CORRECTED

2010-1499
(Serial No. 10/924,633)

IN THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

IN RE JEFF LOVIN, ROBERT ADAMS, and DAN KURUZAR

Appeal from the United States Patent and Trademark Office,
Board of Patent Appeals and Interferences

Appellants' Petition for Rehearing En Banc

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STATEMENT UNDER FEDERAL CIRCUIT RULE 35(B)

Based on my professional judgment, I believe the panel decision is contrary to the following statutes, decision(s) of the Supreme Court of the United States or the precedent(s) of this court:

- 5 U.S.C. § 555(e) and *Motor Vehicle Mfr's Ass'n v. State Farm Mut. Ins. Co*., 463 U.S. 29, 43, 52 (1983); and
- *Auer v. Robbins*, 519 U.S. 452, 461 (1997)[1]

Based on my professional judgment, I also believe this appeal requires an answer to one or more precedent-setting questions of exceptional importance:

Question 1. Neither the Examiner nor the Board have ever explained a *prima facie* correspondence between several claims of this application and any prior art. Did the panel err in affirming a rejection that has never been articulated with the specificity required by the Administrative Procedure Act?

Question 2. The regulation at issue reads "[a] statement which merely points out what a claim recites will not be considered an argument for separate patentability of the claim." The panel omitted step 1 of the *Auer* "two-step" test by failing to identify an "ambiguity," let alone one that is resolved by an "interpretation" requiring a "substantive" showing of affirmative patentability. The panel also failed to consider whether the PTO's interpretation of the regulation is "reasonable." The regulation is unambiguous in the relevant respect, and the PTO's

[1] *See also Christensen v. Harris Co*., 529 U.S. 576, 588 (2000); *SEC v. Chenery Corp*., 318 U.S. 80 (1943); *Gechter v. Davidson*. 116 F.3d 1454, 1460, 1460 n.3 (Fed. Cir. 1997); and *In re Oetiker*, 977 F.2d 1443, 1445 (Fed. Cir. 1992).

interpretation fails several of the Supreme Court's tests for reasonableness. Did the panel err?

Question 3. Did the PTO impose an illegal "penalty" for failing to provide information in an Appeal Brief in August 2008, when the PTO had no OMB control number under the Paperwork Reduction Act before December 2009?

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James R. Burdett
Attorney of Record for Manufacturing Technology, Inc.

STATEMENT OF THE FACTS

The invention relates to friction welding by spinning two parts against each other to form a weld. Claim 3 of the application (which will be used as representative of the claims that should be remanded to the PTO) relates to controlling the deceleration of the spin to improve the quality of the weld.

Both the dissenting APJ and the PTO's brief concede that the Examiner never explained any relevance of any reference to claim 3 (A007-08; PTO's Red Br. at 4). On appeal to the Board of Patent Appeals and Interferences, Appellants argued the Examiner's silence on claim 3 as grounds for reversal by the Board (A057-A058):

> Accordingly, claim 3 recites a decelerating step of measuring … The office action does not explain the lack of a teaching or suggestion of the step of claim 3 in the prior art. … Accordingly, the rejection of appellants' claim 3 is improper and should be reversed.

MPEP § 1207.02(A)(9)(c), (d)(i) and (e) require that the Examiner "must compare at least one of the rejected claims feature by feature with the prior art … The comparison must align the language of the claim side-by-side with a reference to the specific page, line number, drawing reference number, and quotation from the prior art…." The Examiner's Answer didn't provide this information. Because the Examiner's Answer gave no meaningful notice of the Examiner's view of claim 3, Appellants filed no Reply Brief (A202).

The Board's historical practice in cases of Examiner silence has been to either (a) vacate or remand to the Examiner, or request a Supplemental Brief for elaboration (*see* 37 C.F.R. § 41.50(a) and 37 C.F.R. § 41.50(d)), or (b) act as a tribunal of first instance, and designate any "new ground of rejection" for further proceedings under Rule 41.50(b).[2]

Here, the Board did neither. Instead, the Board cited to 37 C.F.R. § 41.37(c)(1)(vii), "A statement which merely points out what a claim recites will not be considered an argument for separate patentability of the claim" and required that an Appeal Brief make a "substantive" showing of affirmative patentability. The Board *entirely ignored* Appellants' complaint that the Examiner had been silent. (Bd. Dec. A025-26).

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[2] For a period in the late 2000's, the Board was under a misapprehension that on appeal, appellants bore a burden to affirmatively "convince the Board of error." This misallocation of the burden of proof ended with *Ex parte Frye*, 94 USPQ2d 1072, 1075 (BPAI 2010) (precedential, expanded panel) ("[T]he Board reviews the particular finding(s) contested by an appellant anew in light of all the evidence and argument on that issue," using a "preponderance of evidence" standard).

In February 2010, Appellants requested rehearing, pointing out that the Board had failed to address specific arguments in the Appeal Brief, including the argument directed at the Examiner's silence on claim language. (A010-11).

On May 19, 2010, the BPAI issued a denial of Appellants' request for a rehearing. (A001-A009). The Board explained (BPAI Denial of Request for Rehearing at 3-4 (A004-A005)):

> Appellants' statement as to what each claim recites, followed by a statement that there is no corresponding step in the applied references, does not provide any substantive analysis which addresses and indicates reversible error in Examiner's rationale….[T]he Appellants' statement as to what each claim recites, followed by a statement that there is no corresponding step in the applied references, is tantamount to merely pointing out the differences in what the claim covers, and it [*sic*] not a substantive argument as to the separate patentability of the claims (citation omitted).

The Board neglected to consider the operative facts: that the Examiner's Office Action had been silent, and that Appellants' appeal brief had specifically called out this silence. APJ Kratz dissented, noting that the Examiner had never addressed claim 3, and that Appellants had appealed that procedural silence sufficiently to put the substantive issue before the Board (A007-008).

SUMMARY OF ARGUMENT

The panel misapprehended procedural law arising under Patent Act and the Administrative Procedure Act. To reject a claim for obviousness, the PTO (at both the Examiner and Board level) bears the burden of stating a *prima facie* case. *State Farm* lays a procedural obligation to "articulate … a rational connection between the facts found and the choice made" on an all material issues, which at the PTO,

requires a limitation-by-limitation comparison to the references. Even the PTO admits in its briefs that the examiner never articulated any "rational connection" or given any limitation-by-limitation showing between any reference and claim 3.

When presented with an appeal from an Examiner's silence, the Board had the following options: (a) the Board may determine that the Examiner's silence renders the appeal "not ripe" and deprives the Board of any justiciable controversy, or leaves the Board with an unreviewable record, and vacate or remand;[3] or (b) the Board may order a Supplemental Examiner's Answer, pursuant to 37 C.F.R. § 41.41 and 37 C.F.R. § 41.50(a); or (c) the Board may act as tribunal of first instance. Where the Examiner was silent in the last action, any rejection by the Board is necessarily is a "new ground" under 37 C.F.R. § 41.50(b).

However, the Board cannot "affirm" a rejection that has never been articulated by either the Examiner or the Board, as it did here.

The PTO and panel erred by giving *Auer* deference to an "interpretation" that does not arise out of an ambiguity, and does not lie within the legitimate range of "interpretation." The PTO's interpretation is a rewriting of the regulation that is irreconcilably inconsistent with the Administrative Procedure Act.

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[3] *Ex parte Virolainen*, Appeal No. 2007-0989, 2007 WL 2758420 at *1 (BPAI Sep. 13, 2007) (unpublished) (remanding with instructions to "map each of the disclosures on which [the examiner] relies to the specific claims numbers"); *Ex parte Rozzi*, 63 USPQ2d 1196, 1200–03 (BPAI Jan. 16, 2002) (unpublished) (remanding because "the examiner makes no cogent attempt to read Hill onto claim 1," requests "a limitation-by-limitation mapping"); *Ex parte Braeken*, 54 USPQ2d 1110, 1112-13 (BPAI Dec. 21, 1999) (unpublished) (noting that the appeal is "not ripe" because of omissions and defects in the examiner's analysis).

ARGUMENT

I. Standard Of Review

Review of an agency's compliance with procedural law is "exacting" and "strict," on the court's independent judgment.[4] Regulations protecting the public are given more weight (and fewer exceptions) than regulations to protect the agency.[5] Normal APA standards of deference are reduced when a court determines that the agency's proceedings were of questionable regularity. *Powell v. Heckler*, 789 F.2d 176, 178 (3d Cir. 1986) ("The courts, to protect due process, must be particularly vigilant and must hold agencies … to a strict adherence to both the letter and the spirit of their own rules and regulations.")

II. The PTO Erred In Neglecting The Administrative Law Governing The Examiner, And The Effect Of Breaches On The Appeal Process

Many provisions of the administrative law and the PTO's regulations require that an Examiner give a clear explanation of the reasons for examination. The Examiner failed to do so. Appellants appealed this silence by invoking the relevant administrative and procedural law. The PTO and the panel erred by failing to apply basic principles of administrative law, and by interpreting a 37 C.F.R. regulation to abrogate a statute, Supreme Court authority, and several other regulations.

First, the Administrative Procedure Act as interpreted by the United States Supreme Court require that an agency decision must give a "statement of grounds"

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[4] *Kern Co. Farm Bureau v. Allen*, 450 F.3d 1072, 1076 (9th Cir. 2006) ("our review of an agency's procedural compliance is exacting … We review *de novo*…").

[5] *Lopez v. Fed. Aviation Admin.*, 318 F.3d 242, 246-47 (D.C. Cir. 2003).

with a "cogent explanation" that "examine[s] the relevant data and articulate[s] a satisfactory explanation for its action including a rational connection between the facts found and the choice made," and "consider[s] [all] important aspect[s] of the problem." 5 U.S.C. § 555(e); *Motor Vehicle Mfr's Ass'n v. State Farm Mut. Ins. Co*., 463 U.S. 29, 43, 48, 52 (1983). The Courts of Appeals have clarified that the *State Farm* standard applies even in the context of non-trial, informal adjudication: "This requirement not only ensures the agency's careful consideration of such requests, but also gives parties the opportunity to apprise the agency of any errors it may have made and, if the agency persists in its decision, facilitates judicial review."[6] Where an agency has "not one sentence" addressing an issue, and the agency's "analysis … was nonexistent," a court may not affirm.[7]

Second, since *Gechter v. Davidson*. 116 F.3d 1454, 1460, 1460 n.3 (Fed. Cir. 1997), this court expects the PTO's "anticipation [and obviousness] analysis be conducted on a limitation by limitation basis, with specific fact findings for each contested limitation and satisfactory explanations for such findings."

Third, *In re Oetiker*[8] explained that the burden of going forward—that is, the burden of providing a sufficient explanation to give notice of a prima facie case—lies with the Examiner:

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[6] *Tourus Records Inc. v. Drug Enforcement Admin*., 259 F.3d 731, 736–37 (D.C. Cir. 2001); *Dr. Pepper/Seven-Up Companies Inc. v. Federal Trade Comm'n*, 991 F.2d 859, 864–65 (D.C. Cir. 1993) (applying *State Farm* criteria to an informal adjudication).

[7] *State Farm*, 463 U.S. at 48; *SEC v. Chenery Corp*., 318 U.S. 80 (1943) (an agency cannot be affirmed by a court except on the grounds stated by the agency).

[8] 977 F.2d 1443, 1445 (Fed. Cir. 1992) (emphasis added); *see also In re Lee*, 277 F.3d 1338, 1344 (Fed. Cir. 2002) ("Deferential judicial review under the

> The *prima facie* case is a procedural tool of patent examination, allocating the burdens of going forward as between examiner and applicant. … [T]he examiner bears the initial burden, on review of the prior art or on any other ground, of presenting a *prima facie* case of unpatentability. …

Fourth, in the early 1960's, the PTO revised its rules, from old rules that permitted indefinite prosecution, to today's "compact prosecution" regime. As the *quid pro quo* for routinely ending prosecution after the second action, the PTO gave several guarantees that those two actions would be complete and informative:

- 37 C.F.R. § 1.104(c)(2) requires the examiner to designate the parts of references relied on "as nearly as practicable" for all § 103 rejections, and for all § 102 rejections where the reference contains anything more than what is claimed. In addition, the Examiner must "clearly explain" the pertinence of the references, unless facially "apparent."

- 37 C.F.R. § 1.111(b) states that applicants are obligated to reply to Examiners by "distinctly and specifically point[ing] out the supposed errors in the Examiner's action." No rule requires an applicant to reply to positions that may or may not be in the Examiner's head, but are not in the "action."

- "Before final rejection is in order a clear issue should be developed between the examiner and applicant. … In making the final rejection, all outstanding grounds of rejection … must also be clearly developed to such an extent that applicant may readily judge the advisability of an appeal." MPEP § 706.07.

- An Examiner's Answer on appeal "must compare at least one of the rejected claims feature by feature with the prior art … The comparison must align the language of the claim side-by-side with a reference to the specific page, line number, drawing reference number, and quotation from the prior art…"[9]

Administrative Procedure Act does not relieve the agency of its obligation to develop an evidentiary basis for its findings.").

[9] MPEP § 1207.02(A)(9)(c), (d)(i) and (e). The PTO almost never enforces this requirement. Consequently, many appeals go to the Board simply because of the examiner's silence.

The whole examination regime does not begin until the Examiner gives an applicant meaningful notice of the issues,[10] and all later phases of prosecution and appeal depend on the Examiner keeping the PTO's half of the bargain.

Here, even the Solicitor's brief admits that neither the Examiner nor the Board has ever articulated any rational connection between the language of claim 3 and any prior art (PTO's Red Br. at 4). Because the Examiner violated the laws listed above, the Examiner never raised any rejection that the Board could affirm.[11] The PTO's failure to observe its own procedural regulations ***at the examiner level*** deprived the Board of any authority to affirm; at most the Board could conduct a full examination as a tribunal of first instance (to be sure, guided with whatever additional information the examiner might supply in the Examiner's Answer), with a full *State Farm* explanation and grant of the procedural rights of 37 C.F.R. § 41.50(b). The procedural breach at the examiner-level entitles Appellants to relief here.[12] Likewise, the PTO and panel erred in interpreting a

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[10] The Examiner's misfeasance is properly before this court in this appeal. 5 U.S.C. § 704.

[11] *Service v. Dulles*, 354 U.S. 363, 388-89 (1957); *Certain Former CSA Employees v. Dep't of Health and Human Services*, 762 F.2d 978, 984 (Fed. Cir. 1985) (action in violation of agency's own regulation is "illegal and of no effect,").

[12] 5 U.S.C. § 704 ("A preliminary … or intermediate agency action … not directly reviewable is subject to review on the review of the final agency action."); *Stone v. Federal Deposit Insurance Corp.*, 179 F.3d 1368, 1376 (Fed. Cir. 1999) ("A [party before the agency] is entitled to a certain amount of due process rights at each stage and, when those rights are undermined, the [party] is entitled to relief regardless of the stage of proceedings," emphasis added); *see also Phillips Petroleum Co. v. Brenner*, 383 F.2d 514, 517 n.8 (D.C. Cir. 1967) ("Meaningful judicial review embraces authority adequate to cope with and excise the aftermath of arbitrary rulings of the Patent Office, if any, that taint its final action and affect individual rights.").

mere 37 C.F.R. regulation to abrogate a statute and Supreme Court precedent. The PTO should not be permitted to change the "compact prosecution" bargain to a guessing game that Examiners play with applicants by providing two office actions, no matter how thin or uninformative, to force the application to the Board.

III. The Panel Erred Under Step 1 Of The *Auer* Analysis In Failing To Identify An "Ambiguity" In The Regulation—The PTO Cannot Rewrite A Regulation By "Interpretation"

The panel erred by skipping step 1 of the "two-step" test of *Auer v. Robbins*, 519 U.S. 452, 461 (1997). The Supreme Court instructs that "*Auer* deference is warranted only when the language of the regulation is ambiguous," and the agency's "interpretation" is a satisfactory resolution of that ambiguity.[13] When an agency tries to cut itself loose from the text of its regulation, "[t]o defer to the agency's position would be to permit the agency, under the guise of interpreting a regulation, to create *de facto* a new regulation," and the Court withholds deference.[14]

Neither the PTO nor the panel identify any "ambiguity" at all, let alone one that is relevant to whether an appellant must argue "substantive" patentability rather than the Examiner's procedural error of ***silence***. The regulation is unambiguous, all the more so when read in context of the PTO's obligations under the administrative law: an appellant that identifies ***either*** procedural or substantive

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[13] *Christensen v. Harris Co*., 529 U.S. 576, 588 (2000).

[14] *Id*.; *see also Martin v. Gerlinski*, 133 F.3d 1076, 1079 (8th Cir. 1998) (where an agency goes beyond merely "explaining" a key term, but "rather expands the scope of the conduct under consideration, thus extending the reach of the regulation," the agency exceeded its interpretive authority, and was required to use rule making procedure).

error in the Examiner's Action goes above "merely pointing out what a claim recites" and thus triggers the Board's duty to address the disputed issues, and to set forth findings on material facts.

Bd.R. 41.37(c)(1)(vii) is unambiguous, that an appellant is permitted to appeal based on any "error" by the Examiner,[15] so long as that argument does more than "merely point[ ] out what a claim recites." There is no dispute that Appellants' appeal brief specifically argues an Examiner error, the Examiner's failure to "cogently explain" any rejection of claim 3. The PTO's "interpretation" of one sentence of the regulation to swallow the entire examination scheme under guise of "interpretation" was error, and the panel erred in accepting that "interpretation."

IV. The Panel Erred Under Step 2 Of The *Auer* Analysis By Adopting An Interpretation Of A Regulation That Is Contrary To Law, Manifestly Unreasonable, And Inconsistent With The Agency's Regulatory Scheme

In order to be eligible for deference, an agency's interpretation must be "reasonable." That is, "a permissible construction."[16] In an appeal arising out of an Examiner's silence, the PTO's "interpretation" would require an appellant to argue a "substantive" issue, but identifies no practical means for an appellant to identify what that substantive issue is, or how an appellant is to prove a negative. *State Farm* requires agencies to articulate an explanation to give parties an opportunity

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[15] While acknowledging that appealing a procedural omission invokes its substantive jurisdiction, the Board has also been clear that it has no jurisdiction over procedure *per se*. *See, e.g.*, cases cited in footnote 3, *supra*, and *Ex parte Dutton*, Appeal No. 2009-014442, 2010 WL 3803762 at *3 (BPAI Sep. 10, 2010) (unpublished) ("Failure to comply with [the MPEP] is not *per se* appealable to the Board, as the jurisdiction of the Board is limited to review of rejections.").

[16] *Auer*, 519 U.S. at 457 (*citing Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 842-43 (1984)).

to "apprise the agency of any errors it may have made" and "facilitate judicial review."[17] The panel does not explain how an appellant can apprise the Board of the Examiner's substantive error when the Examiner is silent. Therefore it is unreasonable.

Second, the PTO's and panel's "interpretation" is contrary to law, as discussed in Section II of this brief. Interpretations that are contrary to law fail step 2 of *Auer*,[18] before one even asks the *National Cable* question. The panel erred in putting the *National Cable*[19] cart before the *Auer* horse.

Third, inconsistency is a key to distinguishing between a "reasoned" agency interpretation that could be entitled to deference and a "convenient litigating position" that is arbitrary and capricious.[20] The PTO's interpretation of the regulatory language "A statement that merely points out what a claim recites will not be considered an argument for separate patentability of the claim" today, is 180º opposite the position the PTO has taken for at least a decade. Silence has

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[17] *State Farm*, 463 U.S. at 43, 52; *Tourus*, 259 F.3d at 736-37.

[18] *Auer*, 519 U.S. at 459 ("agency regulation that is contrary to the substantive requirements of the law" is not entitled to deference).

[19] *In re MDL-1824 Tri-State Water Rights Litigation*, 644 F.3d 1160, 1194 n.29 (11th Cir. 2011) (where agency's interpretation is unexplained and in such flux as to be "not fully formed," there is no agency interpretation to which to give deference).

[20] *Nat'l Cable & Telecomms. Ass'n v. Brand X Internet Servs.*, 545 U.S. 967, 981 (2005) ("Unexplained inconsistency is ... a reason for holding an interpretation to be an arbitrary and capricious change from agency practice"); *Bowen v. Georgetown University Hospital*, 488 U.S. 204, 213 (1988) ("Deference to what appears to be nothing more than an agency's convenient litigating position would be entirely inappropriate.").

always been charged against the Examiner, not the appellant. The Board explained as follows:[21]

> 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 PTO's briefs offer no explanation for its change of position, now excusing the Examiner from making any such showing.

In this very case, APJ Kratz' dissent accurately states that the PTO has consistently recognized that an Examiner's silence is sufficient ground for appeal. APJ Kratz specifically noted that the Appeal Brief had raised a "lack of explanation in the Office action appealed from" for claim 3 (A007-008). APJ Kratz urged that the Board should address claims "the subject matter of which was not particularly addressed by the Examiner in the Office action appealed from, as asserted by Appellants … (Request 1-2)" (A008).

The PTO's attempt to change the rules on the fly, is "without observance of procedure required by law" and "arbitrary and capricious," 5 U.S.C. § 706(2)(A) and 5 U.S.C. § 706(2)(D), not an exercise of "interpretation" entitled to deference.

For decades, the PTO's "policy" has been the only one that is consistent with the APA, and practically reasonable: when an Examiner is silent, an appellant can't

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[21] *Ex parte Forest*, Appeal No. 2000-1901, 2002 WL 33951036 at *2 (BPAI May 30, 2002) (informative).

be put to the burden of reading an Examiner's mind, and a brief fully complies with the PTO's rules by identifying the silence. The PTO's attempt to walk away from the practicality of procedural allocation of the burden of going forward, and its past interpretation, is arbitrary and capricious.

V. Appellants Invokes The "Public Protection" Provision Of The Paperwork Reduction Act, Both Vis-À-Vis The Board And Vis-À-Vis Any New Question In This Court

Since 1980, agencies that receive submissions from the public have been required to complete the procedural requirements of the Paperwork Reduction Act ("PRA"), particularly 44 U.S.C. §§ 3506 and 3507, to obtain approval from the Office of Management and Budget. If an agency fails to obtain OMB clearance, the "public protection" provision of § 3512 and 5 C.F.R. § 1320.6 forbids an agency or court from imposing any "penalty" for failure to submit information required by the agency's rules.[22] The PTO did not obtain clearance for its appeal procedures until December 22, 2009.[23] Thus, the PTO has no authority to impose any "penalty" for a failure to include information in an appeal brief filed before December 2009. The appeal brief to the Board was filed in 2008. Thus, the PTO and this court are obligated to consider arguments made "at any time"[24] and "in any reasonable manner."[25]

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[22] *Center for Auto Safety v. National Highway Traffic Safety Admin*., 244 F.3d 144, 148-49 (D.C. Cir. 2001) ("If [the agency] fails to obtain prior approval from OMB, the request for information can be ignored without penalty.").

[23] http://www.reginfo.gov/public/do/PRAOMBHistory?ombControlNumber=0651-0063

[24] 44 U.S.C. § 3512; *Center for Auto Safety v. National Highway Traffic Safety Admin*., 244 F.3d 144, 150 (D.C. Cir. 2001) ("the Paperwork Reduction Act

This court should remand the case to the Board, with two instructions: (a) the Board must address whatever arguments Appellants raised; and (b) the PTO may not amend its rules on the fly without observing the rulemaking procedures required by 35 U.S.C. § 2(b)(2)(B), 44 U.S.C. § 3507, and 5 C.F.R. Part 1320.

VI. Conclusion

This Court cannot affirm a rejection for which the PTO never stated reasons. This Court *en banc* should vacate the panel decision, and remand to the PTO for consideration of Application Serial No. 10/924,633 consistent with the Administrative Procedure Act. This Court should remind the PTO of its procedural obligations at both the Examiner and Board levels.

Respectfully submitted,

_____

James R. Burdett
Attorney of Record for Manufacturing Technology, Inc.

'prevents an agency or court from refusing to consider a [Paperwork Reduction Act] argument on the ground that it is untimely.'").

[25] 5 C.F.R. § 1320.6.