous 60-day and 30-day Notices requesting clearance for the patent processing activities of ICR 0651-0031.

Cases arising under the Notice and Comment provisions of the Administrative Procedure Act (APA) explain the importance of disclosure, of making information available during the notice and comment period, so that the information can be vetted by the public:²²

The purpose of the comment period is to allow interested members of the public to communicate information, concerns, and criticisms to the agency during the rule-making process. If the notice of proposed rule-making fails to provide an accurate picture of the reasoning that has led the agency to the proposed rule, interested parties will not be able to comment meaningfully upon the agency's proposals. As a result, the agency may operate with a one-sided or mistaken picture of the issues at stake in a rule-making. 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.

The information that must be disclosed includes statistics, mathematical or computer models, and assumptions. The agency must "explain the assumptions and methodology used in preparing the model" and "provide a complete analytic defense" if the model is challenged.²³ Release of summary information, such as tables with no supporting analysis, is insufficient to meet an

²¹ For example, there is no record supporting the PTO's certifications in the most recent Supporting Statement submitted to OMB on this ICR. See "SF-83 Supporting Statement: United States Patent and Trademark Office; Patent Processing (Updating); OMB Control Number 0651-0031," <http://www.reginfo.gov/public/do/DownloadDocument?documentID=283712&version=1>. The legal requirement of providing supporting information and PTO's failure to meet them was brought to PTO's attention in prior ICR proceedings. *E.g.*, Dr. Ron D. Katznelson, comments on 60-day notice for ICR renewal 0651-0032 (Jul. 2, 2010), http://www.uspto.gov/news/fedreg/comments/icr_0032_corrected.pdf; Dr. Ron D. Katznelson, Comments submitted to OMB and PTO under the Paperwork Reduction Act on USPTO appeal rules, ICR No. 200809-0651-003, (November 17, 2008), at 7 <http://www.reginfo.gov/public/do/DownloadDocument?documentID=95757&version=1>.

²² *Connecticut Light & Power Co. v. Nuclear Regulatory Comm'n*, 673 F.2d 525, 531-32 (D.C. Cir. 1982).

²³ *Owner-Operator Independent Drivers Ass'n v. Fed Motor Co.*, 494 F.3d 188, 199 (D.C. Cir. 2007) (rule invalid when agency failed to provide opportunity for comment on model's methodology, or to disclose data and assumptions); *Appalachian Power Co. v. EPA*, 251 F.3d 1026, 1035 (D.C. Cir. 2001) ("there is no question that agency determinations based upon highly complex and technical matters are 'entitled to great deference.' ... However, this Court cannot excuse the EPA's reliance upon a methodology that generates apparently arbitrary results particularly where, as here, the agency has failed to justify its choice. ... we have no choice but to remand the [agency decision] so that the agency may fulfill its obligation to engage in reasoned decisionmaking," emphasis the court's, citations and quotations omitted).

agency's duty to disclose its models, data, and assumptions.²⁴ While most case law in this area arises under the Administrative Procedure Act, the reasoning is at least as applicable to public notice and comment under the Paperwork Reduction Act, which has an explicit requirement for "objective support."

3.3. The PTO's public commitments to information quality principles apply to this 60-day Notice

In its Information Quality Guidelines, the PTO committed itself to provide burden estimates and other information that are transparent and reproducible²⁵ and therefore to disclose all data, sources, and the specific quantitative methods and assumptions employed."²⁶ The PTO's commitment to "quality" includes a commitment to "objectivity;" for "influential information" (such as ICRs) the PTO committed itself to "reproducibility."²⁷

The PTO routinely acknowledges that burden estimates prepared and disseminated in support of ICRs are covered "information,"²⁸ and they are clearly influential.²⁹ Unfortunately, the PTO's commitments to information quality are not reflected in this 60-day Notice. The Notice is nontransparent, nonreproducible, and it contains burden estimates that, based on our experience, appear to be biased to understate actual average burdens.³⁰

The PTO must comply with its information quality guidelines, OMB's information quality guidelines, and the other requirements for disclosure noted here that are required by law. If the

²⁴ See footnote 16.

²⁵ See footnote 19.

²⁶ PTO Information Quality Guidelines (footnote 20), § VII(B).

²⁷ PTO Information Quality Guidelines (footnote 20) § IV(A)(6) and (7).

²⁸ See the Supporting Statement cited in footnote 21 at 4: "The Information Quality Guidelines from Section 515 of Public Law 106-554, Treasury and General Government Appropriations Act for Fiscal Year 2001, apply to this information collection..."

²⁹ See footnote 11.

³⁰ We are aware that PTO has recently claimed that "estimates do not represent knowledge such as facts or data" and as such "do not qualify as 'information' within the meaning of the IQA." See U.S. Patent and Trademark Office, 2011. Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals; Final rule, 76 Fed. Reg. 72270-72299 (72295). As noted above, this claim is contradicted by the PTO's Supporting Statement for this (and every other) ICR, which acknowledges that the estimates therein are covered. Moreover, given that virtually all quantitative data are estimates in a technical sense, it would have made no sense for OMB to exempt estimates from the definition of "information" in its government-wide Information Quality Guidelines, for doing so would have rendered the Guidelines a dead letter at the outset. And indeed, OMB did not issue any such exemption. Several times in the preamble to the Guidelines, OMB gives examples of how the Guidelines apply to information in the form of estimates. PTO's absurd position that numerical estimates are not "information" has been fully rebutted in a detailed response citing OMB rules and other agency practices, the merit of which the PTO did not dispute. See Ron D. Katznelson, Appeal on IQA Error Correction Request (March 22, 2010), pp. 16-18, at http://ocio.os.doc.gov/s/groups/public/@doc/@os/@ocio/@osds/documents/content/prod01_009594.pdf

PTO continues to refuse to make legally required disclosures, it will signal to the public that its burden estimates are invalid and unreliable. Failure to comply with procedurally-required disclosures will create the implication that the true burden of the PTO's paperwork is much greater than the PTO purports it to be.

3.4. Even if it were not required by law, full disclosure would be good policy because it is crucial to achieving the aims of patent law and efficiency for the PTO and applicants

The PTO's failure to fully disclose relevant information is not a mere legal technicality or harmless procedural error. It severely handicaps the public comment process that Congress enacted the 60-day Notice requirement to achieve. Even if Congress had not enacted this requirement, however, it would be good policy for the PTO to practice full disclosure. The reason is that full disclosure enables the public to better assist the PTO in improving the quality of patents, lowering the cost of examination, and increasing throughput. The information the PTO used for its estimates is obviously available; what is the downside for disclosing it?

In addition to complying with legal requirements mandating full disclosure, the PTO should adopt a policy of full disclosure and implement this policy in cases where full disclosure is not legally required. If the public needs an ombudsman to assist in enforcing this policy, then the Director should establish an office for this person and ensure that the person heading this office has the authority to compel compliance.

3.5. This 60-day Notice does not provide estimates for the second and third years of its anticipated 3-year approval period

This 60-day Notice presents estimates of the average burden-hours per response and the estimated numbers of responses per year for over 40 separate Information Collection line items of information to be collected by the PTO. These estimates lack any identification of time period, let alone objective support. Are they estimates for FY 2013, or for the expected average over FYs 2013-2015? Or, are they measured numbers from some recent year, and thus intended as default projections for the next three years based on the assumption that the future will look just like the past? Do they reflect year-over-year growth? Unless the PTO discloses the data, the public cannot meaningfully comment on the accuracy of the estimates, let alone the "validity of the methodology and assumptions used."

Presumably, the PTO intends to ask OMB for a standard three-year renewal for clearance of ICR 0651-0031. If so, then the PTO has a legal obligation to account for expected changes in the number of responses for the next three years. By law, this information must be disclosed to ensure that the public has a meaningful opportunity to comment—particularly given the multi-billion dollar scale of the burdens involved.

The PTO has a rich and deep database showing exactly how many respondents make how many submissions for each IC line of the table. The PTO has extensive computer models that provide detailed statistics showing dynamic flow rates through the PTO's process, and that project future rates. None of this underlying information is disclosed in this 60-day Notice.³¹ The PTO is

³¹ The correct way to make the computer models available is through the PTO's web site. See the E-Government Act of 2002 (Pub.L. 107-347, 116 Stat. 2899, H.R. 2458/S. 803, codified in the notes to 44

required by law to make this information available no later than the date on which the PTO sought comment. If the public has no access to the underlying data and models, informed comment on this 60-day Notice is not possible.³²

U.S.C. §§ 3501). § 206 provides that the agency “shall make publicly available online to the extent practicable” materials included in the rulemaking docket under 5 U.S.C. § 553. Since the Patent Office is required by 35 U.S.C. § 2(b)(2)(B) to use § 553 procedures for all its rulemaking, the e-Government act will necessarily apply to at least some components of this ICR where the PTO has not used proper rule making procedure in the past.

³² This is not the first public comment to have raised questions of PTO noncompliance with the Paperwork Reduction Act, the Administrative Procedure Act, and other various Executive branch procedural requirements. See, e.g.:

- Intellectual Ventures, Comments on Improving Regulation and Regulatory Review, 76 Fed. Reg. 15891 (Mar. 22, 2011), <http://www.uspto.gov/patents/law/comments/iv02may2011.pdf>, advocating “data-driven” approaches to regulation, and “transparency”
- AIPLA, Comments on Improving Regulation RFC, <http://www.uspto.gov/patents/law/comments/aipla21apr2011.pdf> at page 3
- Dr. Richard B. Belzer, Comments on Improving Regulation, <http://www.uspto.gov/patents/law/comments/belzer14apr2011.pdf>, passim (Apr. 14, 2011)
- David Boundy, Comments on Improving Regulation RFC, <http://www.uspto.gov/patents/law/comments/boundy23may2011.pdf> (May 23, 2011)
- David Boundy, comment in response to Notice of Proposed Rulemaking, Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals (RIN 0651-AC37), 75 Fed. Reg. 69828, http://www.uspto.gov/ip/boards/bpai/procedures/rules/rule_comment_nov2010_boundy.pdf (Jan. 14, 2011) at pages 39-46.
- Dr. Ron D. Katznelson, comments on 60-day notice for ICR renewal 0651-0032 (Jul. 2, 2010), http://www.uspto.gov/news/fedreg/comments/icr_0032_corrected.pdf
- Dr. Ron D. Katznelson, Request For Correction (RFC) under the Information Quality Act of USPTO underestimates of paperwork burdens imposed on applicants filing patent applications, particularly on small business applicants, (Nov. 23, 2010). The RFC, PTO response and its appeal are linked at http://ocio.os.doc.gov/ITPolicyandPrograms/Information_Quality/PROD01_009472.
- Dr. Ron D. Katznelson. Comments submitted to OMB and PTO under the Paperwork Reduction Act on USPTO appeal rules, ICR No. 200809-0651-003, (November 17, 2008). <http://www.reginfo.gov/public/do/DownloadDocument?documentID=95757&version=1>
- Dr. Richard B. Belzer, comments on 60-day notice for ICR renewal 0651-0032 (Jul. 2, 2010), <http://www.uspto.gov/news/fedreg/comments/100702finalcomments.pdf>
- Dr. Richard B. Belzer, Comment on Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals; Notice of Proposed Rulemaking (RIN 0651-AC37; Docket ID PTO-P-2009-002, ICR Reference Number 201010-0651-001, 75 FR 69,828), (January 14, 2011), http://www.uspto.gov/ip/boards/bpai/procedures/rules/rule_comment_nov2010_belzer.pdf
- Summary of Comments Received at the Roundtable on Proposed Potential Modifications to Rules of Practice in Ex Parte Appeals before the Board of Patent Appeals and Interferences (Jan. 25, 2010), http://www.uspto.gov/ip/boards/bpai/procedures/rules/memorandum_roundtable_two_week_follow_up_030510.pdf

The PTO should issue a new 60-day Notice that complies with the clear requirements of the PRA (including 44 U.S.C. § 3506(c)(2)(A) and § 3507(a)(1)(A) and (B), 5 C.F.R. § 1320.5(a)(1)(i), and § 1320.8(d)(1)) by including estimates for each year that the PTO expects OMB approval to be in force. This information is essential so that the public has a meaningful opportunity to comment. If the PTO declines to disclose this information, OMB would have no legal basis to approve clearance for more than one year—even if all other defects in the 60-day Notice were remedied.

3.6. None of the PTO’s estimates of hourly burden are objectively supported, as required by the PRA

The implementing regulations for the PRA define “burden” as follows (5 C.F.R. § 1320.3(b)):

(b)(1) *Burden* means 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:

- (i) Reviewing instructions;
- (ii) Developing, acquiring, installing, and utilizing technology and systems for the purpose of collecting, validating, and verifying information;
- (iii) Developing, acquiring, installing, and utilizing technology and systems for the purpose of processing and maintaining information;
- (iv) Developing, acquiring, installing, and utilizing technology and systems for the purpose of disclosing and providing information;
- (v) Adjusting the existing ways to comply with any previously applicable instructions and requirements;
- (vi) Training personnel to be able to respond to a collection of information;
- (vii) Searching data sources;
- (viii) Completing and reviewing the collection of information; and
- (ix) Transmitting, or otherwise disclosing the information.

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- David E. Boundy, comments on Ex parte Appeal ICR 0651-0063 (Aug. 18 and 21, 2008), http://www.uspto.gov/web/offices/dcom/bpai/bpai_comments/boundy.pdf, http://www.uspto.gov/web/offices/dcom/bpai/bpai_comments/boundy_revised.pdf,
 - Stephen J. Moore, comments on Ex parte Appeal ICR 0651-0063 (Aug. 10, 2008), http://www.uspto.gov/web/offices/dcom/bpai/bpai_comments/moore_lalley_drye_and_warren.pdf
 - Dr. Ron D. Katznelson, comments on Ex parte Appeal ICR 0651-0063 (Aug. 9, 2008), http://www.uspto.gov/web/offices/dcom/bpai/bpai_comments/katznelson.pdf
 - Gilbert P. Hyatt, Comments on July 2007 Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals (Oct. 1, 2007), http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai_g_hyatt.pdf at pages 4-5, 18-25
 - Gilbert P. Hyatt, supplement (Oct. 11, 2007), http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai_g_hyatt_2a.pdf, at pages 11-12; Dr. Ron. D. Katznelson, Comments on July 2007 Ex parte Appeals (Oct. 15, 2007), <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/katznelson.pdf>, at pages 4-19.

The methodological errors IEEE-USA discusses in Sections 3.2, 3.4, and 3.5 translate directly into a material understatement of likely burdens reported in the first unnumbered table in the 60-day Notice:

- Despite numerous public comments highlighting this deficiency in past PTO 60-day Notices, in this 60-day Notice the PTO continues to count only attorneys' billable hour burden and ignores hourly burden imposed on their clients (*i.e.*, patent applicants themselves). The definition of "burden" includes all burden on "persons," including burden to "generate" information, and does not distinguish between attorneys and applicants.
- The table says that the burden of preparing and submitting a "Statement Under 37 C.F.R. § 3.73(b)" is on average 12 minutes. It ignores (a) the time for "reviewing instructions," (b) the time to assemble § 3.73(b)(1)(i) "documentary evidence," (c) the time to locate an appropriate § 3.73(b)(2) corporate officer who can sign on behalf of the assignee, (d) the time to educate this person so that he/she can sign, (e) the time to transmit documents back and forth, and (f) similar real burdens on patent counsel—let alone burdens on applicants. Had the PTO "consult[ed] with members of the public" as required by regulation (5 C.F.R. § 1320.8(d)(1)), the PTO would have been able to estimate this burden much more accurately.
- The table says the burden of preparing and submitting a "Non-publication Request" is on average 12 minutes. This ignores (a) the time required to obtain the information necessary to advise the applicant of the tradeoffs, (b) the time to obtain the information necessary to make the decision, and (c) the time to review the information before submitting it—let alone burdens on applicants. The PTO says the average amount of time required to perform these tasks is coincidentally identical to the amount of time required to prepare and submit a "Statement Under 37 C.F.R. § 3.73(b)." Had the PTO "consult[ed] with members of the public" as required by regulation (5 C.F.R. § 1320.8(d)(1)), the PTO would have been able to estimate this burden much more accurately.
- The table says the burden of preparing and submitting a "Rescission of Previous Non-publication Request" is on average 12 minutes. This ignores (a) time required to obtain and confirm underlying information necessary to make a sound decision for this irreversible step, (b) time to advise the client of tradeoffs and reach consensus, and (c) the time to review the information before submitting it to ensure correctness—let alone burdens on applicants. The PTO says the average amount of time required to perform these tasks is coincidentally identical to the amount of time required to prepare and submit a "Statement Under 37 C.F.R. § 3.73(b)," or a "Non-publication Request." Had the PTO "consult[ed] with members of the public" as required by regulation (5 C.F.R. § 1320.8(d)(1)), the PTO would have been able to estimate this burden much more accurately.
- The table says the burden of preparing and submitting a "Notice of Appeal" is on average 12 minutes. This ignores (a) the time required to identify and evaluate alternatives and (b) the time required to ensure that the application is in condition for appeal—let alone burdens on applicants. The PTO says the average amount of time required to perform these tasks is coincidentally identical to the amount of time required to prepare and submit a "Statement Under 37 C.F.R. § 3.73(b)," a "Non-publication Request," or a "Rescission of

Previous Non-publication Request.” Had the PTO “consult[ed] with members of the public” as required by regulation (5 C.F.R. § 1320.8(d)(1)), the PTO would have been able to estimate this burden much more accurately.

- The table says the burden of preparing and submitting a “Request for Continued Examination (RCE)” is on average 12 minutes. This ignores (a) the time required to “search data sources” in order to evaluate the status of the applications and (b) the time required for “completing and reviewing the collection of information—let alone burdens on applicants. The PTO says the average amount of time required to perform these tasks is coincidentally identical to the amount of time required to prepare and submit a “Statement Under 37 C.F.R. § 3.73(b),” a “Non-publication Request,” a “Rescission of Previous Non-publication Request,” or a “Notice of Appeal.” Had the PTO “consult[ed] with members of the public” as required by regulation (5 C.F.R. § 1320.8(d)(1)), the PTO would have been able to estimate this burden much more accurately.
- The table says the burden of preparing and submitting a “Request for Suspension of Action or Deferral of Examination Under 37 CFR 1.103” is on average 12 minutes. This ignores (a) the time required for reviewing instructions, (b) the time required to evaluate the status of the application, and (c) the time required to evaluate whether this information should be submitted or not—let alone burdens on applicants. The PTO says the average amount of time required to perform these tasks is coincidentally identical to the amount of time required to prepare and submit a “Statement Under 37 C.F.R. § 3.73(b),” a “Non-publication Request,” a “Rescission of Previous Non-publication Request,” a “Notice of Appeal,” or a “Request for Continued Examination (RCE).” Had the PTO “consult[ed] with members of the public” as required by regulation (5 C.F.R. § 1320.8(d)(1)), the PTO would have been able to estimate this burden much more accurately.
- The table says the burden of preparing and submitting a “Disclaimer” is on average 12 minutes. This ignores (a) the time required to evaluate whether the examiner’s insistence on a disclaimer is warranted, (b) in less common situations, the time required to review instructions, (c) the time required to conduct legal research, investigate facts, and evaluate options, (d) the time required to consult with the applicant, (e) the time to evaluate whether the errors in the PTO’s form disclaimer are or are not material to this application, and if not, to prepare an alternative, and (f) the time required to advise the applicant of the tradeoffs—let alone burdens on applicants. The PTO says the average amount of time required to perform these tasks is coincidentally identical to the amount of time required to prepare and submit a “Statement Under 37 C.F.R. § 3.73(b),” a “Non-publication Request,” a “Rescission of Previous Non-publication Request,” a “Notice of Appeal,” a “Request for Continued Examination (RCE),” or a “Request for Suspension of Action or Deferral of Examination Under 37 CFR 1.103.” Had the PTO “consult[ed] with members of the public” as required by regulation (5 C.F.R. § 1320.8(d)(1)), the PTO would have been able to estimate this burden much more accurately.
- The table says the burden of preparing and submitting a “Petition for Express Abandonment to Obtain a Refund” is on average 12 minutes. This ignores (a) the time required to educate the applicant of the risks and ensure that the applicant really does wish to bear them and (b) the time required to obtain the applicant’s consent—let alone burdens on applicants. The PTO says the average amount of time required to perform these tasks is

coincidentally identical to the amount of time required to prepare and submit a “Statement Under 37 C.F.R. § 3.73(b),” a “Non-publication Request,” a “Rescission of Previous Non-publication Request,” a “Notice of Appeal,” a “Request for Continued Examination (RCE),” a “Request for Suspension of Action or Deferral of Examination Under 37 CFR 1.103,” or a “Disclaimer.” Had the PTO “consult[ed] with members of the public” as required by regulation (5 C.F.R. § 1320.8(d)(1)), the PTO would have been able to estimate this burden much more accurately

- The table says the burden of preparing and submitting a “Pre-Appeal Brief” is on average five hours. As with all other estimates, the PTO provides no objective support for this figure. This figure understates the likely average burden based on our experience.
- The table says the burden of preparing and submitting an “Amendment” or a “Response” is on average eight hours, and of preparing and submitting “Rule 1.130, 1.131, and 1.132 Affidavits or Declarations” is ten hours. IEEE-USA does not know what the PTO intends the scope of these IC line items to include because the 60-day Notice says nothing about them. However, IEEE-USA notes with foreboding that the PTO reports that it expects 50,000 (!) “Rule 1.130, 1.131, and 1.132 Affidavits or Declarations” and 960,000 (!) “Amendments and Responses.” At even a low-ball figure of \$400 per hour for qualified patent counsel, the value of the burden contained in these three ICs is about \$3.7 billion.³³ It is unconscionable for the PTO to attempt to quietly slip past the public (and OMB) an information collection whose financial costs are so large. If the PTO refuses to fully and completely disclose what this line item covers, defend it as “the least burdensome necessary for the proper performance of the agency's functions to comply with legal requirements and achieve program objectives” (5 C.F.R. § 1320.5(d)(1)(i)), and demonstrate convincingly that its estimate is objectively supported, this Information Collection line item, and the information the PTO seeks to collect, must be removed from the request for clearance before submission to OMB.³⁴

³³ The 60-day Notice calculates the financial cost of paperwork burden assuming the cost of patent counsel is \$340 per hour. We believe this significantly understates likely average cost. Although the PTO has previously attributed its assumption to the median cost reported in AIPLA Economic Survey, the Office’s reliance on the median value in general (rather than the mean as required by law) and this source in particular have been challenged in a pair of requests for correction under the IQA and the PTO has never responded to these challenges on the merits. See Ron D. Katznelson, Request for Correction under the Information Quality Act [ICR 0651-0032] (http://ocio.os.doc.gov/s/groups/public/@doc/@os/@ocio/@oitpp/documents/content/prod01_009471.pdf); Richard B. Belzer, Public Comment on Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals; Notice of Proposed Rulemaking (RIN 0651-AC37; Docket ID PTO-P-2009-002, ICR Reference Number 201010-0651-001, 75 FR 69,828); and Error Correction Request submitted pursuant to USPTO’s Information Quality Guidelines, at http://www.uspto.gov/ip/boards/bpai/procedures/rules/rule_comment_nov2010_belzer.pdf. It is in the PTO’s responses to both requests for correction that the Office asserted that burden estimates were exempt from the definition of “information” under the PTO Information Quality Guidelines, claiming that “estimates” are not “information.” See note 30 supra.

³⁴ This IC is discussed in somewhat greater detail in subsection 3.7.

5 C.F.R. § 1320.8(d) requires the PTO to “consult with members of the public” to develop objective estimates. This inquiry must be conducted before publishing 60-day Notices. For some Information Collection line items, the PTO can readily seek data from AIPLA, ABA, IPO, NAPP, and others. However, for IC line items with either a large number of expected responses or a high number of burden-hours per response, the PTO should contract with a reputable contractor to perform a rigorous, independent survey that can be used to develop objectively supported estimates.³⁵

3.7. Almost 70% of the 12 million burden-hours acknowledged by the PTO arise under three new Information Collection line items, about which the 60-day Notice provides no information

The subject of this 60-day Notice is a truly gargantuan request for clearance. The 60-day Notice lists 12 million burden-hours, virtually all of it borne by patent counsel (thereby omitting the burden borne directly by applicants). Though IEEE-USA believes the 60-day Notice materially understates the true average burden for patent counsel, even the PTO acknowledges that the financial cost of this burden is about \$4 billion per year.³⁶ Of these 12 million burden-hours, 8,180,000 (68%) are attributable to three new Information Collection line items listed in Table 1 below:

Table 1: Three New Information Collections Totaling More than 8 Million Burden-Hours

Information Collection	Burden-Hours per Respondent	Number of Respondents	Total Burden-Hours
“Rule 1.130, 1.131, and 1.132 Affidavits or Declarations”	10	50,000	500,000
“Electronic Amendments and Responses”	8	893,000	7,144,000
“Amendments and Responses”	8	67,000	536,000

The 60-day Notice provides essentially no explanation to annotate these three Information Collection line items, however. The total discussion is one sentence (at p. 16814):

The two items being separately accounted for in this collection are (i) Rule 1.130, 1.131, and 1.132 Affidavits or Declarations and (ii) Amendments and Responses.

Obviously, an information collection imposing several billions of dollars in burden deserves far more explanation than this. There is no question that the public cannot provide informed comment on such an empty disclosure.

³⁵ 44 U.S.C. § 3506(c)(2)(A) and § 3506(c)(1)(A)(iv); 5 C.F.R. § 1320.8(a)(4) and (d)(1).

³⁶ See 60-day Notice at 16814: “Estimated Total Annual Respondent Cost Burden: \$3,573,910,186.”

3.8. The PTO's pattern of non-compliance with the law is counterproductive for PTO efficiency and place it in significant legal risk

This list of errors and omissions is essentially identical to past lists of errors raised in public comments replying to previous 60-day Notices.³⁷ It is disconcerting that the PTO is so unresponsive that the public needs to raise these issues again and again. To date, the PTO has neither responded to these comments to show why commenters are wrong and the PTO is right, nor has it made corrections.

Twice in the last three years, the PTO has requested comments from the public on how it could improve its procedures.³⁸ Comments provided an extensive primer on systematic procedural deficiencies in PTO practice. In this 60-day Notice the PTO repeats the same violations and displays the same procedural deficiencies that it has made in the past. This casts doubt on the PTO's commitment to the rule of law, and the PTO's interest in improving its procedures.

The PTO should understand the risks of its approach: when an agency avoids its responsibilities under the PRA, the agency may lose the ability to enforce its regulations.³⁹ For example, the PTO has exposed many decisions of the Patent Trial and Appeal Board to legal challenge. The procedural violations in this 60-day Notice broaden the PTO's legal exposure.

If only for purely self-interested reasons, the PTO may therefore wish to reconsider its practice of systematically ignoring the PRA.

3.9. Several OMB Control Numbers Recently Split Off from 0651-0031 should be Recombined

Table 2 below presents the step-by-step progress of an appeal, each step being one row in the table. The rows are presented in the chronological and logical progress of an appeal, and when steps are required by regulation to be taken at the same time, they are listed in the same horizontal

³⁷ David E. Boundy, *Pre-ICR letter*, August 17, 2008, <http://www.reginfo.gov/public/do/DownloadDocument?documentID=87036&version=0> at pages 16-23; Ron 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, 2008*, <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpailmicrosoft.doc>, and <http://www.reginfo.gov/public/do/DownloadDocument?documentID=95771&version=1> starting at PDF page 43.

³⁸ In February 2010, the PTO requested comment on its burden estimation methods. See U.S. Patent and Trademark Office, *Request for Comments on Methodology for Conducting an Independent Study of the Burden of Patent-Related Paperwork* 75 Fed. Reg. 8649, <http://www.uspto.gov/patents/law/notices/75fr8649.pdf> (Feb. 25, 2010). The Report itself is located at http://www.uspto.gov/patents/announce/pra_methodology_study.pdf; comments are at http://www.uspto.gov/patents/announce/pra_study.jsp. Pursuant to Executive Order 13563, the PTO requested comment on its rulemaking and regulatory review practices. See U.S. Patent and Trademark Office, *Improving Regulation and Regulatory Review*, 76 Fed. Reg. 15891 (Mar. 22, 2011). Comments are at http://www.uspto.gov/patents/law/comments/improving_regulation.jsp.

³⁹ See the PRA's public protection provisions at 44 U.S.C. § 3512 and 5 C.F.R. § 1320.6.

row. The columns show the steps that are accounted for in ICR 0651-0063 (appeals, split off from 0651-0031 in 2009),⁴⁰ and the steps that are in this ICR 0651-0031

Table 2: How Certain Logically-Related Information Collections Are Now Split Across Multiple ICRs

	ICR 0651-0063	ICR 0651-0031
↓ TIME ↓		Examination before the examiner
		Notice of Appeal, Form PTO/SB/31 Pre-Appeal Brief Request for Review, Form PTO/SB/33 The Pre-Appeal Brief itself
	Amendment under 37 C.F.R. § 41.33	
	Appeal Brief under § 41.37	
	Reply Brief under § 41.41	Request for Oral Hearing, Form PTO/SB/32
	Request for Rehearing under § 41.41	

The split of the appeals process across two ICRs has no rhyme or reason. Information that must be submitted together (*e.g.*, filing of the Reply Brief and filing of a Request for Oral Hearing) is split across two ICRs. Moreover, the steps of an appeal jump back and forth between the two ICRs in no intelligible way.

Splitting appeals among ICRs with no apparent logic reduces the already minimal transparency of the PTO's PRA procedures, and undoubtedly increases bookkeeping workload for the PTO and especially the public. Perhaps not coincidentally, splitting Information Collection line items this way also frustrates the public comment process, and makes OMB review more difficult. For example, in preparing this letter, the authors found it difficult to confirm coverage and to consider interactive effects simply because of the fragmentation among 0651-0031, -0032, -0059, and -0063. IEEE-USA can reasonably predict that OMB, lacking our experience and expertise in patent procedure, would be unable to perform an effective review.

Appeals in 0651-0063 should be reconsolidated back into 0651-0031. Appeals arise out of the Information Collection activities contained in ICR 0651-0031, and—as Table 2 demonstrates—there is no clear line separating burdens arising out of examination from burdens for appeals that seek correction of perceived examination errors. Also, there are important interactive effects across line items, where a change in the regulations or administration of one Information Collection has an effect on another Information Collection, often in another ICR. For example, the concerns IEEE-USA raises in Section 4 about incomplete examination have major effects on Information Collections contained in ICR 0651-0031 (patent processing), 0651-0032 (filing additional continuation applications), and 0651-0063 (appeals). These interactive effects will not be properly accounted for if logically-related line items are separated into multiple ICRs, and this inaccuracy increases when tasks are split among different ICRs that cover different time periods.

⁴⁰ U.S. Patent and Trademark Office, Supporting Statement, OMB Control Number 0651-0063, RIN 0651-AC37 <http://www.reginfo.gov/public/do/DownloadDocument?documentID=212768&version=0> (Nov. 15, 2010).

ICR 0651-0031 should include all Information Collection line items relevant to patent processing, not just an arbitrary subset. The Information Collections for petitions that were split off into ICR 0651-0059 in 2008 and 2010 should be reconsolidated with ICR 0651-0031. The Information Collections for appeals that were split off into ICR 0651-0063 in 2009 should be reconsolidated with ICR 0651-0031. Similarly, the PTO's January 2012 60-day Notice suggesting that the PTO would split several appeals-related Information Collections into yet another ICR should not be submitted to OMB, and if submitted OMB should disapprove it.⁴¹ The 60-day Notice includes no logical argument supporting further fragmentation. The costs of fragmentation on the public, and on the ability of OMB to credibly review the PTO's ICRs, both argue in favor of reducing fragmentation, not increasing it.

4. THE LARGEST SOURCE OF UNREASONABLY DUPLICATIVE PAPERWORK BURDEN IS LIKELY TO BE THE UNPREDICTABILITY OF PTO PROCESS AND NON-COMPLIANCE WITH REQUIREMENTS OF FEDERAL ADMINISTRATIVE LAW

To reduce unreasonably duplicative paperwork burden (and to reduce PTO backlog and examination costs), the PTO should consider implementing the management and quality principles of W. Edwards Deming. For at least a decade, PTO management has focused on rapidly issuing Office actions, not concluding examination. The PTO has shortened examiners' deadlines to get those actions out, and has relaxed standards for the quality of examiner work product (including the quality of written rejections). As Deming predicted, reliance on quotas instead of incentives—and progressively tightening the deadlines for meeting them—has been counterproductive. Backlog and costs have exploded. IEEE-USA urges the PTO to implement a Deming-like “continuous improvement process.”⁴² Particularly relevant is Deming's principle No. 3:

Cease dependence on inspection to achieve quality. Eliminate the need for massive inspection by building quality into the product in the first place.

That is, the frequency and severity of error, and the effort necessary to have it corrected, are limited in a system with robust processes, but all three grow rapidly when processes are relaxed. The PTO can simultaneously reduce unreasonably duplicative paperwork burden and improve PTO productivity by replacing its misbegotten focus on and incentivizes to maximize the number of Office actions with a focus on concluding examination. The PTO should relieve examiners of unrealistically short deadlines, and give them the time, incentive, and management accountability to examine applications thoroughly and precisely at each step of the process. The PTO Director

⁴¹ Proposed Information Collection, Comment Request, Matters Related to Patent Appeals, 77 Fed. Reg. 269 (Jan. 4, 2012).

In the event that the PTO has adopted our suggestion and no longer proposes to split pre-appeals and related matters into a new ICR, and maintains them in 0651-0031, we agree with the two comment letters that were filed in March 2012, and we incorporate them by reference, and urge the PTO to address those two comment letters in any 30-day Notice and Supporting Statement to OMB. IEEE-USA, letter of March 5, 2012, http://www.uspto.gov/news/fedreg/comments/0651-00xx_Matters_Comment_IEEE.pdf; David Boundy, letter of March 5, 2012, http://www.uspto.gov/news/fedreg/comments/0651-00xx_Matters_Comment_Boundy.pdf. Particularly, the PTO should put pre-appeals on a solid regulatory footing by codifying a 2005 informal memorandum in the Code of Federal Regulations.

⁴² W. Edwards Deming, *Out of the Crisis*. MIT Press (1986). A useful summary of Deming's Fourteen Principles may be found at http://en.wikipedia.org/wiki/W._Edwards_Deming

should make clear that he does not want examiners to meet quotas by generating low-quality Office actions that inevitably reduce Office productivity and create unreasonably duplicative paperwork burdens on the public.

A substantial fraction of the \$4 billion in burden proposed in this 60-day Notice lacks practical utility or is unreasonably duplicative, and could be avoided through simple management changes. Even a 20% reduction in such burden would provide an astounding \$800 million benefit to the public, and thus should be a top management priority.

4.1. The PTO Should Reform Examiner and Supervisor Compensation Metrics to Align Incentives with PTO's Policy Objectives

Examiners, Supervisory Patent Examiners, and Technology Center Directors all have compensation formulae based on the quotas established by the “count” system, and by meeting internal deadlines. These compensation metrics undermine quality and, in the language of the PRA, “proper performance of the agency’s functions.” Examiner and supervisory counts should be reformed in several respects.⁴³

- About half of the counts for the total life of an application should be awarded on an as-completed piecework basis, as today. However, about half of all counts should be awarded only on concluding examination of an application (allowance or abandonment). This proposal is discussed at Section 4.1.3 at page 25.
- The number of counts for an application should scale with the complexity of an application. The PTO charges additional fees for complex application, but does not weight examiner production based on complexity. If it makes sense to charge fees that rise with complexity, surely it also makes sense to award counts to examiners based on the complexity of the applications they examine. This proposal is discussed at Section 4.1.4 at page 25.
- Counts for supervisory personnel should be reformed to be awarded on the basis of, or at least only at the time of, concluding examination, as discussed in detail in Section 4.1.5.
- The docket reordering and reduced deadlines of late 2009 should be backed out. Spreading prosecution over more years, and sending Office actions out more quickly but with less care, is counterproductive to both minimizing paperwork burden and maximizing examination efficiency. Applicants are not benefited by a faster, low-quality rejection letter. Applicants are only benefited when prosecution concludes with either an allowance or a rejection letter that sufficiently explains the rejection in accordance with patent law. This proposal is discussed in Section 4.1.6 at page 27.

4.1.1. Background: the statutory, regulatory, and internal PTO compensation *quid pro quo* of patent examination

The Patent Act and the PTO’s regulations establish three *quid pro quos*. First, when an application is filed, the PTO charges base examination fees plus additional fees set at levels

⁴³ Lee Hollaar, a professor at the University of Utah, made similar recommendations in *Made to Measure: How an antiquated performance measure leads to bad patents*, <http://digital-law-online.info/papers/lah/MadeToMeasure.pdf>.

requested by the PTO to scale with examination effort. In return, regulations and MPEP guidance require the examiner to perform complete and careful examinations.

Second, if two rounds of examination are not enough, the applicant may file a Request for Continued Examination (RCE) in return for an additional fee, thus securing two additional rounds of examination.

Third, the PTO awards the examiner a specified number of “counts” in return for performing a complete and careful examination of the original application or an RCE. These production credits affect compensation, promotion, and bonus payments, and hence retention.

For each initial application or RCE, an examiner gets counts for the examiner’s First Action on the Merits (FAOM) and “disposal,” which is not the same as concluding examination. “Disposal” means only reaching one of the waypoints at which the PTO charges an additional fee.

The first two *quid pro quos* create a pair of potential conflicts of interest. First, if they are not adequately supervised, examiners earn the same counts for low- and high-quality Office actions. This incentivizes low quality and creates a significant supervisory burden. Second, the PTO can increase fee revenue by forcing applicants to file RCEs to obtain the same examination already paid for in the original fees. Because examiners also earn counts by forcing RCEs, the incentives of the PTO and its examiners are aligned, but in perverse ways that undermine Office efficiency, are adverse to applicants, and impose paperwork burdens that lack practical utility. The first conflict of interest can be avoided either with effective supervisory oversight or stringent conditions governing examination quality. Neither of these conditions is met in practice, which means that both *quid pro quos* are violated.

The third *quid pro quo* is undermined by the assignment of a fixed “examination budget” for each application irrespective of application complexity. Because the PTO’s count system gives examiners the same number of counts for every application without regard for complexity, examiners are penalized for examining complex applications responsibly.⁴⁴

Like everyone else, examiners respond to the incentives of their compensation system, and the PTO’s compensation system emphasizes piecemeal rather than the efficient conclusion of prosecution. Examiners earn counts with little regard to whether an action is correct or incorrect, complete or incomplete, careful or perfunctory. The examiner is neither rewarded for issuing “good” patents nor penalized for issuing “bad” ones. An examiner gets a count for sending a rejection letter, whether that letter rejects a “bad” claim that should be rejected, or a good claim that should be allowed, whether the letter explains the examiner’s views or leaves the applicant guessing.⁴⁵ There were slight modifications to the count system in the fall of 2009, but they still

⁴⁴ The PTO scales examination budgets by technologies—for example, complex biotech patent applications receive more time than simple mechanical devices. However, we understand that it’s been several decades since the PTO adjusted its scaling factors to keep pace with increasing complexity in some technological areas. Examiners no doubt understand the irony: when they examine complex applications, their compensation is unchanged but PTO, which charges more, makes a profit.

⁴⁵ The Court of Appeals for the Federal Circuit has complained about the PTO’s predilection for not revealing the basis for its adverse decisions. *See, e.g., In re Oetiker*, 977 F.2d 1443, 1449, 24 USPQ2d 1443, 1447 (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”).

reward an examiner for stretching out prosecution, not for concluding it, and they reward supervisors for tolerating low-quality examination.

4.1.2. The PTO's internal compensation system is misaligned with paperwork reduction goals

In telephone interviews, examiners understand the word “efficient” to mean “get the next action out, good or bad” not “get to a conclusion.” In interviews, an examiner will note that the claims currently pending are easy to examine—because they are easy to reject—and will then be quite reluctant to allow a supplementary amendment that clears up the problems and would move the application forward.

Similarly, many attorneys have had the experience of telephoning an examiner after an application appears “stuck.” After some discussion, the examiner all but concedes that he or she overlooked a key fact (typically claim language that the examiner had not appreciated). The examiner states that he or she will fully consider the issue if the applicant files an RCE, thus giving the examiner two more opportunities to earn counts and generating more fee revenue to the PTO. The perverse *quid pro quo* of improper counts, fees, delay, and loss of patent term in return for examination that was due but not given is never stated expressly, but the examiner makes the implied threat crystal clear.⁴⁶

Stephen Kunin, the former Assistant Commissioner for Patent Examination Policy gave a talk at the April 2007 meeting of AIPLA, in which he stated as follows:⁴⁷

The situation is basically that examiners have no liability for bad quality. ...

A lot of some of the problems that the PTO are facing they can solve by doing examination right the first time, and eliminating a lot of paper pushing. ... There's a lot of work that is out there caused because examiners force RCE's, or force continuations, or force the filing of divisional applications. ...

... I think there are ways that examiners can be incentivized to be more productive. ...

“Compact prosecution” I think is something that the PTO really has to take seriously. It means a thorough search and examination of all claims, and a search of subject matter reasonably expected to be claimed, a complete first Office action, and an early indication of allowable subject matter. ...

Where regulations and guidance set minimum criteria for examination at each stage, line management is often highly reluctant to enforce those regulations and guidance, behavior that is fully consistent with their financial incentives. Indeed, there is no reason to expect supervisors to act in ways that are contrary to their financial interests.

⁴⁶ Recent procedural changes make continuations preferable to RCEs to examiners, but the incentive lessons are the same. See, *e.g.*, Courtenay Brinckerhoff, Foley & Lardner, Holding The USPTO Accountable For The RCE Backlog, PharmaPatents blog, (May 22, 2012), <http://www.pharmapatentsblog.com/2012/05/22/holding-the-uspto-accountable-for-the-rce-backlog/> (the 2009 realignment of the count system “gives examiners no incentive to work on an RCE. Indeed, one examiner suggested that we file a continuation application instead of an RCE, to make it more likely that examination would proceed in a more timely manner.”)

⁴⁷ Public remarks of Stephen Kunin, former Deputy Assistant Commissioner for Patent Examination Policy, USPTO “Town Hall” Meeting, New York, NY, April 7, 2006, CD available from AIPLA, file 12_Town_Hall.mp3, time stamps 32:30 to 38:50.

This combination of perverse incentives ensures that examiners and supervisors alike have little reason to advance applications to a conclusion. This results in substantial paperwork burdens that can be classified as either lacking in practical utility (because the examination corps declines to act on sufficient information when it can secure more compensation through delay) or unreasonably duplicative (because the information applicants have to provide in the second and subsequent rounds is no different than what they provided initially).

4.1.3. Unreasonably duplicative paperwork burden would decline if examiners were rewarded for concluding examination

IEEE-USA recommends several changes to examiner incentive structures that would reduce the PTO's backlog while simultaneously reducing paperwork burdens that lack practical utility or are unreasonably duplicative.

There are several ways to do this. In order of preference, IEEE-USA proposes the following:

- At conclusion of examination (whether allowance or terminal rejection that the applicant accepts and abandons the application), the examiner could be rewarded with an additional number of counts (in addition to those awarded today for piecework). Preferably, this number should scale with the complexity of the application (as discussed in Section 4.1.4), but not with the number of counts awarded on a piecework basis. This would remove a considerable fraction of the incentive for extending prosecution that examiners have today.
- Of the current number of counts awarded for each action on today's piecework basis, perhaps half could be held in a reserve account, and credited to the examiner only when examination concludes. This would provide less incentive to reduce extended prosecution than the previous alternative, but it may be easier for the PTO to implement, since the "value" of each count will remain the same.

With these reforms, examiners would have much greater motivation to conclude prosecution and much less motivation to extend it.

As a first-order approximation, half of examiners' counts for the total life of an application should be awarded only on concluding examination.⁴⁸

4.1.4. Unreasonably duplicative paperwork burden would decline if examiner counts were scaled with complexity

Examiners should get counts that scale with the complexity of the application, especially the kinds of complexity for which the PTO charges additional fees. This would help restore one of the three quid pro quos on which efficient examination depends.

The PTO fee structure charges higher fees for features related to application complexity.⁴⁹ However, the PTO has not proposed to give examiners extra time to examine more complex

⁴⁸ For this and the next two Recommendations, we propose half to implement an efficient structured trial-and-error strategy in the face of uncertainty about the correct percentage. If it is discovered that half is too small, then the fraction could be adjusted to 75%. If the second stage fraction proves to be too small or too large, then the fraction could be adjusted accordingly to 87% or 63%. A similar procedure would apply if half is discovered to be too large a fraction.

applications. No matter what the attributes of the application, the count reward to an examiner would remain the same for each application. It is hard to understand why the PTO believes complexity should lead to fees that can multiply a filing fee up to tenfold for a complex application, but not pass this through to examiners in greater compensation or examination time.

The examiners' union supported such a change as long ago as 2005. In a hearing before Congress,⁵⁰ the president of the union stated:

Applicants pay substantial fees for excess claims, large specifications and information disclosure statements. Examiners must be given time proportional to these fees to ensure that applicants will get what they have paid for.

If examiner counts and other measures of PTO workflow were calibrated by complexity, the efficiency of examination would increase and paperwork burdens that lack practical utility or are unreasonably duplicative would be reduced. One of our members has proposed to the PTO a detailed methodology for measuring and empirically deriving a small set of application complexity attributes and a formula for a "Count Correction Factor" accounting for such complexity factors to be applied in the Examiner Count system,⁵¹ and IEEE-USA urges that the PTO consider this as a basis for making the patent system fairer and more efficient for both examiners and applicants.

Examiners' counts should be awarded for complexity in a manner that is proportional to the fees PTO charges applicants for complexity.

4.1.5. Unreasonably duplicative paperwork burden would decline if supervisor compensation metrics were recalibrated to align supervisor incentives with efficient examination

Supervisors' compensation systems should be structured around numbers of examinations that are concluded (allowance, appeal decision by the Board, or abandonment), and no credit (or only very small credit) should be given for the piecemeal "counts" of MPEP § 1705.

MPEP § 1704 suggests that examiners' first- and second-level supervisors (Supervisory Patent Examiners (SPEs) and Technology Center Directors) are rated based on the same "counts"

⁴⁹ In 1999, Congress ordered PTO to analyze its cost and fee structures to better align its operations with the needs of inventors. American Inventors Protection Act of 1999, Pub. L. No. 106-113, 113 Stat. 1501, 1501A-555, § 4204 (directing PTO to "conduct a study of alternative fee structures that could be adopted [by the Office] to encourage maximum participation by the inventor community in the United States."). The results of that study are reported in part at <http://www.uspto.gov/web/offices/com/strat21/action/sr1fr1.htm>. The PTO proposed fee increases, but published no report and did not adjust examiner time budgets.

⁵⁰ Testimony of Mr. Ronald J. Stern, President, Patent Office Professional Association (POPA), Review of U.S. Patent and Trademark Office Operations, Including Analysis of Government Accountability Office, Inspector General, and National Academy of Public Administration Reports, Hearing before the Subcommittee on Courts, the Internet, and Intellectual Property of the Committee on the Judiciary, House of Representatives (Sep. 8, 2005), Pub. Ser. No. 109-48, 23-324.pdf, at page 149. http://commdocs.house.gov/committees/judiciary/hju23324.000/hju23324_of.htm.

⁵¹ Ron D. Katznelson, Comments on Enhancing the Quality of Examination, pp. 7-13, (March 8, 2010). <http://www.uspto.gov/patents/law/comments/katznelson10mar2010.pdf>

as examiners. If that is true, it gives them a direct financial incentive to allow examiners to write low-quality Office actions that do not move issues forward. Many SPEs and T.C. Directors look past that financial interest in low quality and encourage examiners to generate complete work product. However, some appear to act solely in accordance with their personal financial interest and have no apparent qualms about approving low-quality examiner actions.

Supervisors' compensation systems should be structured around performance measures that emphasize high quality in examination. It is essential to break the chain that now rewards examiners for producing low quality and supervisors for tolerating it. A number of plausible quality indices should be considered. For example, clearing applications from the backlog could be incentivized by correlating supervisor compensation to final conclusion of examination. High quality should be correlated with low rates of reversal on appeal (considering all stages of appeal, from pre-appeal, to appeal conference, to final decision by the Patent Trial and Appeal Board).

4.1.6. Paperwork burdens that lack practical utility or are unreasonably duplicative would fall if the 2009 redocketing of RCEs were rescinded

The docket reordering of RCE's of fall 2009 should be rescinded, and pre-2009 docketing practices should be reinstated. The 2009 changes have proven to be counterproductive to both paperwork burden and examination efficiency. These deadlines shortened the deadlines that an examiner has to prepare a single next action—but the consequence is to extend the number of months and number of rounds of interaction that an application takes end-to-end to be concluded. To minimize paperwork burden (and to improve overall PTO efficiency), it is far more important for examiners to spend adequate time on each step in examination, and not to force each step to meet some arbitrarily-set calendar date.

Traditionally, the PTO structured its docketing system—that is, the computer system and schedule of deadlines that determine the order of work queued up for an examiner—so that the work of a specific application would be compacted into the shortest calendar time. An application might wait a long time for a first action by the examiner, but once an application entered active consideration, it would quickly proceed from start to finish. This was important to reducing unreasonably duplicative paperwork burden on both examiners and applicants. Once an examiner learns the content of an application, it is crucial to keep it moving, to minimize the forgetting and relearning that must occur between each separate time an examiner or the attorney works on it.

In late 2009, the PTO changed its docketing policy, so that an application coming up for its third, fifth, seventh, etc. consideration would be placed far down the queue of work. Reconsideration cycles that used to take two to three months now take well over a year. In that time, both the examiner and the applicant have forgotten how things work, what is important, and the like. Because of the stretched time period, it is far more common for an examiner to leave the PTO; the examiner (new or old) has to get up to speed from scratch and the applicant's attorney has to do a fair amount of the teaching. The 2009 docketing policy increases costs for the PTO and creates unreasonably duplicative paperwork burden on the public.

The PTO gave no plausible explanation for how new docketing policy⁵² would incentivize efficient behavior by either the examiner or applicant, and did not explain how the new workflow

⁵² The PTO did explain how rebalancing of counts would achieve these goals, but not how reordering the docket would have any beneficial effect.

would align with either examiners' or applicants' mental processes. As engineers, we were surprised at the obvious misalignment.

One prominent blog has referred to this as a “shell game,” and described the consequences of the 2009 rebalancing in stark terms:⁵³

By focusing on the front-end of the examination process without considering the process as a whole, the USPTO may have lost sight of the fact that applicants do not want an Office Action, they want a patent. Indeed, applicants need granted patents in order to enforce their rights, secure investments, and improve their value. As I wrote previously, permitting applications to languish midstream in prosecution is inefficient, and drags down innovation, investment and commercialization just as much as delaying examination of new applications. It is time for stakeholders to hold the USPTO accountable for the RCE backlog and demand that RCEs be examined in a timely manner.

Spreading prosecution over more years, and sending Office actions out more quickly but with less care, is counterproductive to examination efficiency. It also imposes paperwork burdens that lack practical utility or are unreasonably duplicative. Applicants do not benefit by receiving low-quality rejection letters quickly. Applicants benefit when prosecution concludes with either an allowance, or a rejection letter that fully explains the basis for rejection in a manner consistent with statute and case law.

The 2009 docketing change generated substantial new and unreasonably duplicative paperwork burdens, none of which appears to have been accounted for in PTO burden estimates. It should be reversed. The PTO should structure its workflow to take advantage of the memory processes of both examiners and applicants, so that an application moves from first consideration to last in a consolidated time period, not to maximize the number of first Office actions.

4.2. An element-by-element comparison between a claim and the prior art would reduce unreasonably duplicative paperwork burdens, and is required by law as a necessary procedural component of any rejection over prior art

By law, written Office actions must state a limitation-by-limitation or element-by-element comparison between a claim and the prior art as a necessary procedural component of any rejection.

In *Gechter v. Davidson*, the Federal Circuit instructed the PTO concerning the findings that must be made in any prior art rejection:⁵⁴

In sum, we hold that the Board is required to set forth in its opinions specific findings of fact and conclusions of law adequate to form a basis for our review. In particular, we expect that the Board's anticipation analysis be conducted on a limitation by limitation basis, with specific fact findings for each contested limitation and satisfactory explanations for such

⁵³ Courtenay Brinckerhoff, Foley & Lardner, Holding The USPTO Accountable For The RCE Backlog, PharmaPatents blog, <http://www.pharmapatentsblog.com/2012/05/22/holding-the-uspto-accountable-for-the-rce-backlog/> (May 22, 2012) (“Issuing more first Office Actions without completing examination of pending applications is nothing but a shell game—shifting the stack of in-process applications from one category to another.”).

⁵⁴ *Gechter v. Davidson*, 116 F.3d 1454, 1460, 43 USPQ2d 1030, 1035 (Fed. Cir. 1997) (emphasis added).

findings.^{FN3} Claim construction must also be explicit, at least as to any construction disputed by parties to the interference (or an applicant or patentee in an ex parte proceeding).

^{FN3} While not directly presented here, obviousness determinations, when appropriate, similarly must rest on fact findings, adequately explained, for each of the relevant obviousness factors in the Supreme Court's decision in *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 17–18, 148 USPQ 459, 467 (1966)...

Other Federal Circuit decisions have made clear that *Gechter*'s requirement for a limitation-by-limitation showing applies to examiners as well.⁵⁵ The connection between due process at the examiner and Board levels was made express in *In re Leithem*: “Under the [APA], an applicant for a patent who appeals a rejection to the Board is entitled to notice of the factual and legal bases upon which the rejection was based. 5 U.S.C. § 554(b)(3)”.⁵⁶

The PTO could significantly reduce the amount of paperwork burden that lacks practical utility or is unreasonably duplicative if it enforced this statutory requirement at the examiner level. Enforcing this requirement would also improve PTO efficiency and reduce PTO backlog.

- Requiring an examiner to make a limitation-by-limitation showing of correspondence between the claims and the art (rather than paragraph-by-paragraph, or showings against only a few isolated words of the claim) forces the examiner to consider the issues more carefully. This would reduce the number of unjustified rejections that result in unreasonably duplicative paperwork burdens.
- When an application that should be rejected is rejected with an incomplete—erroneous—written explanation, the attorney may well be unable to discern a legitimate, but unstated, basis for the rejection. In contrast, when an examiner gives a written explanation that is complete, the attorney is more likely to recognize the merits of the examiner's view, and either amend the application to meet that view, or advise his client to proceed to abandonment. This would clearly improve PTO efficiency while simultaneously reducing paperwork burdens that lack practical utility or are unreasonably duplicative.
- When an application that should be allowed is rejected with a full written explanation, it is easier for the attorney to precisely identify the examiner's misunderstanding and thereby advance prosecution toward allowance. As in the previous example, this would clearly improve PTO efficiency while simultaneously reducing paperwork burdens that lack practical utility or are unreasonably duplicative
- In the experience of the attorneys who prepared this letter, a high percentage of the paperwork burdens arising from extended prosecution (*e.g.*, three actions or more in a

⁵⁵ *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).

⁵⁶ 661 F.3d 1316, 1319, 100 USPQ2d 1155, 1159 (Fed. Cir. 2011).

single application) arises because the examiner rushed to issue a first Office action without carefully considering the claim language. When an examiner refuses to carefully consider the claim language or provide a limitation-by-limitation explanation, or neglects to write out findings on legally-relevant *prima facie* issues, prosecution is extended to the detriment of the PTO, and applicants who experience paperwork burdens that have no practical utility.

Gechter is merely an application of the Administrative Procedure Act in the context of the PTO. Decisions of the Patent Trial and Appeal Board and written rejections of examiners are governed by the “informal adjudication” section of the Administrative Procedure Act, 5 U.S.C. § 555(e), which reads as follows:

(e) Prompt notice shall be given of the denial in whole or in part of a written application, petition, or other request of an interested person made in connection with any agency proceeding. Except in affirming a prior denial or when the denial is self-explanatory, the notice shall be accompanied by a brief statement of the grounds for denial.

Courts have interpreted “brief statement of grounds” of § 555(e) to require that the “statement of grounds” must be sufficiently detailed to ensure that the agency gives careful consideration of the issues, to give parties the opportunity to apprise the agency of any errors, and to facilitate judicial review.⁵⁷ As *Gechter* notes, that level of written decision requires a limitation-by-limitation mapping.

Justice Thurgood Marshall noted how complete explanations improve efficiency for both the public and the agency:⁵⁸

[A] requirement of procedural regularity at least renders arbitrary action more difficult. Moreover, proper procedures will surely eliminate some of the arbitrariness that results, not from malice, but from innocent error. “Experience teaches ... that the affording of procedural safeguards, which by their nature serve to illuminate the underlying facts, in itself often operates to prevent erroneous decisions on the merits from occurring.” *Silver v. New York Stock Exchange*, 373 U.S. 341, 366 (1963). When the government knows it may have to justify its decisions with sound reasons, its conduct is likely to be more cautious, careful, and correct.

The PTO should enforce the statutory requirement that examiners prepare limitation-by-limitation comparisons of claim language to references in Office actions.

⁵⁷ *Tourus Records Inc. v. Drug Enforcement Admin.*, 259 F.3d 731, 736–37 (D.C. Cir. 2001); *cf. Dunlop v. Bachowski*, 421 U.S. 560, 571 (1975) (for Labor Management Reporting and Disclosure Act cases, “When action is taken by [the Secretary] it must be such as to enable a reviewing Court to determine with some measure of confidence whether or not the discretion, which still remains in the Secretary, has been exercised in a manner that is neither arbitrary nor capricious... [I]t is necessary for [him] to delineate and make explicit the basis upon which discretionary action is taken. ... Moreover, a statement of reasons serves purposes other than judicial review. ... [A] ‘reasons’ requirement promotes thought by the Secretary and compels him to cover the relevant points and eschew irrelevancies, and ... the need to assure careful administrative consideration ‘would be relevant even if the Secretary’s decision were unreviewable.’”).

⁵⁸ *Board of Regents of State Colleges v. Roth*, 408 US 564, 591-92 (1972) (Marshall, J. dissenting).

The examination corps should be instructed that the law requires every § 102 or § 103 rejection to include an element-by-element showing of correspondence of every limitation to a reference. This should be stated explicitly in 37 C.F.R. § 1.104(c)(2).

This would both improve PTO efficiency and reduce paperwork burdens that are unreasonably duplicative or lack practical utility. Indeed, the PRA denies agencies the authority to impose paperwork burdens that are not justified by their statutory authority. A strong case can be made that the paperwork burdens created by the PTO's decision to allow examiners not to include limitation-by-limitation showings, which are required by law, are ineligible for OMB approval.

4.3. If the legal requirement to “answer all material traversed” were uniformly enforced, PTO efficiency would be improved and unreasonably duplicative paperwork burdens would be eliminated

The Administrative Procedure Act requires examiners to answer all material traversed. An examiner's failure to engage with issues raised by an applicant is a denial of the “notice” required by § 555(e):⁵⁹

Since the petitioner presented a nonfrivolous, *prima facie* claim for a change in the [agency decision] based on new factual allegations which were not conclusively refuted by other information in his file, it was an abuse of discretion for the board not to reopen [the decision], thus depriving him of his right to an administrative appeal. The order ... was accordingly invalid, and [the agency decision] must be reversed.

Likewise, failure to answer all material traversed implicitly violates the Paperwork Reduction Act by imposing paperwork burdens that have no practical utility and are unreasonably duplicative. When an applicant believes an application is allowable for a specific reason and provides an explanation for that reason, but the examiner rejects the application again without responding to the applicant's showing, then the applicant's response cannot have practical utility to the PTO because PTO has effectively ignored it. OMB is not permitted to approve such information collections.⁶⁰ Because applicants often have no right to even submit the same argument a second time in hopes of obtaining the proper review without payment of an RCE fee, this fee is also an unreasonably duplicative paperwork burden.

In MPEP § 707.07(f), the PTO instructs examiners that they “should” answer all issues that an applicant raises. But this is not a correct statement of the law: engagement with the issues raised in an applicant's papers, careful consideration an applicant's arguments, and written explanation of any disagreement, are all mandatory under § 555(e) and Supreme Court authority interpreting it.

Strict enforcement of the statutory obligation to always answer every argument in an application is crucial to improving PTO efficiency and reducing paperwork burdens that lack practical utility or are unreasonably duplicative. An ancillary but important benefit is it also

⁵⁹ *Mulloy v United States*, 398 US 410, 418 (1970).

⁶⁰ 44 U.S.C. § 3506(c)(3)(A) and 5 C.F.R. § 1320.5(d)(1)(iii) (“... an agency shall demonstrate that it has taken every reasonable step to ensure that the proposed collection of information ... has practical utility.” *Practical utility* means the actual, not merely the theoretical or potential, usefulness of information to or for an agency.” 5 C.F.R. § 1320.3(1).

would reduce the PTO's backlog. In our experience, one of the top three causes of backlog is examiners' failure to answer all material traversed.

5. TO ENSURE PROPER PERFORMANCE OF THE FUNCTIONS OF THE AGENCY, REDUCE DUPLICATIVE INFORMATION COLLECTION, AND REDUCE BURDEN, THE PTO SHOULD PROVIDE A CORRECT DEFINITION OF "NEW GROUND OF REJECTION" AS THE TERM APPLIES TO PREMATURE FINAL REJECTION

5.1. Background: PTO practice with respect to "final rejection" and "new ground of rejection" and how existing practice contributes to excessive paperwork burden

The basic *qui pro quo* of examination is described in Section 4.1.1 at page 22. Under the PTO's "compact prosecution" rules, the PTO established a fair bargain in which the PTO would give two complete Office actions and the PTO would make the second action "final." The definition of two complete Office actions often turns largely on the definition of the term "new ground of rejection:" in essence, if the first action is complete, and the second does not have to fill in any gaps that were left in the first, then the second action can be final, and the examiner gets his/her counts, and the PTO can charge additional fees for an RCE if one is submitted.

The "compact prosecution" bargain works fairly well so long as the PTO enforces its rules bilaterally, and honors the legal definition of the term "new ground of rejection." However, if PTO management does not enforce the established legal definition, then examiners are incentivized to provide incomplete Office actions that reject claims on poorly-considered or incompletely-stated grounds.⁶¹ Without PTO enforcement of its half of the bargain, examiners are incentivized to:

- search only until they find a reference that is "somewhat" related to the claims, and the best reference often does not surface until the third or fourth or fifth round.
- neglect to provide limitation-by-limitation showings, and maintain silence on key claim language.

When an applicant is faced with an incomplete statement of a rejection, the applicant's only options are to abandon patent coverage or respond by asking the examiner to consider the relevant issues—the same issues that should have been considered before. The need to make multiple submissions to obtain consideration of the issues leads to multiple violations of the Paperwork Reduction Act:

- Applicants must frequently make duplicative submissions of the same information, because the examiner does not give careful consideration to the first submission.
- If examiners do not fully consider information the first time it is submitted, and do not "process such information in a timely and useful fashion," then the PTO violates the "practical utility" requirement of 44 U.S.C. § 3506(c)(2)(A)(i).

⁶¹ Examiners are penalized for allowing applications that should be rejected, but are rewarded with extra counts for rejecting applications that should be allowed. This provides an incentive to reject applications until the examiner is confident that the application is allowable. This is inconsistent with the law—a "preponderance of evidence" benefit of the doubt favors allowance.

- If an applicant has to submit the same information on multiple occasions, paperwork burden is increased, not minimized.
- Because the APA, 5 U.S.C. § 555(e), requires the PTO to provide a written “statement of grounds” and examiners violate this requirement of law when they fail to do so, the PTO’s relaxed enforcement of its legal obligations is inconsistent with the proper performance of the agency’s functions.

IEEE-USA offers two suggestions that would return the PTO to following the law, reduce paperwork burdens that lack practical utility or are unreasonably duplicative, and encourage PTO employees in proper performance of the functions of the agency.

5.2. Paperwork burden would be reduced, and the functions of the agency improved, if the PTO set clear standards for completeness of a second action before it can be made final

The PTO could improve the quality and predictability of examination, reduce the number of RCE’s filed (see ICRs 0651-0031 and -0032), reduce appeals both in number and in burden per response (see ICR 0651-0063), and reduce the PTO’s own costs, by clarifying the definition of “clearly stating the reasons” in 37 C.F.R. § 1.113(b) and “clear issue developed for appeal” in MPEP § 706.07. By making the standards for final rejection clearer, examiners would be incentivized to do their work more completely, and earlier in the process. A checklist should include issues such as the following:

- The examiner must “answer all material traversed”—nothing increases burden during both patent processing (ICR 0651-0031) and appeal (ICR 0651-0063) more than examiner silence on the issues that an applicant argues.
- In prior art rejections, the examiner must give a limitation-by-limitation comparison of the claim to the art.⁶²
- Set forth the findings required the September 2010 *KSR Guidelines Update*⁶³

⁶² *Ex parte Forest*, Appeal No. 2000-1901, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&flNm=rm001901> at 4, 2002 WL 33951036 at *2 (BPAI May 30, 2002) reads as follows:

... In any event, for each reference relied on in each rejection, the PTO’s policy is for the examiner to compare the rejected claims feature-by-feature or limitation-by limitation with each of the references relied upon in the rejection. This comparison should map the language of the claims to the specific page number, column number, line number, drawing number, drawing reference number, and/or quotation from each reference relied upon. ...

... [The initial burden to formulate the details of a *prima facie* case of obviousness] rests solely upon the examiner.

See also Gechter v. Davidson, 116 F.3d 1454, 1460, 43 USPQ2d 1030, 1035 (Fed. Cir. 1997) (“we hold that the Board is required to set forth in its opinions specific findings of fact and conclusions of law adequate to form a basis for our review. In particular, we expect that the Board’s anticipation analysis be conducted on a limitation by limitation basis, with specific fact findings for each contested limitation and satisfactory explanations for such findings.”)

⁶³ *Examination Guidelines Update Developments in the Obviousness Inquiry After KSR v. Teleflex*, 75 Fed. Reg. 53643, 53644–45 (Sep. 1, 2010) (“It remains Office policy that appropriate factual findings

A suggested checklist is provided in Exhibit A.

5.3. The PTO should provide examiners with an accurate restatement of the law of “new ground of rejection”

Paperwork burden would be reduced if the PTO gives examiners and the Board a clear and correct statement of the law of “new ground of rejection.” IEEE-USA proposes such a statement of current law in Exhibit B to this letter. This would reduce paperwork burden by creating accountability for complete examination early in the process. A correct statement of the law would assist the PTO in “proper performance of the functions of the agency.”

The MPEP does not contain a synthesis of the case law defining the term “new ground of rejection.” That absence is an implicit violation of the Paperwork Reduction Act: 44 U.S.C. § 3506(c)(3)(D) requires each agency to shall ensure that each request to collect information “is written using plain, coherent, and unambiguous terminology and is understandable to those who are to respond.”

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, any new finding of fact, whether drawn from a new or existing reference, a new legal theory, or a new application of law to facts.⁶⁴ The test does not focus on what the PTO did, but the response—any “thrust” by the PTO that requires a different “fair opportunity to respond” is a “new ground.” A clear explanation was given in a non-precedential case in 1988 (emphasis added):⁶⁵

are required in order to apply the enumerated rationales properly. If a rejection has been made that omits one of the required factual findings, and in response to the rejection a practitioner or inventor points out the omission, Office personnel must either withdraw the rejection, or repeat the rejection including all required factual findings”).

⁶⁴ *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), now § 41.50(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” to the full extent permitted by the rules relevant to the procedural stage, citing 37 C.F.R. § 1.196(b)); *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” [to the full extent permitted by the relevant rule]. 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.”).

⁶⁵ *In re Ansel*, 852 F.2d 1294 (table), 1988 WL 63291 at * 1 (Fed. Cir. 1988) (nonprecedential); *In re Kronig*, 539 F.2d 1300, 1302–03, 190 USPQ 425, 426 (CCPA 1976) (“the ultimate criterion of whether a rejection is considered ‘new’ in a decision by the board is whether appellants have had fair opportunity to react to the thrust of the rejection. We agree with this general proposition, for otherwise appellants could be deprived of the administrative due process rights”); *In re Waymouth*, 486 F.2d 1058, 1060–61, 179 USPQ 627, 629 (CCPA 1973) (different rationale for “written description” rejection of the identical claim language, “the bases of their rejections were wholly different, necessitating different responses by appellants” and required “opportunity to provide a different and appropriate response”), *modified on rehearing* 489 F.2d 1297, 180 USPQ 453 (CCPA 1974).

The test for determining whether the board's rejection is "new" centers on whether the "basic thrusts" of the board's rejection and the examiner's rejection are different. If the basic thrusts of the two rejections are not the same, then the applicants would not already have had a "fair opportunity" to respond to the thrust of the board's rejection before the examiner, and the board's rejection can fairly be said to warrant a further opportunity for response. *In re Kronig*, 539 F.2d 1300, 1302, 1303, 190 USPQ 425, 426, 427 (CCPA 1976). Denial of an opportunity to respond to a new rejection represents a deprivation of the applicants' administrative due process rights. *Id.* at 1303, 190 USPQ at 426.

[The examiner had relied on Hodakowski and Bhatia. The Board relied on Hodakowski alone, drawing further inferences from "broad disclosure in Hodakowski consist[ing] of a general and brief description of what Hodakowski considered as prior art distinct from his invention"]

We cannot agree with the board that its reasoning does not represent a significant shift in the basic thrust of the rejection. Not only do the rejections at issue here represent different views of what the cited references teach, they also require the applicants to respond in quite different manners. The examiner's rejection may encourage the applicants to attack both Hodakowski and Bhatia separately but still permits the applicants to accept the examiner's view of the references and only attack the examiner's conclusion that one of ordinary skill would be led to combine the teachings of the references. On the other hand, the board's rejection necessitates a direct challenge to Hodakowski alone, as newly characterized by the board, since the new characterization, if not challenged, would serve to preclude the patenting of the claimed invention. *See In re Echerd*, 471 F.2d 632, 635, 176 USPQ 321, 323 (CCPA 1973) (board's new reliance on only one of two references and on new portions of that reference to support an alternative theory constitutes a new rejection and possibly even shifts the statutory basis for the rejection). *Compare In re Hughes*, 345 F.2d 184, 185-86, 145 USPQ 467, 469 (CCPA 1965) (where the statutory basis of the examiner's and board's rejections are 35 U.S.C. §§ 102 and 103, respectively, the issues raised may be vastly different, and may call for the production and introduction of quite different types of evidence).

Applicants who are met by a new rejection at the board level are permitted, as a matter of right, to submit an appropriate amendment of the claims and/or a showing of facts to the examiner, so that the examiner may consider new evidence on newly presented issues. 37 CFR § 1.196(b) (1987). In this case, by refusing to declare the rejection new, the board denied the appellants the opportunity to, if possible, "amend around" Hodakowski or show the examiner additional facts or evidence which might rebut the new rejection. The board's opinion noted that the record lacked evidence comparing the applicants' coating compositions with the compositions of Hodakowski. As discussed in appellants' request for reconsideration, however, their comparative evidence was available but was not particularly called for in response to the examiner's rejection. Supposedly, appellants' new evidence goes directly to whether, as the board said, the applicants' compositions and Hodakowski's compositions are in fact "difficult to distinguish." In the context of the board's new rejection, such evidence is not only relevant, but its submission to the examiner is specifically provided for, as of right, under 37 CFR § 1.196(b).

Thus, to allow the appellants to respond to the board's new rejection with an appropriate amendment and/or showing of facts, the board's decision is *vacated* and the case is *remanded*.

This focus on the applicant's response, rather than some comparison between the PTO's successive positions, was clarified in a pair of precedential decisions in the fall of 2011, *In re Leithem* and *In re Stepan Co.* *Leithem* explained that a shift in rationale that changed the nature of

an applicant's response was the touchstone for determining whether a “thrust” is new, and thus whether the ground is new:⁶⁶

Here, the examiner cited Novak as teaching [x]. Leithem appealed this rejection to the Board on the basis that Novak does not contain such a teaching. Leithem argued that Novak's [does not teach claim language x]. ... The Board agreed with Leithem but instead affirmed the examiner's rejection by finding that Novak teaches a pulp “which may be [modified to be x].” ... Leithem would certainly have responded differently had the examiner's original rejection been premised upon Novak teaching pulp “which may be [modified to be x]” as opposed to teaching [x immediately present] ... The examiner never articulated, nor relied upon, the former rationale for combining Novak with Pociluyko, and Leithem was never given an opportunity to respond to this rejection. ... Accordingly, fairness dictates that the applicant, in this case Leithem, should be afforded an opportunity to respond to the Board's new rejection.

A rejection under the same statutory section, founded on identical art, may nonetheless be a “new ground of rejection.”⁶⁷ In litigation and in decisions on petition, the PTO has repeatedly asserted that the term “new ground of rejection” is limited to cases where either the statutory section or the references applied differ; the Federal Circuit has stated its disagreement repeatedly:⁶⁸

The PTO argues that a “ground of rejection” is simply the statutory section under which a claim was rejected. ... Conversely, Hyatt argues that a “ground of rejection” includes both (1) the statutory section under which a claim was rejected and (2) the reason why the claim failed to meet that statutory requirement....

Thus, under section 1.192(c)(7), a commonly rejected group of claims—*i.e.*, a group of claims rejected on the same ground—is one in which the differences between the claims is “of no patentable consequence to a contested rejection.”

McDaniel establishes that a “ground of rejection” for purposes of Rule 1.192(c)(7) is not merely the statutory requirement for patentability that a claim fails to meet but also the precise reason why the claim fails that requirement....

We therefore conclude, as we did in *McDaniel*, that the PTO's interpretation of section 1.192(c)(7) is plainly erroneous and inconsistent with the text of the regulation.

In addition to being faithful to the text of section 1.192(c)(7), this court's interpretation of “ground of rejection” is consistent with the fact that the PTO “bears the initial burden ... of presenting a *prima facie* case of unpatentability.”

⁶⁶ *In re Leithem*, 661 F.3d 1316, 1320, 100 USPQ2d 1155, 1159 (Fed. Cir. 2011) (citations and quotations omitted).

⁶⁷ *Hyatt v. Dudas*, 551 F.3d 1307, 1312–13, 89 USPQ2d 1465, 1468–69 (Fed. Cir. 2008) (in the context of § 112 ¶ 1 rejections of claims with differing language, rejecting PTO's contention that “ground of rejection” is limited to the statutory ground, without regard to the facts or reasoning applied); *In re Kumar*, 418 F.3d 1361, 1367, 76 USPQ2d 1048, 1051 (Fed. Cir. 2005) (new inferences drawn from the same art, cast as “official notice,” was nonetheless a new ground).

⁶⁸ *Hyatt v. Dudas*, 551 F.3d 1307, 1311–12, 89 USPQ2d 1465, 1468–69 (Fed. Cir. 2008), *citing In re McDaniel*, 293 F.3d 1379, 1383–84, 63 USPQ2d 1462, 1465 (Fed. Cir. 2002).

*In re Kumar*⁶⁹ discussed a case where the Board analyzed the identical portion of the reference as relied on by the examiner, but applied a new analysis to determine inherent properties of that portion. That was a “new ground.”⁷⁰

The values identified by the Board’s calculations were not contained in the prior art or any examination record, but appeared for the first time in the Board’s opinion. Although the PTO argues that the calculations the Board included in its decision were not new evidence, but simply an *additional explanation* of the Board’s decision, these values produced and relied on by the Board *had not previously been identified by the examiner or the Board*. Kumar was entitled to respond to these calculations, and the Board committed procedural error in refusing to consider the evidence proffered in response. See *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 to the proceedings*, an applicant must be afforded an opportunity to respond to that position or rationale by submission of contradicting evidence”). The PTO regulations so require. See 37 C.F.R. § 1.196(b) [a slightly different provision is now found at § 41.50(b)] (“when the Board ... makes a new rejection of an appealed claim, the appellant may ... submit ... a showing of fact ... and have the matter reconsidered”).

...

... In this case the overlapping values were identified for the first time in the decision of the Board, and are not themselves set forth in Rostoker or any other reference. In calculating the overlapping values, the Board found facts not found by the examiner regarding the differences between the prior art and the claimed invention, which in fairness required an opportunity for response. See *In re Kronig*, 539 F.2d 1300, 1302, 190 USPQ 425, 426 (CCPA 1976) (“the ultimate criterion of whether a rejection is considered ‘new’ in a decision by the board is whether appellants have had fair opportunity to react to the thrust of the rejection”).

On almost identical facts, the Board found a “new ground of rejection” when it introduced new calculations to analyze a reference.⁷¹

The Federal Circuit has recently clarified in two cases that its definition of “new ground” jurisprudence is based on statute, the right of a person before an agency to receive advance notice of the factual and legal bases for a hearing, from 5 U.S.C. § 554(b)(3) of the Administrative Procedure Act.⁷² The PTO is not entitled to *Chevron* deference for its interpretation of the APA.⁷³

⁶⁹ *In re Kumar*, 418 F.3d 1361, 76 USPQ2d 1048 (Fed. Cir. 2005).

⁷⁰ *In re Kumar*, 418 F.3d 1361, 1367–68, 76 USPQ2d 1048, 1051–52 (Fed. Cir. 2005) (emphasis added).

⁷¹ *Ex parte Gately*, as described in *In re Gately*, 69 Fed. Appx. 993, 995–96 (Fed. Cir. 2003) (nonprecedential).

⁷² *In re Stepan Co.*, 660 F.3d 1341, 1345, 100 USPQ2d 1489, 1492 (Fed. Cir. 2011) (“the PTO’s regulatory interpretation is due no deference in view of the agency’s statutory obligation under the Administrative Procedure Act (‘APA’) to provide prior notice to the applicant of all ‘matters of fact and law asserted’ prior to an appeal hearing before the Board. 5 U.S.C. § 554(b)(3). Allowing the Board unfettered discretion to designate a new ground of rejection—when it relies upon facts or legal argument not advanced by the examiner—would frustrate the notice requirements of the APA.”); *In re Leithem*, 661 F.3d 1316, 1319, 100 USPQ2d 1155, 1159 (Fed. Cir. 2011) (“Under the [APA], an applicant for a patent who appeals a rejection to the Board is entitled to notice of the factual and legal bases upon which the rejection was based. 5 U.S.C. § 554(b)(3)”).

The Federal Circuit has also suggested that its interpretation is governed by the text of the term “new ground of rejection”⁷⁴—if the term has no ambiguity, the PTO has no latitude to reinterpret the term under *Chevron* or *Auer*.⁷⁵

An accurate statement of the definition of “new ground of rejection” is required by the following provisions of the Paperwork Reduction Act and OMB’s implementing regulations:

- A clear and correct statement is required “for the proper performance of the functions of the agency.” Every time the PTO applies a different definition of “new ground” that disadvantages an applicant, the PTO imposes an unapproved paperwork burden.
- A correct definition is essential to the PTO’s obligation to “reduce [burden] to the extent practicable and appropriate.” The agency must “demonstrate that [it] has taken every reasonable step to ensure that the proposed collection of information: ... [is] the least burdensome necessary for the proper performance of the agency’s functions.”⁷⁶ *Ad hoc* definitions of the term “new ground of rejection” increase burden, and when unaccompanied by persuasive rationale contained in an ICR they result in unapproved paperwork burdens.
- The PTO must ensure that its rules and requests for information are “written using plain, coherent, and unambiguous terminology”⁷⁷ In absence of a written definition, every applicant is at the mercy of individual PTO employees.
- The PTO may not “shift[] disproportionate costs or burdens onto the public.”⁷⁸ The lack of a correct written definition of “new ground of rejection” shifts uncounted burdens onto the public.

5.4. Two recent Notices of Proposed Rulemaking tell a troubling story

In November 2010, the PTO proposed a draft statement of the definition of “new ground of rejection.”⁷⁹ Notice-and-comment letters pointed out a number of plain errors in the PTO’s formulation:⁸⁰

⁷³ *Stepan*, quoted in footnoted 72; *Adams Fruit Co. v. Barrett*, 494 U.S. 638, 649 (1990) (agency does not receive deference for statutes that are not specifically delegated to the agency to administer).

⁷⁴ *Hyatt v. Dudas*, 551 F.3d 1307, 1313, 89 USPQ2d 1465, 1469 (Fed. Cir. 2008) (“the PTO’s interpretation ... is plainly erroneous and inconsistent with the text of the regulation.”).

⁷⁵ *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984); *Auer v. Robbins*, 519 U.S. 452, 461 (1997)

⁷⁶ 44 U.S.C. § 3506(c)(3)(C), 5 C.F.R. § 1320.5(d)(1), § 1320.9(c).

⁷⁷ 44 U.S.C. § 3506(c)(3)(D), 5 C.F.R. § 1320.9(d).

⁷⁸ 5 C.F.R. § 1320.5(d)(1)(iii).

⁷⁹ Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals; Proposed Rule, 75 Fed. Reg. 69828, 69838 (Nov. 15, 2010)

- The term “new ground of rejection” has the same meaning in several contexts, not different meanings as the PTO implies.
- Where the Federal Circuit uses words like “must” and “always” to describe rights in favor of applicants, the PTO attempted to rewrite the law using words like “may.”
- Where the Federal Circuit provides a number of bright line rules that apply broadly and in favor of applicants, the PTO’s formulation presented only isolated facts, and asks examiners to draw their own analogies, and ignore the Federal Circuit’s reasoning.
- Where the Federal Circuit has identified narrow exceptions that favor the PTO, the PTO’s proposed language broadened those narrow exceptions, in some cases to effectively swallow the rule.
- In two cases, *In re Leithem*, 661 F.3d 1316, 100 USPQ2d 1155 (Fed. Cir. Sept. 19, 2011) and *In re Stepan Co.*, 660 F.3d 1341, 100 USPQ2d 1489 (Fed. Cir. Oct. 5, 2011) the Federal Circuit reiterated the principles and positions of these previously submitted comment letters, not those of the PTO.

Only months after *Leithem* and *Stepan*, in a Final Rule notice in November 2011, the PTO restated the November 2010 wording almost word-for-word. There were two major differences. First, the PTO removed citations to two cases that favor applicants, *In re De Blauwe* 736 F.2d 699 (Fed. Cir. 1984) and *In re Moore*, 444 F.2d 572 (CCPA 1974), that had been cited in the November 2010 NPRM. Second, the PTO recharacterized *In re DBC*, 545 F.3d 1373 (Fed. Cir. 2007) in a manner more adverse to applicants. Several of the comments submitted by the public were mischaracterized in the “response to comments” section of the November 2011 Final Rule notice, and the PTO’s response failed to answer the actual comment.

Most troubling, the November 2011 Final Rule notice simply ignored *Leithem* and *Stepan*, in which the Federal Circuit repudiated many of the statements stated in the PTO’s notices. The timing between the Federal Circuit’s decision and publication of the final rule notice is not so close that the PTO has any legitimate excuse for simply ignoring Federal Circuit precedent.

6. SEVERAL REGULATIONS SHOULD BE CHANGED TO ELIMINATE EXCESSIVE PAPERWORK BURDENS THAT LACK PRACTICAL UTILITY OR ARE UNREASONABLY BURDENSOME

6.1. 37 C.F.R. § 1.83 requirements for drawings impose paperwork burdens that have no practical utility

35 U.S.C. § 113 only authorizes the PTO to require drawings “where necessary for the understanding of the subject matter.” However, 37 C.F.R. § 1.83(a) states “The drawing in a nonprovisional application must show every feature of the invention specified in the claims.”

§ 1.83(a) has several problems cognizable under the Paperwork Reduction Act. First, § 1.83(a) is often invoked to require information with no practical utility. For example, in computer software applications, where drawings show the important algorithms and data structures,

⁸⁰ Kipman T. Werking and Jonathan R. Lee, comment letter, http://www.uspto.gov/ip/boards/bpai/procedures/rules/rule_comment_nov2010_werking_lee_a.pdf (Jan. 14, 2011); David Boundy, comment letter, http://www.uspto.gov/ip/boards/bpai/procedures/rules/rule_comment_nov2010_boundy.pdf (Jan. 14, 2011).

examiners require amended drawings that show a computer, a network, and a terminal. Requiring drawing information not “necessary for understanding of the subject matter” or otherwise required under § 113) is not “necessary to satisfy statutory requirements or other substantial need,” not necessary for the proper performance of the functions of the agency, and not necessary to comply with legal requirements. Therefore, it cannot have practical utility.

6.2. 37 C.F.R. § 1.98(e) imposes paperwork burdens that have no practical utility

37 C.F.R. § 1.98(b)(5) requires identification of non-patent prior art as follows:

(b)(5) Each publication listed in an information disclosure statement must be identified by publisher, author (if any), title, relevant pages of the publication, date, and place of publication.

This should be rephrased from mandatory to permissive, to permit applicants to provide the information that they have, and not information that is either not relevant or not readily available. IEEE-USA suggests the following:

(b)(5) Each publication listed in an information disclosure statement should include publication identification information that is readily available, such as publisher, author, title, relevant pages of the publication, date, and place of publication.

6.3. 37 C.F.R. § 1.111(a)(2) imposes paperwork burdens that have no practical utility because they rest on authority not granted by Congress, and should be returned to its pre-2004 state

Until 2004, 37 C.F.R. § 1.111(a) read as follows (emphasis added):

§ 1.111 Reply by applicant or patent owner to a non-final Office action.

...

(2) A second (or subsequent) supplemental reply will be entered unless disapproved by the Commissioner. A second (or subsequent) supplemental reply may be disapproved if the second (or subsequent) supplemental reply unduly interferes with an Office action being prepared in response to the previous reply. Factors that will be considered in disapproving a second (or subsequent) supplemental reply include:

(i) The state of preparation of an Office action responsive to the previous reply as of the date of receipt (§ 1.6) of the second (or subsequent) supplemental reply by the Office; and

(ii) The nature of any changes to the specification or claims that would result from entry of the second (or subsequent) supplemental reply.

In 2004, § 1.111(a)(2) was changed to read:

(2) *Supplemental replies.* (i) A reply that is supplemental to a reply that is in compliance with § 1.111(b) will not be entered as a matter of right except as provided in paragraph (a)(2)(ii) of this section. The Office may enter a supplemental reply if the supplemental reply is clearly limited to:

- (A) Cancellation of a claim(s);
- (B) Adoption of the examiner suggestion(s);
- (C) Placement of the application in condition for allowance;
- (D) Reply to an Office requirement made after the first reply was filed;
- (E) Correction of informalities (*e.g.*, typographical errors); or

(F) Simplification of issues for appeal.

(ii) A supplemental reply will be entered if the supplemental reply is filed within the period during which action by the Office is suspended under § 1.103(a) or (c).

In 2004, several public comment letters noted that this rule creates almost no benefit for the Office relative to the old rule, but creates inefficiencies for both applicants and the Office. By restricting amendments this tightly, Rule 111(a)(2) requires the PTO to examine claims that the applicant no longer wishes to pursue (because of changes in the law, discovery of new prior art, and the like). The 2004 comment letters noted that excluding amendments that were filed well before the examiner had begun preparation of a new action, but after expiration of the six month period, created no savings whatsoever for the PTO, but created substantial burdens on the public. These burdens have no practical utility.

In the notice of Final Rulemaking,⁸¹ the PTO disregarded burden on applicants or questions of practical utility, and implied that it was adopting the new form of Rule 111(a)(2) solely for its own convenience:

Comment 90: Several comments suggested that the Office should not require that a supplemental reply must be filed within the statutory period. The comments further suggested that a supplemental reply should be entered if it is filed and associated with the application file before the examiner begins considering the original reply. One of the comments also suggested that the Office should adopt a guideline similar to the PCT Regulation 66.4bis which states “[a]mendments or arguments need not be taken into account by the International Preliminary Examining Authority for the purposes of a written opinion or the international preliminary examination report if they are received after that Authority has begun to draw up that opinion or report.”

This mischaracterization of the comment implicitly concedes that this amendment to Rule 111 focuses on factors that Congress did not permit or intend the PTO to consider.⁸² In terms of the PRA, the six-month limit hampers the ability of the PTO to “proper[ly] perform[] the functions of the agency.” The PTO is required by the PRA to minimize burden on the public and to impose the least regulatory burden possible. The 2004 version of § 1.111(a)(2) violates these principles.

37 C.F.R. § 1.111(a)(2) should be returned to the pre-2004 “unduly interferes” standard.

6.4. Common examiner practice imposes paperwork burdens that have no practical utility because they rest on authority not granted by Congress

After Rule 1.111 replies to Office actions in non-reissue applications, examiners in some art units often require an applicant to show support for claim amendments. This is a requirement above that authorized by regulation.

37 C.F.R. § 1.173(c) only applies to reissues. MPEP § 714.02 and § 2163.06 both provide “Applicant should also specifically point out the support for any amendments made to the

⁸¹ Patent and Trademark Office, Changes To Support Implementation of the United States Patent and Trademark Office 21st Century Strategic Plan, 69 Fed. Reg. 56881, 56516 (Sept. 21, 2004).

⁸² *Motor Vehicle Mfrs. Ass’n v. State Farm Mutual Auto. Ins. Co.*, 463 U.S. 29, 42 (1983) (“Normally, an agency rule would be arbitrary and capricious if the agency has relied on factors which Congress has not intended it to consider...”)

disclosure,” but that’s only a “should” not a “must,” and the PTO is forbidden from enforcing the MPEP against applicants.

The PTO can minimize paperwork burden and improve proper performance of the functions of the agency by reminding examiners that the PTO has no authority to set requirements in the MPEP—only the statute and regulations are binding against applicants.

6.5. MPEP §§ 2106(II)(C) and 2111.04 misstate the law of “wherein” clauses

An error in MPEP §§ 2106(II)(C) and 2111.04 creates unnecessary paperwork burden and hinders the PTO in proper performance of its functions. These two sections of the MPEP suggest that “wherein” clauses “may raise a question.” This is not correct: “wherein” clauses are limiting on the same basis as any other claim language. In contrast, “whereby” clauses are sometimes not given weight, which may be the source of the confusion in the MPEP. Another source of the PTO’s confusion is that a party once argued the point, and it appears that the editors of the MPEP confused the statement of the losing party’s argument with the court’s rather derisive dismissal of it.⁸³

Cases frequently turn on “wherein” clauses, either to find nonanticipation, nonobviousness, or noninfringement, or to find that the “wherein” clause is given weight in the context of claim differentiation.⁸⁴ We know of no case that has ever denied weight to a “wherein” clause.

Beyond the substantive error, this exhibits two failures of basic regulatory practice. First, MPEP § 2111.04 states that “wherein clauses may raise a question,” but the MPEP gives no ascertainable standard, no test, no analytical guidance. Asking examiners to make decisions under these conditions invites inefficiency, abuse, and illogical examination. If the PTO believes that there are circumstances under which “wherein” clauses might not be limiting, the PTO must at least give examiners a standard that can be applied. Second, examiners often misunderstand the role of the MPEP: agency staff manuals are binding against agency employees, but not against the public (*compare* 5 U.S.C. § 301 (agency power to govern its own employees) with § 553 (procedural requirements for governing the public)), and this provision of the MPEP generates considerable paperwork burden arising out of this misunderstanding.

The current MPEP provision, “may raise a question,” without any “particular standard” for deciding the question raised, violates the ban on ambiguous language of the Paperwork Reduction Act, and probably violates the Administrative Procedure Act as well.⁸⁵

⁸³ The distinction between “whereby” and “wherein” is touched on in *Griffin v. Bertina*, 285 F.3d 1029, 1033–34, 62 USPQ2d 1431, 1434–35 (Fed. Cir. 2002).

⁸⁴ If “wherein” clauses were not given weight, they could not contribute to these outcomes: *Shanghai Meihao Electric Inc. v. Leviton Mfg. Co. Inc.*, 212 Fed. Appx. 977 (2007) (finding noninfringement because “wherein activation of the reset device activates the circuit interrupter to be in the operational state” clause not satisfied); *Sunrace Roots Enterprise Co. v. SRAM Corp.*, 336 F.3d 1298, 1303, 67 USPQ2d 1438, 1442 (Fed. Cir. 2003) (“wherein” clause of a dependent claim given weight to construe an independent claim under the doctrine of claim differentiation); *In re Roemer*, 258 F.3d 1303, 1310, 59 USPQ2d 1527, 1532 (Fed. Cir. 2001) (reversing the Board, and holding claim 33 patentable because of a “wherein ... the resultant magnetic field on the opposite side of the second coil to the first coil is substantially zero” clause); *In re Kotzab*, 217 F.3d 1365, 1370–71, 55 USPQ2d 1313, 1317–18 (Fed. Cir. 2000) (reversing the Board based on a “wherein” clause).

“Wherein” should be removed from the lists of “questionable” claim language in MPEP §§ 2106(II)(C) and 2111.04. For the other items in the lists, the MPEP should provide ascertainable standards for evaluating the claim language.

6.6. MPEP § 2144.03(C) creates unwarranted paperwork burden by misstating the law of intra-agency Official Notice

MPEP § 2144.0(C) misstates the law of Official notice. The law is simple: the PTO always has the burden of proof to show each element of unpatentability, and to support each element with substantial evidence. 37 C.F.R. § 1.104(d)(2) is clear that all an applicant has to do to traverse an issue of fact supported by no more than examiner explanation is to “call for” substantial evidence. MPEP § 2144.03(C) is incompatible with multiple provisions of law, and was promulgated without observance of statutorily-required rule making procedure. Agency rules (and guidance with economically significant effects) that were not validly promulgated and that conflict with substantive law are inconsistent with the “proper performance of the functions of the agency.” They should not be included in any submission to OMB because they have cannot have practical utility

MPEP § 2144.03(B)—as guidance issued pursuant to the Director’s authority to issue regulations for the examining corps, 5 U.S.C. § 301, 35 U.S.C. § 2(b)(2)(A), § 3(b)(3)(B)—is binding on the examining corps (emphasis added):

B. If Official Notice Is Taken of a Fact, Unsupported by Documentary Evidence, the Technical Line of Reasoning Underlying a Decision To Take Such Notice Must Be Clear and Unmistakable

... If such notice is taken, the basis for such reasoning must be set forth explicitly. The examiner must provide specific factual findings predicated on sound technical and scientific reasoning to support his or her conclusion of common knowledge. ... The applicant should be presented with the explicit basis on which the examiner regards the matter as subject to official notice so as to adequately traverse the rejection in the next reply after the Office action in which the common knowledge statement was made.

MPEP § 2144.03(B) makes clear that when an examiner simply states a bald fact, and presents “Official notice” with no showing of “sound technical and scientific reasoning,” the examiner has acted outside the authority delegated by the PTO, and raised no genuine rejection at all. By law, in such cases, all an applicant has to do to traverse Official notice is demand the showing of “sound technical and scientific reasoning” That, of course, is a “new ground of rejection” as

⁸⁵ *Allentown Mack Sales & Serv., Inc. v. Nat’l Labor Reln’s Bd.*, 522 U.S. 359, 376 (1998) (under the APA’s scheme of reasoned decisionmaking, an administrative agency “must be required to apply in fact the clearly understood legal standards that it enunciates in principle.”); *Duchek v. National Transportation Safety Bd.* 364 F.3d 311, 314, 318 (D.C. Cir. 2004) (Roberts, J.) (agency may not act beyond the authority it grants itself in its written regulations, and enforcement beyond them is arbitrary and capricious); *In re Lee*, 277 F.3d 1338, 1344, 61 USPQ2d 1430, 1434 (Fed. Cir. 2002) (“An agency is not free to refuse to follow [Federal Circuit] precedent.”); *Satellite Broadcasting Co. v. Federal Communications Comm’n*, 824 F.2d 1, 3 (D.C. Cir. 1987) (“Traditional concepts of due process incorporated into administrative law preclude an agency from penalizing a private party for violating a rule without first providing adequate notice of the substance of the rule. The dismissal of an application, we have held, is a sufficiently grave sanction to trigger this duty to provide clear notice.”).

discussed in 5.3 at page 34, and applicant may then further traverse by calling for evidence under 37 C.F.R. § 1.104(d)(2).

The problem is MPEP § 2144.03(C), which most examiners interpret to mean that an applicant must make an affirmative showing to rebut an assertion of Official notice. This is not correct. The PTO always bears the burden of proof to establish all facts to a preponderance of evidence supported by substantial evidence.⁸⁶

First, when the PTO shifts of a burden of proof, the PTO promulgates a “substantive” rule.⁸⁷ But the PTO has no substantive rule making authority.⁸⁸ It is beyond the PTO’s authority to require an applicant to show “why the noticed fact is not considered to be common knowledge or well-known in the art.”

Second, MPEP § 2144.03(C) is unlawful because it conflicts with 37 C.F.R. § 1.104(d)(2), which permits an applicant to traverse official notice by simply “calling for” substantial evidence. Agencies do not have authority to attenuate a regulation that runs in favor of the public by stating opposite provisions in guidance documents.

Third, the PTO also neglected all rule making requirements when it promulgated MPEP § 2144.03(C). If the PTO wants to impose a mandatory requirement on applicants relating to burdens of proof or substantive patentability, it must do so through the rulemaking procedures of 5 U.S.C. §§ 552 and 553, which—at a minimum—require publication in the Federal Register under § 552(a), and notice and comment under § 553. The PTO has never run MPEP § 2144.03 through the procedural requirements of the PRA, which makes the burdens imposed unapproved and subject to the law’s public protection provisions.

The error in MPEP § 2144.03(C) is demonstrated by reliance (in different editions of the MPEP) on *In re Chevenard*, 139 F.2d 711, 713, 60 USPQ 239, 241 (CCPA 1943) and *In re Boon*, 439 F.2d 724, 727, 169 USPQ 231, 234 (CCPA 1971). *Chevenard* and *Boon* are court/agency review cases. At the time, the CCPA’s case law created a presumption in favor of the PTO, and required an appellant to show “clear error.” In contrast, during intra-PTO proceedings, the presumption is in favor of the applicant, and the burden is on the PTO to support any adverse

⁸⁶ *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)

⁸⁷ *Director, Office of Workers Compensation Programs, Dept. of Labor v. Greenwich Colliers*, 512 U.S. 267, 271 (1994) (“assignment of the burden of proof is a rule of substantive law”)

⁸⁸ *Koninklijke Philips Electronics N.V. v. Cardiac Science Operating Co.*, 590 F.3d 1326, 1337, 93 USPQ2d 1227, 1235 (Fed. Cir. 2010) (“We remind ... the Board that they must follow judicial precedent instead of [PTO-formulated substantive rules] because the PTO lacks the substantive rulemaking authority to administratively set aside judicial precedent.”); *Merck & Co. v. Kessler*, 80 F.3d 1543, 1549–50, 38 USPQ2d 1347, 1351 (Fed. Cir. 1996) (statute “does NOT grant the Commissioner the authority to issue substantive rules.”).

finding by substantial evidence. *Chevenard* and *Boon* are simply inapplicable to an intra-agency setting.

The PTO should reform Official notice practice. The best way to reduce paperwork burden that has no practical utility is to simply rescind examiners' authority to rely on it. This will reduce cost to the PTO: after all, in every case that an examiner properly relies on Official notice, the examiner could just as well have instantly demonstrated the same fact. Thus, Official notice creates essentially zero benefit to the PTO. On the other hand, the overwhelming majority of assertions of Official notice are not within the permissible scope of noticeable facts, and these improper assertions of Official notice creates unreasonably duplicative paperwork burdens on applicants that are incompatible with "the proper performance of the agency's functions." Requiring an applicant to make an affirmative rebuttal to an improper assertion of Official notice is to require an applicant to submit information with no practical utility.

Alternatively, MPEP § 2144.03(C) could be amended to accurately state basic principles of administrative law:

- Any assertion of Official notice requires the examiner to present "specific factual findings predicated on sound technical and scientific reasoning" and "the explicit basis on which the examiner regards the matter as subject to official notice."
- Official notice is adequately traversed by a mere "call for" substantial evidence under 37 C.F.R. § 1.104(d)(2). The mere filing of a new paper raising new challenges to the examiner's position is sufficient to create a new record that requires reevaluation of all contested facts and conclusions.⁸⁹
- No supposed "admission" under MPEP § 2144.03(C) is ever conclusive, until the case reaches an Article III court.
- Challenges to Official Notice as late as appeal to the Board are not only permitted; but if the examiner or Board comes forward with substantial evidence, then that shift of position is always a "new ground of rejection" that triggers an applicant's rights to come forward with new amendments or affidavits.⁹⁰ Any time an action reaches final rejection with a

⁸⁹ *In re Oetiker*, 977 F.2d 1443, 1445, 24 USPQ2d 1443, 1444 (Fed. Cir. 1992) ("After ... 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."); *Ex parte Scroggie*, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fINm=fd20062100-01-29-2008-1> at 5, 2008 WL 258368 at *2 (BPAI Jan. 29, 2008) (even after a previous decision by the Board, "the record before this panel has been supplemented by Appellants' current briefs, and thus constitutes a record different from that upon which the earlier panel based its determinations").

The Board has, on occasion, misapprehended the different legal standards that apply during court/agency review and the Board's agency/agency review. That was error on the part of the Board. The Board is an intra-agency tribunal that reviews findings of fact *de novo*. In an intra-agency appeal examiners do not receive court/agency deference, as discussed in *Ex parte Frye*, 94 USPQ2d 1072 (BPAI 2010) and *Ex parte Quist*, 95 USPQ2d 1140, 1145 (BPAI 2010) (Board must consider the evidence "anew").

⁹⁰ *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

faulty assertion of Official notice (either lacking the “specific factual findings” of MPEP § 2144.03(B), or without substantial evidence provided in reply to a call under § 1.104(d)(2)), MPEP § 706.07 should make clear that a petition to rescind premature finality will be granted *per se*.

As it stands, MPEP § 2144.03(C) misstates the law, and the PTO should not seek clearance for illegal regulatory content in guidance. MPEP § 2144.03(C) violates the requirement that the PTO only collect information “necessary for the proper performance of the functions of the agency.” The PTO should revise § 2144.03(C) and validly promulgate it, before the PTO makes any submission to OMB.

6.7. Unreasonably burdensome paperwork burden could be reduced if pre-grant publications were printed in “column:line” format like issued patents, rather than paragraph number format

The quality of Office actions fell when the PTO began to issue pre-grant publication without line numbers. When examiners are not given a ready way to cite to precisely the portion of a reference that they intend “as nearly as practicable” (37 C.F.R. § 1.104(c)(2)), the quality of examination and the clarity of Office actions declines.

The PTO could substantially reduce paperwork burden that lacks practical utility or is unreasonably burdensome, improve proper performance of the functions of the agency, better comply with legal requirements, and better achieve program objectives if pre-grant publications were published in column and line number format.

7. CONCLUSION

IEEE-USA thanks the PTO for considering these comments in reviewing the paperwork burdens in (or implied by) ICR 0651-0031. IEEE-USA would welcome any further discussions with the PTO on these matters. IEEE-USA wants the PTO to succeed in its mission, and compliance with the PRA is essential if this is to happen.

Respectfully submitted,



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references, in which case a new ground of rejection is always stated,” emphasis added); *Ex parte Skinkiss*, Appeal No. 2000-0226, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&flNm=fd000226.pdf> at 4 n. 1, 2002 WL 99652 at *1 n.1 (BPAI June 14, 2001) (unpublished) (“new piece of evidence,” even an assertion of “well-known custom,” constitutes “a new ground of rejection”).

Exhibit A

Suggested Addition to MPEP § 706.07

Exhibit A

Suggested Addition to MPEP § 706.07

706.07 Final Rejection

[37 CFR 1.113. Final rejection or action unchanged]

Before final rejection is in order a clear issue should be developed between the examiner and applicant. To bring the prosecution to as speedy conclusion as possible and at the same time to deal justly by both the applicant and the public, the invention as disclosed and claimed should be thoroughly searched in the first action and the references fully applied in a written action; and in reply to this action the applicant should amend with a view to avoiding all the grounds of rejection and objection. Switching from one subject matter to another in the claims presented by applicant in successive amendments, or from one set of references to another by the examiner in rejecting in successive actions on claims of substantially the same subject matter, or an action's omission of written findings on essential *prima facie* legal elements, will alike tend to defeat attaining the goal of reaching a clearly defined issue for an early termination, i.e., either an allowance of the application or a final rejection.

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 incomplete written actions or 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 written statement of grounds on all material issues hearing, and that a clear issue between applicant and examiner must ~~should~~ be developed, unless new grounds are necessitated by applicant's amendment or new art cited in an applicant's IDS if possible, before final rejection and 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.

[this paragraph can be cut in interest of space] 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), but statute and regulation alike guarantee an applicant a right to two thorough actions before final rejection.

STATEMENT OF GROUNDS

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, and identify the point of disagreement for 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.

The following checklist includes (but is not an exhaustive list of) issues that must be addressed in a final action. An applicant's traverse noting a procedural omission of any of the following issues *must* result in withdrawal of finality.

- 37 C.F.R. § 1.104(c)(2) has two separate requirements for rejections over prior art: particular parts relied on must be designated "as nearly as practicable," and (for any § 102 reference that shows anything more than the claim, and for all § 103 rejections) "clearly explain" the pertinence of that prior art:
 - All rejections over prior art must include a limitation-by-limitation mapping between the claim and the prior art, designating parts of references "as nearly as practicable." Paragraph-by-paragraph treatment of either claims or references is sufficient only when correspondence between individual claim terms and specific elements of the designated reference is unmistakably clear.
 - Unless the mapping is facially "apparent" from the designation alone, the action must identify a specific item in the reference by name or reference numeral. A designation of a large range of text is insufficient. It is never appropriate to shift the burden to the applicant to reconstruct the examiner's thinking.
- If claim interpretation is an issue, the examiner must state the claim interpretation applied, and supply a reason to show that that interpretation is "reasonable" in light of the factors specified at MPEP § 2112 *et seq.* If there is any dispute as to claim interpretation, the interpretation and comparison steps must be separate and stated expressly; the mere statement of correspondence is not sufficient.

All anticipation rejections must satisfy these procedural elements:

- All elements must be shown explicitly or inherently. Official notice is never applicable to anticipation.
 - The burden of proof is on the examiner. If a reference is equally amenable to two readings, the reading favoring the applicant is the applicable reading.
 - All reliance on inherency must include "a basis in fact and/or technical reasoning to reasonably support the determination that the allegedly inherent characteristic *necessarily* flows from the teachings of the applied prior art" in compliance with MPEP § 2112.

All obviousness rejections must satisfy these procedural elements:

- Every obviousness rejection must either use one of the seven rationales of MPEP § 2143, or bear the personal signature of a T.C. Director. Individual examiners do not have authority to rely on new rationales for obviousness in a final action.
- The action must show that all elements are known or suggested in the art. "Suggested" requires some affirmative statement in a reference pointing specifically in the direction of the claim element. Examiner explanation is insufficient to meet a claim limitation (except for "species within disclosed genus" of MPEP § 2144.08).
- The action must make some showing corresponding to "motivation to combine," whether that showing is designated "use of known technique to improve similar devices," "improve similar devices," "ready for improvement to yield predictable results," "design need or market

- pressure,” design incentives or other market forces, or the like, and that showing must be supported by substantial evidence.⁹¹
- The reason or rationale to combine or modify references must be specific to the references and the claim, not boilerplate like “reduces cost and improves functionality.”
 - The action must make some showing corresponding to “reasonable expectation of success,” whether that showing is designated “predictable results,” “predictable solutions,” “anticipated success,” “variations [that] are predictable to one of ordinary skill in the art,” or the like.⁹²
 - When an applicant makes a request for a reference or affidavit under 37 C.F.R. § 1.104(d)(2) for an issue of fact, the examiner must come forward with one or the other. Further explanation without citation to substantial evidence is insufficient.⁹³
 - All assertions of Official notice must make a showing of “such instant and unquestionable demonstration as to defy dispute,” and include “specific factual findings predicated on sound technical and scientific reasoning to support his or her conclusion of common knowledge. ... The applicant should be presented with the explicit basis on which the examiner regards the matter as subject to official notice so as to adequately traverse the rejection.” See MPEP § 2144.03(B).
 - A call for evidence under § 1.104(d)(2) is a sufficient traverse of Official notice; the examiner must meet such a call with substantial evidence.
 - It is never allowable to use the phrase “because it would have been obvious” within an obviousness rejection. The law nowhere authorizes circular reasoning. Obviousness is established by showing all *prima facie* elements: all elements, motivation, success.

Any rejection for indefiniteness under § 112(b) must include one of two showings:

- The claim is capable of two significantly different constructions (this is not a sufficient condition for a rejection, but is a necessary condition)
- The claim has no reasonable construction

The obligation to “answer all material traversed” is absolute, and no rejection may be made final, or survive Pre-Appeal, if any material traversed is left unanswered.⁹⁴

The final rejection letter should conclude with Form Paragraph 7.39: ... [rest of MPEP § 706.07 continues]

⁹¹ All of the *KSR* tests include some corresponding showing. The PTO does not have authority to grant examiners the discretion to reject on lesser grounds.

⁹² All of the *KSR* rationales include some corresponding showing.

⁹³ Commonly, examiners either ignore such requests, or give a longer explanation based solely on examiner opinion. Neither of these constitutes “substantial evidence” or compliance with 37 C.F.R. § 1.104(d)(2).

⁹⁴ 5 U.S.C. § 555(e) (agency decision must include a “brief statement of grounds”); *Mulloy v United States*, 398 US 410, 418 (1970) (“Since the petitioner presented a nonfrivolous, *prima facie* claim for a change in the [agency decision] based on new factual allegations which were not conclusively refuted by other information in his file, it was an abuse of discretion for the board not to reopen [the decision], thus depriving him of his right to an administrative appeal.”).

Exhibit B

**Suggested Addition to MPEP § 706.07(a)
setting forth a definition of “new ground of
rejection”**

Exhibit B

Edits to MPEP § 706.07(a) to state definition of “new ground of rejection”

706.07(a) Final Rejection, When Proper on Second Action

I. The Second Action may only be final if the first was complete

[existing text]

II. Definition of “New Ground of Rejection”

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, any new finding of fact, whether drawn from a new or existing reference, a new legal theory, or a new application of law to facts.⁹⁵ The test does not focus on what the PTO did, but the response—any “thrust” by the PTO that requires a different “fair opportunity to respond” is a “new ground.” For example:

- designating a new “particular part relied on” or relying on a “different portion” of a reference is a new ground of rejection,⁹⁶ unless the new portion “goes no farther than, and merely elaborates on” the old portion because the new facts in the new portion do not relate to the claim, or supports or rebuts only the “same arguments” already made by one party or the other.⁹⁷

⁹⁵ *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), now § 41.50(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” to the full extent permitted by the rules relevant to the procedural stage, citing 37 C.F.R. § 1.196(b)); *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” [to the full extent permitted by the relevant rule]. 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.”).

⁹⁶ *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”); *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”).

⁹⁷ *In re DBC*, 545 F.3d 1373, 1382 n.5, 89 USPQ2d 1123, 1130 n.5 (Fed. Cir. 2007) (when a new portion “goes no farther than” the originally cited abstract, the new portion is not a new ground of rejection); *In re Hedges*, 783 F.2d 1038, 1039-40, 228 USPQ 685, 686 (Fed. Cir. 1986) (“The Solicitor should not be constrained from pointing to other portions of these same references [that Hedges relied on for rebuttal] in contravention of Hedges’ position. ... The Solicitor has done no more than search the references of record for disclosures pertinent to the same arguments for which Hedges cited the references,” emphasis added).

- A new reference, even one offered to back up a previous assertion of official notice or “well-known prior art,” is always a new ground of rejection.⁹⁸
- A new reference offered to show “level of skill in the art” or “motivation to modify” or “motivation to combine” is a new ground.⁹⁹
- A new finding of fact, or new 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.¹⁰⁰
- A new finding of fact, supporting position, or rationale is a new ground, even if it is simply offered to buttress a previous analysis or inference.¹⁰¹

⁹⁸ *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); *see also In re Leithem*, 661 F.3d 1316, 1321, 100 USPQ2d 1155, 1160 (Fed. Cir. 2011) (“While the Office assured this court that Martin was in the record and is ‘a piece of prior art,’ Martin was not relied upon in the instant rejection. The Office’s reliance upon additional facts and grounds, some of which were raised for the first time to this court at oral argument, rings hollow when the entire basis for this appeal is whether Leithem was afforded the opportunity to respond to the Board’s new ground of rejection.”).

⁹⁹ *Ex parte Mathur*, Appeal No. 95-4103, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fINm=fd954103> at 7, 9–10, 15–16, 1996 WL 1795838 at *3–4, 6 (BPAI Jun. 26, 1996) (unpublished) (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”).

¹⁰⁰ *In re Leithem*, 661 F.3d 1316, 1320, 100 USPQ2d 1155, 1159 (Fed. Cir. 2011) (“The Board thus found new facts concerning the scope and content of the prior art. ... These facts were the principal evidence upon which the Board’s rejection was based. ... The thrust of the Board’s rejection changes when, as here, it finds facts not found by the examiner regarding the differences between the prior art and the claimed invention, and these facts are the principal evidence upon which the Board’s rejection was based. ... Accordingly, fairness dictates that the applicant ... should be afforded an opportunity to respond to the Board’s new rejection.”); *In re Kumar*, 418 F.3d 1361, 1368, 76 USPQ2d 1048, 1052 (Fed. Cir. 2005) (“In calculating the overlapping values, the Board found facts not found by the examiner regarding the differences between the prior art and the claimed invention, which in fairness required an opportunity for response.”); *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 preexisting rationale, requires that the applicant be given an opportunity to respond); *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).

¹⁰¹ *In re Stepan Co.*, 660 F.3d 1341, 1344–45, 100 USPQ2d 1489, 1491 (Fed. Cir. 2011) (“By making and relying on new fact findings regarding an issue the examiner did not raise, *i.e.*, the sufficiency of Stepan’s Declaration to swear behind the Singh reference as § 102(a) prior art, the Board relied on a new ground of rejection. ... Mere reliance by the Board on the same type of rejection or the same prior art references relied upon by the examiner, alone, is insufficient to avoid a new ground of rejection where it propounds new facts and rationales to advance a rejection—none of which were previously raised by the examiner.”); *Hyatt v. Dudas*, 551 F.3d 1307, 1312–13, 89 USPQ2d 1465, 1468–69 (Fed. Cir. 2008) (“a ‘ground of rejection’ ... is not merely the statutory requirement for patentability that a claim fails to meet but also the precise reason why the claim fails that requirement”); *In re Kumar*, 418 F.3d 1361, 1367–68, 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, “the Board found facts not

- Relying on fewer references can be a “new ground,” if the new rejection is based on “different views of what the cited references teach” or “require the applicants to respond in quite different manners”¹⁰²
- A new application of the law to the facts is a new ground, if the “basic thrust” differs.¹⁰³
- A new claim interpretation is a new ground.¹⁰⁴

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).¹⁰⁵

The following are *not* exceptions to the definition of “new ground:”

- Continued reliance on the same statutory section and same prior art references is not an exception.¹⁰⁶

found by the examiner regarding the differences between the prior art and the claimed invention, which in fairness required an opportunity for response”); *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); *Moore*, 444 F.2d at 574–75, 170 USPQ at 263.

¹⁰² *In re Ansel*, 852 F.2d 1294 (table), 1988 WL 63291 at *2 (Fed. Cir. 1988) (nonprecedential).

¹⁰³ *Ex parte Albrecht*, Appeal No. 2000-0460, 2002 WL 1801026 at *2 (BPAI Oct. 31, 2001) (unpublished) (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 (BPAI Oct. 29, 1999) (unpublished) (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 (BPAI May 28, 1998) (unpublished) (a different analysis of the same two references, Sukiennik and Nosaki, of the same claim, claim 4, is a “new ground of rejection”).

¹⁰⁴ *Ex parte American Academy of Science*, remand in Appeal No. 1998-1483, App. Ser. No. 90/003,463, 2003 WL 23014678 at *2 (BPAI Mar. 9, 1999) (unpublished) (“We admit that our introduction of new definitions, while legally correct, has dramatically changed the issues under Section 102 as argued by appellant and the examiner. Therefore, we agree with appellant that the affirmance of the rejections under Section 102 should be designated a new ground of rejection.”).

¹⁰⁵ *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) (newly “found facts ... regarding the differences between the prior art and the claimed invention,” even if cast as “official notice,” “in fairness required an opportunity for response”); *In re Bulina*, 362 F.2d 555, 558–59, 150 USPQ 110, 113 (CCPA 1966). 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.”

¹⁰⁶ *In re Leithem*, 661 F.3d 1316, 1319, 100 USPQ2d 1155, 1158 (Fed. Cir. 2011) (“Mere reliance on the same statutory basis and the same prior art references, alone, is insufficient to avoid making a new ground of rejection when the Board relies on new facts and rationales not previously raised to the applicant by the examiner.”); *In re Stepan Co.*, 660 F.3d 1341, 1344, 100 USPQ2d 1489, 1491 (Fed. Cir. 2011) (“By making and relying on new fact findings regarding an issue the examiner did not raise...t, the Board relied on a new ground of rejection. ... Mere reliance by the Board on the same type of rejection or the same prior art references relied upon by the examiner, alone, is insufficient to avoid a new ground of rejection where it propounds new facts and rationales to advance a rejection—none of which were previously raised by the examiner.”). “Same reference, same statute” was the law over forty years ago, *In re Meinhardt*, 392 F.2d

- A new finding of fact is a new ground, even if designated “official notice”¹⁰⁷
- Any position or rationale new to the proceedings is a new ground, even if that new position or rationale is “simply an additional explanation of the Board's decision,” or a response to an applicant’s argument.¹⁰⁸

273, 280, 157 USPQ 270, 275 (CCPA 1968), but has not been the law since the CCPA’s *en banc* decision in *Kronig* in 1976.

¹⁰⁷ *In re Leithem*, 661 F.3d 1316, 1319, 100 USPQ2d 1155, 1158 (Fed. Cir. 2011) (“This court’s predecessor long acknowledged the right of the Board to make additional findings of fact But the Board’s power to do so is construed narrowly and when reliance upon such facts changes the thrust of the rejection, the Board’s action ‘does everything but cry out for an opportunity to respond.’ *In re Moore*, 444 F.2d 572, 575, 170 USPQ 260, 263 (CCPA 1971) The thrust of the Board’s rejection changes when, as here, it finds facts not found by the examiner regarding the differences between the prior art and the claimed invention, and these facts are the principal evidence upon which the Board’s rejection was based. *In re Kumar*, 418 F.3d 1361, 1368, 76 USPQ2d 1048, 1052 (Fed. Cir. 2005)”; *Hyatt v. Dudas*, 551 F.3d 1307, 1312–13, 89 USPQ2d 1465, 1468–69 (Fed. Cir. 2008) (in the context of § 112 ¶ 1 rejections of claims with differing language, rejecting PTO’s contention that “ground of rejection” is limited to the statutory ground, without regard to the facts or reasoning applied); *In re Kumar*, 418 F.3d 1361, 1367, 76 USPQ2d 1048, 1051 (Fed. Cir. 2005) (new inferences drawn from the same art, cast as “official notice,” was nonetheless a new ground).

¹⁰⁸ *In re Leithem*, 661 F.3d 1316, 1321, 100 USPQ2d 1155, 1160 (Fed. Cir. 2011) (“at oral argument the Office said that Leithem was making ‘a shift in argument’ and not presenting the same argument as the one presented to the Board. This begs the question and highlights the problem when the Board relies on a new ground of rejection. Leithem’s argument to the Board was in response to the grounds relied upon by the examiner. . . . When the Board affirmed the rejection on [a different basis], of course Leithem’s argument had to shift—the thrust of the Board’s rejection had shifted. The Board cannot play it so fast and loose in affirming an examiner’s rejection that it disregards procedural safeguards afforded to the applicant.”); *In re DeBlauwe*, 736 F.2d 699, 705–06, 222 USPQ 191, 196–97 (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 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

- 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 issue that an applicant would have raised had the examiner not been silent.¹⁰⁹
- The number of claims in an application does not change any threshold for recognizing a “new ground of rejection.”

The Federal Circuit noted that the definition of “new ground” flows from basic principles of examination: it is always the examiner’s duty to take the first step of articulating all elements of a *prima facie* case of unpatentability.¹¹⁰ Prosecution can only be closed to force an appeal when “the record reflects the results of a proceeding in the PTO during which the applicant has been afforded an opportunity to bring forth the facts thought necessary to support his or her position.”¹¹¹ For example, 37 C.F.R. § 1.104(c)(2) states that it is the examiner’s duty to designate the “particular part relied on” “as nearly as practicable,” and “clearly explain” the correspondence of any reference to any claim being rejected, except a pure § 102 rejection on a

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.

See also In re Kumar, 418 F.3d 1361, 1367, 76 USPQ2d 1048, 1051–52 (Fed. Cir. 2005) (“Although the PTO argues that the calculations the Board included in its decision were not new evidence, but simply an additional explanation..., these values ... had not previously been identified by the examiner or the Board. Kumar was entitled to respond to these calculations, and the Board committed procedural error in refusing to consider the evidence proffered in response.”); *In re Waymouth*, 486 F.2d 1058, 1061, 179 USPQ 627, 629 (CCPA 1974) (different rationale on the same reference was a new ground, rejecting the PTO’s argument that new grounds are exempt when the Board “merely advanced ‘an additional reason’”), *modified on rehearing* 489 F.2d 1297, 180 USPQ 453 (CCPA 1974).

¹⁰⁹ *In re Stepan*, 660 F.3d 1341, 1345, 100 USPQ2d 1489, 1491 (Fed. Cir. 2011) (“By making and relying on new fact findings regarding an issue the examiner did not raise, ... the Board relied on a new ground of rejection. ... It is crucial that the examiner issue a rejection (even if that rejection is subsequently withdrawn) so the applicant is on notice that it is obligated to respond. Mere reliance by the Board on the same type of rejection or the same prior art references relied upon by the examiner, alone, is insufficient to avoid a new ground of rejection where it propounds new facts and rationales to advance a rejection—none of which were previously raised by the examiner. ... Here, the mere fortuity that Stepan addressed the validity of the Declaration on its own, without the issue being raised by the examiner, does not permit the Board to [decide against the appellant] without designating its decision as a new ground of rejection.”). See also quote from *In re DeBlauwe* in footnote 108.

¹¹⁰ *Hyatt v. Dudas*, 551 F.3d 1307, 1313, 89 USPQ2d 1465, 1469 (Fed. Cir. 2008) (“this court’s interpretation of ‘ground of rejection’ is consistent with the fact that the PTO ‘bears the initial burden ... of presenting a prima facie case of unpatentability.’ ... Thus, to be consistent with the PTO’s *prima facie* burden in rejecting claims, section 1.192(c)(7) must be interpreted such that, when a claim is rejected under 35 U.S.C. § 112 ¶ 1, the relevant ‘ground of rejection’ is the PTO’s identification of a specific limitation that lacks written description support.”); *see also* 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, 24 USPQ2d 1443, 1447 (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.”).

¹¹¹ *In re Gartside*, 203 F.3d 1305, 1316, 53 USPQ2d 1769, 1774–75 (Fed. Cir. 2000).

reference that is co-extensive with the claims.¹¹² 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.¹¹³ The rules provide only one procedural mechanism for an examiner when an applicant’s arguments or evidence require a new position or rationale from the examiner: nonfinal rejection.

Applicants must be given a fair opportunity to react to the thrust of any new ground,¹¹⁴ regardless of the time or context in which the examiner’s “new position or rationale” arises. For example, if the examiner introduces the new ground 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.¹¹⁵

Purely formal characterizations of a rejection, with no analytical substance, are not “new grounds of rejection.”¹¹⁶

¹¹² 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 37 C.F.R. § 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.”).

¹¹³ *Wiechert*, 370 F.2d at 933, 152 USPQ 251–52 (applicants “cannot practically” address all that “might be mentioned in a particular reference”).

¹¹⁴ *Kronig*, 539 F.2d at 1303, 190 USPQ at 426.

¹¹⁵ *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”).

¹¹⁶ *In re Bush*, 296 F.2d 491, 760, 131 USPQ 263, 267 (CCPA 1961) (“we deem it to be of no significance, but merely a matter of exposition, that the rejection is stated to be on A in view of B instead of on B in view of A, or to term one reference primary and the other secondary”).