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**Mail Stop Interference
United States Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450**

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

We wish to comment on the proposed appeal rules.

We understand from a colleague who conferred with judge MacDonald last week, that submission today, October 1, 2007, would be considered timely.

I. Summary of Issues

The proposed “*Ex Parte* Appeals” rules (“proposed rules”), if promulgated, would adversely affect the appeal rights of appellants for patents, and are in significant tension with the “continuations” rule recently published as a final rule.

I.A. The PTO's History of Flawed Examination Procedure

First, appeals more often than not arise out of examiner error than applicant error.¹ Examiners are given freedom to independently decide what the law is, whether to follow the MPEP, or when to make up law or procedures out of thin air. A former Deputy Assistant Commissioner for Patent Examination policy recently observed in an April 2007 AIPLA forum in New York that examiners have no liability for excessive rejections – the Patent and Trademark Office (“PTO”) does not hold them accountable through bonus eligibility, compensation, or promotion. The Office’s line management affirmatively disclaims any responsibility for supervising examiners in examination of claims – management refuses to entertain any petition requesting supervisory oversight over an examiner who has difficulty following 37 C.F.R. or MPEP Chapters 700 and 2100. The PTO is aware of the low quality of Office actions, and has conceded that it has to make internal reforms², yet has published nothing to suggest any internal reform to bring “focus” to examiners, or to protect applicants from the direct harms of examiners’ poor work. There is no counterbalance on the examination side commensurate with the obligations and burdens that the Office proposes to place on applicants.

Instead of supervising to ensure quality examination in the first instance, PTO management has insisted that the sole remedy for all issues relating to claims lay with the

¹ E.g., AIPLA’s letter on the “continuations” Rule, http://www.uspto.gov/web/offices/pac/dapp/opla/comments/fpp_continuation/aipla.pdf at page 10 found a 90% reversal rate in a sample of 123 appeals; letter of Heritage Woods, Inc. on “continuations” Rule, http://www.uspto.gov/web/offices/pac/dapp/opla/comments/fpp_continuation/heritagewoods_con.pdf at page 3, notes an affirmance rate of under 20%, based on statistics obtained from the PTO for all appeals 1998-2005. A defect rate of 80% or more suggests internal re-engineering is the appropriate response, not additional burdens to be borne by applicants.

² John Whealan, Duke University School of Law, 5th Annual Symposium, <http://realserver.law.duke.edu/ramgen/spring06/students/02172006a.rm>, at 59:30: “I don’t think we can do these [rules] without doing a better job. Now I had some conversations earlier, and I don’t want to blast the employee work force of the patent office, but we basically hire 22-year-old people without law degrees to examine patent applications. And that’s a little scary. And we are going to hire a thousand next year, and a thousand the year after, and a thousand the year after that. If you’ve concerned about quality or consistency, that’s not the best way to do things. So I think these rules have actually started to generate some debate internally of ways that we have to improve our system.”

Board of Patent Appeals and Interferences (“Board”). Indeed, the PTO stated that ease of Appeal was an essential *quid pro quo* of the recent “continuations” rule. For example, the “continuations” Final Notice again repeated that a key justification for the “continuations” rule was the convenience and completeness of relief available at the Board. The PTO is now taking a 180° opposite position. The substantial restrictions on the ability to use an appeal brief to force the examiner to flesh out positions that are left unstated in regular Office actions is a substantial violation of both the Office’s longstanding policy of not intervening with examiners, and the PTO’s recent position that the “continuations” rule would not harm applicants, and that applicants would not be exposed to abuses by examiners, because of the open access to the Appeal process. The PTO is trying to have things both ways, and is now revoking promises that were made in these two past situations.

The increase in the Board’s backlog is largely the PTO’s own doing, in refusing to police examiner conduct. If examination follows the model of the crusaders, “Kill them all and let God sort it out,³” then the Board must act with God-like patience, fairness, impartiality, and willingness to educate itself to the point of omniscience. The appeal rules seem directed in the opposite direction.

The Board’s primary efforts at reform should be directed at the examining operation, not appellants. For example, the petitions process should be substantially reformed. Those who decide petitions should be trained in the law, and should be independent of T.C. Directors and others whose compensation tends to rise when appeals are denied. Petitions personnel should be reminded of basic legal principles: an issue is not moot while any relief remains available, and a holding of mootness is not a reason to deny relief, it is an obligation to eradicate all bases for the requested relief and all consequences. If petitions in the

³ In July 1209, crusaders surrounded the city of Béziers. They called the Catholics within to come out, and demanded that the Cathars surrender. Both groups refused. The entire population was slaughtered and the city burned to the ground. The Papal legate was asked by a crusader how to distinguish the Cathars from the Catholics. He answered: "Caedite eos! Novit enim Dominus qui sunt eius" — "Kill them [all]! Surely the Lord discerns which [ones] are his."

examining operation were acted on with “competent legal knowledge,” many appeals would not be required.

The new rules are manifestly unreasonable in severely limiting appellants to very short, highly structured appeal briefs. The proposed rules substantially curtail an appellant’s opportunity to address the issues raised in a typical final Office action, and fail to deal with the frequent situation where appellants are left to guess at what the examiner’s position is. The rules would therefore affect the substantive rights of appellants. The imbalance of the several rule packages suggests arbitrariness and capriciousness at the PTO.

In a good faith rulemaking scenario, the PTO would concurrently place similar constraints and “focus” on examiners, to require that the final Office actions they issue are consistent with long-standing but non-enforced PTO policy, to the same degree the Office now proposes to constrain appellants. It would be optimal if examiner reform had been tried first and demonstrated to be insufficient to deal with the problem, and only initiate appeal reform if examination reform was inadequate to meet the problem. That hasn’t happened, in spite of repeated requests for simple, legally-required and common sense reforms.

The appeal rules’ Notice of Proposed Rulemaking doesn’t even mention this underlying cause of the problem to be solved, let alone rationally connect the solution to the problem.

I.B. The Rules and the Notice Violate Several Limits on PTO Rulemaking Authority

Second, the proposed rules would impose serious, adverse substantive obligations upon appellants, of the type that render them “substantive” for administrative law purposes. The PTO itself concedes that the rules are “substantive,”⁴ and several aspects of the rules meet legal tests for being “substantive.” Therefore the PTO lacks statutory authority to issue them. Assuming *arguendo* that the PTO has the authority to issue these proposed rules, they

⁴ <http://www.reginfo.gov/public/do/eAgendaViewRule?ruleID=273423> (conceding that the Appeal rule is “substantive, not significant.”)

are subject to the notice-and-comment requirements of the Administrative Procedures Act (“APA”) and the requirement for a Regulatory Flexibility Act (“RFA”) analysis.

I.C. An Example of What Should Not Happen, but That Will Happen More Often If These Rules are Adopted

Examiners often do not properly support their rejections during examination. Instead, examiners often:

- generalize the rejections during examination with unfocused Office actions and with extensive “boilerplate” that does not discuss the specific facts of any claim or the specification, using legal tests that appear neither in the MPEP or any other post-1952 document
- then wait to see the result of the appellants’ struggles in the appeal brief to deal with the generalities in the Office action, and
- then focus their rejections in the Examiner’s answers when the appellants have run out of their rights, such as the rights to amend the claims and to provide evidence.

Examiners are reluctant to identify such newly focused examiner’s answers as containing new grounds of rejection, so appellants must struggle to address the new positions of the examiners in reply briefs.

This ripples through the whole process. Then the Board sometimes refuses to consider arguments in an appellant’s reply brief unless the appellant can also cite to the appeal brief, even though the reply brief is directed to new grounds of rejection in the examiner’s answer that were not known to the appellants when drafting the initial appeal brief. Then the Board does a re-analysis of the examiners’ positions, but the Board is reluctant to identify this re-analysis as a “new ground of rejection.” If an appellant files a Request for Rehearing, the Board sometimes refuses consideration, such as based upon the appellants’ failure to argue these issues to the examiner, despite the fact that the new ground was first raised in either the examiner’s answer or the Board’s decision. Then, on further review in district court under 35 U.S.C. § 145, the Solicitor argues to the District Court that the appellant should have argued it below to the Board and that the Request for Rehearing is not appropriate.

Now, under the proposed appeal rules, this process is exacerbated. The examiners would still remain unchecked and free of supervisory oversight by the Director and Commissioner during examination. Yet the appellants would be constrained in the appeal brief to a small number of pages for argument and would be constrained to a highly structured format that is unsuitable for responding to unstructured examiners' actions. The examiners further remain free to generate long examiner's answers with extensive new grounds of rejection. Yet the appellants are further constrained in the reply briefs to an even smaller number of pages for argument and are still constrained to a highly structured format that is unsuitable for responding to the newly focused position in the examiner's answers.

The Request for Rehearing attached as Exhibit G describes what is believed to be a common scenario where the Board relied almost entirely on the examiner's answer and its extensive new grounds of rejection but disregarded an extensive reply brief that was directed at the new grounds of rejection in the examiner's answer.

The chronology of this appeal (Exhibit G) is also relevant to the proposed appeal rules. The examiner generated a 135 page final Office action dated 08/17/99. The appellant timely generated an appeal brief dated 07/17/00. However, the examiner did not timely generate an examiner's answer. The appellant generated a petition for an examiner's answer dated 01/19/01 and the examiner eventually generated an examiner's answer dated 10/31/01. This examiner's answer had 63 pages that consisted in large part of significantly new arguments than presented in the final Office action. The appellant generated a reply brief dated 10/31/01 specifically directed to the new arguments in the examiner's answer. Then, after more than five years, the Board generated its decision dated 07/20/07. As discussed in the appellant's Request for Rehearing (Exhibit G), this decision entered new grounds of rejection, misapplied the law on the appealed issue of a non-*prima facie* case, failed to properly group the claims, totally disregarded the appellant's showings in the reply brief, and inconsistently disregarded its own prior decisions in related applications of the same appellant and essentially the same panel.

II. The Proposed Rules Would Substantively, Arbitrarily and Capriciously Curtail Appellants' Right of Appeal

II.A. Proposed Bd. R. 41.3 and 41.31(e) – Delegating Petitions to the Chief APJ, and Non-appealable Issues

Proposed Bd. R. 41.3 and 41.31(e), 72 Fed. Reg. 41484, would provide that the Director of the PTO would delegate authority to the Chief Administrative Patent Judge to decide petitions relating to all issues arising under 37 C.F.R. Part 41. As a broad principle, this is not problematic.

However, as applied, the PTO's petitions procedure is often contrary to law, and highly prejudicial. For example, the consistent habit of the PTO has been to delay deciding any petition that has a time deadline attached (*e.g.*, relating to premature final rejection) until after a reply is due. Then, after the reply is filed, the Office denies the Petition as "moot," while simultaneously refusing to "eradicate all effects" and refusing to ensure that all "offending conduct" will cease, or state "with assurance that there is no reasonable expectation that the alleged violation will recur." *Adarand Constructors Inc. v. Slater*, 528 U.S. 216, 221-22 (2000); *County of Los Angeles v. Davis*, 440 U.S. 625, 631 (1979).

Petitions that are essential to an appeal (*e.g.*, a petition to withdraw a restriction requirement) are often not decided until after the appeal brief is due despite the fact that a favorable decision on petition (*e.g.* withdrawal of the restriction requirement) would necessitate withdrawal of the appeal (*e.g.*, for the examiner to consider the previously withdrawn claims). Remarkably, more-complex but non-time-sensitive petitions are generally decided within a few weeks, while less-complex time-sensitive petitions in the same art unit or the Petitions Office can be delayed by many months, or several years.

Any rule relating to petitions should be counterbalanced with other rules that prevent prejudice to appellants by the PTO's own delays, and with internal procedures that ensure that petitions are timely acted upon. For example, the usual rule that a petition will not stay the time for a reply should be changed for certain classes of petitions:

- Petitions for review of premature final rejection
- Petitions for rejoinder of claims filed no later than a Notice of Appeal
- Petitions to expand page limits
- Petitions for withdrawal of restriction requirements
- Petitions for entry of amendments following final rejection
- Petitions for consideration of an applicant's evidence
- Petitions regarding *de facto* rejections

The stay should include both the period of time while the petition is pending, and time for any request for reconsideration and a decision on any civil action regarding the petition.

Our skepticism with the proposed appeals-related petitions is colored by our experience with petitions to the examining operation. An example of this problem is the following. In the Notice of Final Rulemaking for information requirements of 37 C.F.R. § 1.105, the PTO promised that it would provide review by petition to curb any abuses. However, this was a hollow promise. The PTO did not decide the petitions until after the time had run out to respond (including the maximum extensions of time). And then the PTO denied the relief. Exhibit A is a “Petition To Withdraw ...” that was not decided until after the six months extended time had run out. Even then, the appellant filed requests for reconsideration, but still has not received decisions more than a year after his time had run out (including the maximum extensions of time) to respond to the Office actions under 37 C.F.R. § 1.105 and eight months after he filed the requests for reconsideration.

Even worse, in other cases, the PTO has never decided the petitions despite the time running for filing appeal briefs. In various cases, the appellant waited as long as he could for decisions on petition (with maximum extensions of time) but had to file the appeal briefs to keep the applications from becoming abandoned. Exhibit B is an example of a petition that has never been decided to this day yet the appellant had to file an appeal brief to keep the application from becoming abandoned.

The petition process for appellants to obtain more time, more pages, or other relief is not a realistic process. This commentator has found that the PTO is slow in deciding

petitions, is even slower in deciding requests for reconsideration, and is intolerant of attempts to obtain relief from the courts. And all of the while the time is running on the applicant where the application would go abandoned if the appellant did not respond in the allowed time (as extended). Therefore, an appellant must choose between

- persisting in the petition process and having his application go abandoned (As shown in Exhibit C, the PTO has no provision to stay the time for response until after the petition is decided) or
- generating a brief that would be necessarily incomplete due to the extreme limitations in the proposed appeal rules and thus giving up his petitionable rights and his due process rights.

The PTO has promised regular and timely relief by petition before, *see* 69 Fed. Reg. 56511-56516. In particular, *see* (page 56514, col. 1, Response to Comment 73):

The current petition remedy under § 1.181 is sufficient. Applicant may petition under § 1.181 to have a requirement for information modified or withdrawn. During the three-year existence of § 1.105, there is no evidence to date that has demonstrated the need for a different means for review, or that the current means of review would not be handled expeditiously.

See also the Response to Comment 74:

Where a requirement for information cannot be answered at all or in part absent clarification, applicant should petition pursuant to § 1.181.

The Office's failure to investigate and accurately deal with its own adjudicative history is troubling.⁵ Unfortunately, the Office has been very reluctant to use "the § 1.181 petition process as the 'exclusive administrative check' on the discretion of examiners" to

⁵ *Compare also* Changes To Information Disclosure Statement Requirements and Other Related Matters, 71 Fed. Reg. 38808, 38812 (Jul 10, 2006) ("the Office is hopeful that a court in deciding a duty of disclosure issue will take the proposed safe harbor into account," only four months after *Digital Control v. Charles Machine Works*, 437 F.3d 1309, 1316, 77 USPQ2d 1823, 1829 (Fed. Cir. 2006) held that courts would not take PTO "safe harbors" into account); *compare also* Changes to Patent Practice and Procedure, 62 Fed. Reg. 53132, 53150 (Oct. 10, 1997) ("The CCPA has held that applicants before the Office are entitled to rely not only on the patent statute and rules of practice, but on the provisions of the MPEP, during the prosecution of an application for patent.").

contain abuses.⁶ We are concerned that layering appeals under petitions would deprive appellants of their right of a proper hearing by the Board, which in turn affects the right to appeal under 35 U.S.C. § 141 to the Federal Circuit and under 35 U.S.C. § 145 to the D.C. District Court. This would further be a denial of appellants' due process rights.

The rule should provide that filing of a petition stays the time to file an appeal brief and/or reply brief until final determination of the petition.

II.B. Proposed Bd. R. 41.37(o)(1) – Claims Standing or Falling Together

Proposed Bd. R. 41.37(o)(1), 72 Fed. Reg. 41486 has two problematic aspects.

First, the provision that “Any doubt as to whether an election has been made or whether an election is clear will be resolved against the applicant” is an abdication of the Board's obligation to exercise sound and fair judgment, and likely violates the law as determined by the Federal Circuit in *In re McDaniel*, 293 F.3d 1379, 1383 (Fed. Cir. 2002). The unfairness of this requirement is manifest in the ambiguities inherent in the contrasting wording used in 41.37(o) and 41.37(o)(1) – if the Board cannot draft clear, consistent and unambiguous language, why should the Board hold appellants to a standard that invites the Board to act unreasonably?

Second, the requirement that “Any claim argued separately shall be placed under a subheading” is an arbitrary and capricious demand that an appellant waste the limited briefing space provided. If, in a particular case, there is some better way to indicate grouping, for example a table of claims against claim limitations, there is no reason for the Board to dictate a form that is less clear and less “focused.” Exhibit D is a decision of the District Court in *Hyatt v. Dudas*, Civil Actions 04-1138, 04-1139, 04-1802, and 05-0310 (HHK) (D.D.C. Aug.

⁶ *Star Fruits S.N.C. v. United States*, 393 F.3d 1277, 1284, 73 USPQ2d 1409, 1414 (Fed. Cir. 2005)

30, 2006)⁷ adjudicating that the Board’s exercise of judgment in that case was unreasonable. Unreasonable agency adjudication does not become reasonable rulemaking.

II.C. Proposed Bd. R. 41.37(o)(3) – Format of Argument

Proposed Bd. R. 41.37(o)(3), 72 Fed. Reg. 41486, would require the appellant to specifically respond to points made by an examiner, and 41.37(o)(4) – (o)(7) require an appellant to discuss a number of topics that are not always relevant to a particular appeal. However, during examination, PTO management refuses to enforce requirements for examiners in the MPEP, for example, the requirement that examiners “Answer All Material Traversed.” MPEP § 707.07(f). It’s a double standard to permit examiners to improvise procedurally and legally, while appellants are held in a straitjacket.

A significant fraction of final Office actions are unfocused, unstructured, and cannot be replied to in the manner proposed here. Before the new continuation rule, it was possible to engage in continued discussions with the examiner, to force the examiner to come to clearer focus, and to rely on written legal principles – but that option has been taken away. Office actions that are over 150 pages (Exhibit F) can not be reasonably responded to in the manner the proposed rules would require.

Often, the appropriate response to a § 112 ¶ 2 rejection is simply to reply that the examiner’s view of the law is wrong, for example, “There is no *per se* rule that ‘functional language’ is indefinite or that a claim recite a ‘self-contained embodiment,’ and the Office action makes no showing that this particular language is indefinite. The rejection is legally baseless.” In most § 112 ¶ 2 situations, “pointing out how the claim distinctly points out and distinctly claims” is both superfluous and an impermissible shift of the burden of proof, and inconsistent with the *very* tight page limit suggested in Proposed Bd. R. 41.37(v).

⁷ This case is now before the Federal Circuit, as Appeal Nos. 2007-1050, 2007-1051, 2007-1052, and 2007-1053.

Often, the appropriate reply to an examiner's assertion of "inherency" is merely to show that the examiner failed to make a showing based on "technical reasoning" that the allegedly inherent characteristic is necessarily present, without a positive showing of patentability. The appeal rules cannot shift the burden of proof on an issue where the examiner is obligated to speak first, or require an appellant to prove a negative.

Often, for §§ 102 and 103 issues, it is sufficient to simply show that the examiner has been dead silent on comparing a claim limitation to the art, or on "reason to combine," or "reasonable expectation of success." Requiring an explanation of "how these issues render the claimed subject matter unobvious" is an attempt to shift the burden of proof. This is both impermissible and wasteful of the small page limit.

Examiners raise rejections under 35 U.S.C. § 112 ¶ 1 that go on and on with made up principles of law, with written description rejections based upon made up requirements for a "coherent" and "cohesive" disclosure or a "self-contained embodiment", a prohibition against so-called "options" and use of "can be" and "may be" terminology in the disclosure, and that otherwise bear no relationship to any known legal test. *See* Exhibit E.

Form and focus are not enforced on the examining corps. It is arbitrary and capricious to require an appellant to make showings not necessitated by the typical errors in Office actions.

The burdens of Proposed Bd. R. 41.37(o)(3) through (o)(8) are particularly significant as the overwhelming majority of appeals arise out of examiner error, as reflected in the very high proportion of all appeals (80-90%) that result in the examiner being reversed, vacated, or just sent back to the office to start over.⁸ Such examiner error should be taken into consideration before the PTO imposes severe obligations upon the appellants with these proposed rules.

The Office should take care not to impose a double standard. Under current practice, examiners are given free rein to improvise procedurally and legally. This package of appeal

⁸ See footnote 1

rules would substantially attenuate the last remaining vehicle appellants have to obtain the patent protection the law provides. If form and focus are not enforced on the examining corps, the Office proposed imposition of such requirements on appellants is arbitrary and capricious.

II.D. Proposed Bd. R. 41.37(q), (r) and (s) – “Claim Support Section” and “Drawing Analysis Section”

Proposed Bd. R. 41.37(q), (r) and (s), 72 Fed. Reg. 41486-41487, would require the appellant to provide a “claim support section” and a “drawing analysis section.” This seems to be “busy work” imposed on appellants, with little upside for the Board. First, the Board is not permitted to rely on the specification, drawings or file history in “construing claimed terminology and limitations when applying the prior art;” the Board must give claims their “broadest reasonable interpretation” – if some narrower interpretation “consistent with the specification” is required by the appellant, that will appear in the body of the brief, and the claim support section becomes superfluous. The rationale given in the Notice of Proposed Rulemaking is either inconsistent with precedent or needlessly cumbersome. Second, this type of support discussion is only material to the particular limitation at issue, not “each limitation” of each claim. Third, to the degree this information is useful, the most useful place for it (and the easiest place for appellants to provide it) is in the body of the brief, at the point where it is being discussed – scattering it widely in several places throughout the brief and appendices is a major nuisance and likely source of error. (The proposed placement of the “claim support section” and “drawing analysis section” far from any other part of the brief suggests that the Board does not intend to look at it with any regularity – then why ask for this burdensome analysis?)

If a “claim support” and “drawing analysis” discussion are required at all, (a) they should only be required for those limitations where either (i) support is in issue or (ii) the term is not a term of art, or it is a means-plus-function limitation, or it has an appellant -as-lexicographer definition, so that the specification and drawings are relevant to the appeal. If a

term is an established term of art, and there is no real dispute, this is simply a waste of everyone's time; (b) if "support" discussion is valuable enough to be required, it should be at the point where it will be useful, in the "argument" section at which the very claim limitations are at issue.

If the Board is having a significant difficulty ascertaining the "broadest reasonable interpretation" of claim terms, a better solution is suggested in MPEP § 2143.03: if a claim limitation is thought indefinite or unsupported, an examiner is required to make a good faith "best guess" as to the broadest reasonable interpretation of the claim, state it on the record, and examine the claim on that basis. If the appellant disagrees, then the scope of the term can be resolved during prosecution. Appeal is the wrong stage at which to be raising new issues. Requiring this burdensome discussion for all limitations, even those not in dispute, is simply a waste of time and arbitrary and capricious.

II.E. Proposed Bd. R. 41.37(v)(1) – Page and Line Numbering

Proposed Bd. R. 41.37(v)(1), 72 Fed. Reg. 41487, would require the appellant to provide line numbering for the appeal brief and where practical the appendices. However, many page structures do not lend themselves to line numbering (e.g., certain types of tables and embedded figures and diagrams). As this requirement provides no exception, it would become an added and unnecessary obligation to the appellants. An appropriate clarification and limitation of the rule is required, perhaps "to the degree made convenient by appellant's word processing program."

II.F. Proposed Bd. R. 41.37(v)(2) to 41.37(v)(5), 41.41(d) and 41.44(d) – Page Limit, Double Spacing, Margins, and Font

Proposed Bd. R. 41.37(v)(2) to 41.37(v)(5) would require the text on each page to be limited (double spaced, wide margins, and large font), the number of pages to be limited to 25 pages, and to prohibit arguments from being incorporated by reference. 72 Fed. Reg. at 41487. Proposed Bd. R. 41.41(d) would impose similar limits on reply briefs.

The requirement for 14-point type, double-spaced cuts the effective space available almost in half. For example, the amount of text available at 25 pages, 14 point, double space, when formatted like most Board decisions, reduces to just over 13 pages, about the size of most Board opinions (which do not include many of the sections now proposed in Proposed Bd's. 41.37). The Federal Circuit's 14,000 word limit, when formatted at 14-point, double spaced, is usually between 80 and 90 pages. The Eastern District of Virginia has a page limit of 30 pages, 12-point, somewhat more than double the proposed limit. Further, the proposed rule proposes to tie up a substantial fraction of the available page limit on the jurisdictional statement, status of claims, status of amendments, and rejections to be reviewed, and significant quantities of material in the statement of facts and argument that will not be relevant in many appeals. The proposed page limit, and the required dissipation on "overhead," is so severe as to raise a question of deprivation of due process.

The limits on reply briefs and supplementary reply briefs under Proposed Bd. R. 41.41(d) are similarly far below Federal Circuit or any district court's limits. The limits on new evidence in these briefs, while the record remains open for introduction of new evidence by examiners, is at best arbitrary and capricious, and verges on outright hostility to appellants.

The proposed limit gives no consideration to the size of the final Office action, "every point" to which the Brief must respond. The failure to balance appellants' opportunities to the examiner's is arbitrary and capricious. Examiners regularly generate voluminous final rejections (e.g., exceeding 190 pages), a large number of rejections (e.g., exceeding 40 rejections), and literally hundreds of points that need to be thoroughly addressed or lost by default. *See* Exhibit F.⁹ *See* the requirements of Proposed Bd. R. 41.37(o)(3) where the appellant must specifically respond to every point made by an examiner or lose the point by default.

⁹ In one case, the examiner's answer was 170 pages long. This was particularly significant because the final Office action in that case was only 63 pages in length and the examiner's rejections were far simpler than in the final Office action.

Unfortunately, many “appeals” are really proceedings of first instance, because the PTO does not give examiners the time to fully think out their positions, and there is no enforcement of procedural requirements to write them out and communicate them to appellants. examiners’ answers are often the first serious thought an examiner gives to a case – and unfortunately, an Appeal Brief must often raise a number of different arguments in order to “smoke out” an examiner who has been playing “hide the ball.” See Exhibit G. A draconian page limit is inconsistent with the procedures and attenuated due process that prevails elsewhere in the PTO.

Appellants will be severely prejudiced by the proposed appeal regulations because the examiners’ final Office actions are not suitable for response by the appellant in the manner required by the proposed appeal regulations. In order to protect the rights of the appellants, the PTO must bring the examination process into compliance with the proposed appeal regulations and must not impose impossible limitations on appellants.

The PTO must first require that the examiners generate Office actions that are suitable for response by appellants in the format set forth in the proposed appeal regulations. Such examination process must begin well before proposed appeal regulations are promulgated (in a non-final Office action) to insure that the prosecution has proceeded in a manner suitable for appellants to generate appeal briefs in the new format. Otherwise, even in a best case scenario, the record created during examination would have to be reconstructed from that during examination to that for the new regulations. However, in a worst case scenario the record created during examination would be totally unsuited for that required for the proposed appeal regulations. Both scenarios are expensive processes.

Because appellants would be denied effective ability to brief their cases, they would be deprived of their right of a proper hearing by the Board and would be further deprived of their right of appeal under 35 U.S.C. 141 to the Federal circuit and under 35 U.S.C. 145 to the DC District Court. This is further a denial of an appellant’s Constitutional right to due process. The remedy would be to continue the practice of permitting an appellant to determine the number of pages needed to adequately brief his or her appeal.

II.G. Proposed Bd. R. 41.39(a) and (b) – Authority of Examiner to Deny Entry to Appeal Brief

Proposed rules 41.39(a) and (b) would give examiners authority to determine whether an Appeal Brief complies with the requirements of 41.37 and whether he/she has entered a new rejection. Proposed Bd. R. 41.39(a) and (b), 72 Fed. Reg. 41485. However, as shown in Exhibit G, examiners significantly changed the nature of the rejections in the examiner's answer without designating it as a new rejection. It is arbitrary and capricious to rely on the examiner's discretion to designate a new rejection or to deny entry to an appeal brief.

As can readily be determined by any statistical review, the overwhelming majority of Appeals arise out of examiner error.¹⁰ Delegating the power to control an appellant's appeal to the same examiner who, much more than likely, was the source of the error is either ironic or cynical, especially in view of the PTO's refusal to police examiner compliance with rules of completeness and form.

Further, examiners are overwhelmingly unable to make the legal judgments involved. Examiners quite uniformly believe that the definition of "new ground of rejection" is a new statutory section or a new reference. It is a rare examiner that accepts the holdings of this Board or the Federal Circuit that a "new ground of rejection" is any "position or rationale new to the proceedings," including new evidence, citation to a new portion of existing evidence, a new inference drawn from an existing reference, a new legal theory, or a new application of law to facts.¹¹ See also the Request for Rehearing in Exhibit G. If examiners do not know the procedural law, and are under no supervisory obligation to learn it or apply it, how is this rule anything other than arbitrary and capricious?

¹⁰ See footnote 1.

¹¹ *E.g.*, *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"); *In re Eynde*, 480 F.2d 1364, 1370-71, 178 USPQ 470, 474 (CCPA 1973) ("We do agree with appellants that where the board advances a position or rationale new to the proceedings... the appellant must be afforded an opportunity to respond to that position or rationale by the submission of contradicting evidence...").

Examiners should not be given power to act as “super editors” of appellants’ briefs – in no other proceeding is one party given this kind of power to control the content of an adversary’s presentation of a case. Review of all issues relating to appeals should be delegated to a “neutral party” who has a suitable legal background and who is well trained and experienced in the case law as well as the MPEP, the Regulations, and the patent statutes.

II.H. Proposed Bd. R. 41.39 and Proposed Bd. R. 41.43 – Examiner’s Answer and Examiner’s Response To Reply Brief

The absence of any requirements for the examiner’s answer and the examiner’s response to the reply brief that parallel the severe requirements proposed for the appeal brief and the reply brief illustrates the issue discussed above: the unlimited nature of examiner’s Office actions, examiner’s answer and the examiner’s response to the reply brief present an impossible burden on appellants. This burden is significantly increased by the severe limitations on appellants’ briefs of Proposed Bd. R. 41.37(v) and 41.41(d). The USPTO must first control, limit, and structure the examiner’s answer and the examiner’s response to the reply brief before it even considers the proposed controlling, limiting, and structuring of the appeal brief, the reply brief, and the supplemental reply brief.

III. The PTO Lacks Statutory Authority to Make Substantive Rules

Congress has delegated to the PTO the authority to “establish regulations, not inconsistent with law, which . . . shall govern the conduct of proceedings in the Office.” 35 U.S.C. § 2(b)(2) (2007). However, Congress has not granted the PTO authority to issue substantive rules. *See Merck & Co. v. Kessler*, 38 USPQ2d 1347, 1351 (Fed. Cir. 1996)(“[T]he broadest of the PTO’s rulemaking powers – 35 U.S.C. § 6(a) – authorizes the Commissioner to promulgate regulations directed only to the ‘conduct of proceedings in the [PTO]’; it does *not* grant the Commissioner the authority to issue substantive rules.”, emphasis the court’s).

The PTO claims that the proposed rules are all “procedural.”¹² However, some of the proposed rules, and the combined effect, are substantive rules as they would impose serious, adverse substantive obligations upon appellants. The combined effects of these substantive obligations and the unrestrained actions of the examiners, as discussed in detail above, would severely curtail the rights of appellants to appeal to the Board. Because the proposed rules are substantive rules, the PTO lacks statutory authority to issue them. As discussed below, assuming *arguendo* that the PTO possesses the statutory authority to issue the proposed rules, the PTO would still need to comply with the requirements of the APA and the Regulatory Flexibility Act.

III.A. The Proposed Rules Are Substantive Rules

The PTO claims that “[t]he changes in the proposed rules relate solely to the procedure to be followed in filing and prosecuting an *ex parte* appeal to the Board. Therefore, these rule changes involve ... rules of agency practice and procedure under 5 U.S.C. 553(b)(A), and prior notice and an opportunity for public comment are not required pursuant to 5 U.S.C. 553(b)(A)(or any other law).” 72 Fed. Reg. 41483. The PTO further claims that “[b]ecause prior notice and an opportunity for public comment are not required for the

¹² We do not read the Notice of Proposed Rulemaking to claim that the proposed rules are “interpretative;” the use of the word seems to appear as a mere artifact of quoting the statutory language. Many of the proposed rules are clearly not interpretative, because they are more than “mere clarification,” definitions of ambiguous term, or opinions about the meaning of a pre-existing statute or regulation. *Phillips Petroleum Co. v. Babbitt*, 22 F.3d 616, 617 (5th Cir. 1994) Even “interpretative” rules may still trigger the requirements of 5 U.S.C. § 553 and the Regulatory Flexibility Act. “Once an agency gives its regulation an interpretation, it can only change that interpretation as it would formally modify the regulation itself: through the process of notice and comment rulemaking.” *See Paralyzed Veterans of Am. v. D.C. Arena L.P.*, 117 F.3d 579, 586 (D.C. Cir. 1997); *see also Alaska Professional Hunters Ass’n v. FAA*, 177 F.3d 1030, 1033 (D.C. Cir. 1999) (“When an agency has given its regulation a definitive interpretation, and later significantly revises that interpretation, the agency has in effect amended its rule, something it may not accomplish without notice and comment.”); *Shell Offshore Inc. v. Babbitt*, 238 F.3d 622, 630 (5th Cir. 2001) (“If a new agency policy represents a significant departure from long established and consistent practice that substantially affects the regulated industry, the new policy is a new substantive rule and the agency is obliged, under the APA, to submit the change for notice and comment.”).

changes in the proposed rules, a final Regulatory Flexibility Act analysis is also not required for the changes in the proposed rules.” *Id.* The PTO also indicated that the number of small entities affected by the proposed rules is not substantial (approximately 0.9%) and they do not disproportionately impact small entities. 72 Fed. Reg. 41484.

The PTO claims that the proposed rules are procedural and thus, are not subject to the notice-and-comment requirements of the Administrative Procedure Act. However, the PTO is wrong. *See Chamber of Commerce v. U.S. Dep’t of Labor*, 174 F.3d 206, 211 (D.C. Cir. 1999) (“A procedural rule is one that does not itself ‘alter the rights or interests of parties, although it may alter the manner in which the parties present themselves or their viewpoints to the agency.’ A substantive rule, in contrast, has a ‘substantial impact’ upon private parties and ‘puts a stamp of [agency] approval or disapproval on a given type of behavior,’” citations omitted.). An agency’s label is indicative but not dispositive. *Chamber of Commerce v. OSHA*, 636 F.2d 464, 468 (D.C. Cir. 1980) (“we do not classify a rule ... just because the agency says it is.”) The court noted:

[T]he question whether a rule is substantive or procedural for the purposes of § 553(b) is functional, not formal. That is why we examine how the rule affects not only the “rights” of aggrieved parties, but their “interests” as well. *Batterton*, 648 F.2d at 707; *see also Bowen*, 834 F.2d at 1045 (“Substantive rules are ones which grant rights, impose obligations, or produce other significant effects on private interests”).

Id., 174 F.3d at 212. The court concluded that the directive was a substantive rather than a procedural rule because the directive “places the burden of inspection upon those employers that fail to adopt a CSHP, and will have a substantial impact upon all employers within its purview – including those that acquiesce in the agency’s use of ‘leverage’ against them.”

The proposed rules effect substantive changes to the appeals procedures, which substantially affect the rights and obligations of appellants. For example, the proposed page limit would substantially impact the appellant’s ability to present evidence and arguments to the Board. The shift of burden of proof provided by several sections of 37 C.F.R. § 41.37(o), is closely analogous to the placing of “burden” showing that was found to be “substantive” in

Chamber of Commerce. The appeal rule, especially when combined with the effects of the recent “continuations” rules and the 5-25 rule, all require applicants to “acquiesce to the agency’s use of leverage against them,” a relevant factor under *Chamber of Commerce*. Though couched in procedural terms, several courts have held that similar rules constitute substantive rules, which require compliance with the notice-and-comment requirements of the APA.

At some point, nominally “procedural” changes can become so limiting that they amount to being “substantive” limits on the appellant’s ability to appeal to the Board. For example, in *In re Fibreboard Corp.*, 893 F.2d 706, 711 (5th Cir. 1990), the court stated:

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

Especially when combined with the continuations and 5-25 rules, the page limits, shifts of burdens of proof, and simple cost-raising nature of these proposed appeal rules alter the claims that can be presented for examination, alter modes of proof, shift the burden of issues that need to be proved, and cumulatively sharply affect an appellant’s ability to obtain both the breadth of coverage and the depth of dependent claim coverage that can be obtained. Whether considered alone or in combination with the other recent rules, these proposed appeal rules are such changes in “substantive duty . . . dressed as a change in procedure.”

Furthermore, the PTO itself concedes that the rules are “substantive.” <http://www.reginfo.gov/public/do/eAgendaViewRule?ruleID=273423> (conceding that the Appeal rule is “substantive, not significant.”) Thus, they are subject to the notice-and-comment requirements of the APA.

III.B. Because the Proposed Appeal Rules are “Substantive,” A Number of Rule-Making Statutes Are Applicable and Were Not Complied With

The PTO lacks the authority to issue substantive rules. Accordingly, a number of the rules proposed in this package cannot be adopted.

The PTO’s claims that the proposed rules are exempt from the notice-and-comment requirements and from the requirements for a Regulatory Flexibility analysis are without justification.¹³ Under the Regulatory Flexibility Act (codified at 5 U.S.C. §§ 601-612), all federal agencies, as part of the rulemaking process, are required to conduct an initial regulatory flexibility analysis for any rule that requires notice and comment, and that has “a significant economic impact on a substantial number of small entities.” 5 U.S.C. § 605(b). When an agency is required to publish a proposed rule to solicit comments on it, it is also required to prepare and make available for public comment an initial regulatory flexibility analysis. 5 U.S.C. § 603. An agency is also required to publish a final regulatory flexibility analysis with the final rule. 5 U.S.C. § 604.

The PTO is also required to comply with the RFA and prepare and make available for public comment an initial regulatory flexibility analysis. The appeal rules must be withdrawn, and republished with a new Notice of Proposed Rulemaking and Regulatory Flexibility analysis

¹³ 5 U.S.C. § 603 in relevant part provides:

(a) Whenever an agency is required by [5 U.S.C. § 553], or any other law, to publish general notice of proposed rulemaking for any proposed rule, or publishes a notice of proposed rulemaking for an interpretative rule involving the internal revenue laws of the United States, the agency shall prepare and make available for public comment an initial regulatory flexibility analysis. Such analysis shall describe the impact of the proposed rule on small entities.

III.C. A Regulatory Flexibility Analysis Would Show that Small Entities Are Significantly Impacted by the Proposed Rules

In the notice of proposed rule making, the PTO stated that it received approximately 443,000 patent applications in Fiscal Year 2006. 72 Fed. Reg. 41484 (2007). It stated that the proposed rules apply only those applications where an appeal brief was filed with the Board. *Id.* The PTO stated that in FY 2006, approximately 18,500 appeal briefs were filed, and of this number, approximately 4,000 were filed by small entities. *Id.* Using this data, the PTO claims that “the number of small entities affected by these proposed rule changes is not substantial (approximately 0.9%).” *Id.* The PTO also concludes that “the proposed rules do not disproportionately impact small entities.” *Id.*

The PTO is wrong in this regard. Using the data provided by the PTO in the notice, approximately 22% of those filing appeal briefs are small entities, which indicates that the proposed rules would significantly and disproportionately impact small entities. It is important to note that small entities comprises 33% of all patent applications in FY 2003. *See* PTO OG Notices: August 5, 2003. Thus, the PTO’s claim that the number of small entities affected by the proposed rules is not substantial (approximately 0.9%) and they do not disproportionately impact small entities is patently wrong.

III.D. The PTO Must Try to Minimize the Economic Impact on Small Entities

If the PTO decides to promulgate these proposed rules, the PTO must provide in its final Regulatory Flexibility analysis, among other components, “a description of the steps the agency has taken to minimize the significant economic impact on small entities,” including “a statement of the factual, policy, and legal reasons for selecting the alternative adopted in the final rule and why each one of the other significant alternatives to the rule considered by the agency . . . was rejected.” 5 U.S.C. § 604(a)(5); *see also Small Refiner Lead Phase-Down Task Force v. United States Environmental Protection Agency*, 227 U.S. App. D.C. 201 (D.C. Cir. 1983).

If the PTO fails to comply with the procedural requirements of the RFA, a reviewing court could strike down the promulgated rules. *See Small Refiner Lead Phase-Down Task Force, supra* (after reviewing the history of the RFA, the D.C. Circuit concluded that “a reviewing court should consider the regulatory flexibility analysis as part of its overall judgment whether a rule is reasonable and may, in an appropriate case, strike down a rule because of a defect in the flexibility analysis.”).

IV. The Proposed Rules Are “Economically Significant Rule” under Executive Order 12866

The PTO claims that the proposed rules “[have] been determined to be not significant for purposes of Executive Order 12866 (Sept. 30, 1993).” Under Executive Order 12866,¹⁴ rules that are “economically significant” are subject to review by the Office of Information and Regulatory Affairs (OIRA) in the Office of Management and Budget (OMB). *See* Jeffrey S. Lubbers, *A Guide to Federal Agency Rulemaking*, p. 28 (4th ed. 2006). Under the Order, “economically significant rules” include rules that have a \$100 million annual effect on the economy and “other rules that have material adverse effects on ‘the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities.” *Id.*, pp. 27-28. Whether a rule is “significant” depends on “agency identification in the first instance, vetted by OIRA.” *Id.*, p. 28..

Contrary to the PTO’s claim, these proposed rules are “economically significant rules” as they would have material adverse effects on “a sector of the economy,” *i.e.*, small entities as well as inventors. As discussed above, the proposed rules, if promulgated, would substantially curtail the appeal rights of small entities, which comprises a significant proportion of the appeals filed with the Board, as well as that of others. Given the importance and value of patents in our economy, a diminution in oversight and quality of processing of patents should subject the proposed rules to OIRA review.

¹⁴ Executive Order 12866 was recently amended by Executive Order 13422, 72 Fed. Reg. 2763 (January 23, 2007), with no substantive changes in the parts pertinent to this comment.

Additionally, the proposed rules will significantly impact the most valuable and commercially valuable patents, because those are the types of patents that are most likely to be appealed. A conservative estimate of the economic effect of the proposed rules is at least \$50 million dollars per year in direct paperwork costs (likely more), and at least several hundred million dollars per year in destruction of patent asset value. This conservative estimate is based on the complexity of these proposed rules and the negative synergies of the appeal rules with the other rules proposed by the USPTO during the last two years. Because the economic impact of these proposed rules exceed the annual \$100 million threshold under Executive Order 12866, the proposed rules are “economically significant rules,” and thus, should be subject to OIRA review.

CERTIFICATION OF MAILING BY EXPRESS MAIL: I hereby certify that this correspondence is being deposited with the United States Postal Service with Express Mail post office to addressee service under 37 CFR 1.10, postage prepaid, in an envelope addressed to Mail Stop Interference, United States Patent and Trademark Office, P.O. Box 1450 Alexandria, VA 22313-1450 with the express mail label number EV 323877797 on October 1, 2007.

CERTIFICATION OF MAILING BY E-MAIL: I hereby certify that this correspondence is being e-mailed to BPAl.Rules@uspto.gov; Fred.McKelvey@uspto.gov; Allen.MacDonald@uspto.gov on October 1, 2007.

Dated: October 1, 2007

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