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From: rkatznelson@adelphia.net [mailto:rkatznelsong@adelphia.net]
Sent: Saturday, August 09, 2008 1:37 AM
To: Fawcett, Susan
Cc: McKelvey, Fred; Clarke, Robert (OPLA); Susan.Dudley@omb.eop.gov
Subject: ICR 0651-00xx, Comments on proposed information collection

Please accept the attached comment letter on the USPTO proposed Information Collection Request.

Thank you.

Ron Katznelson

By Email: Susan.Fawcett@uspto.gov
To: Susan K. Fawcett,
Record Officer,
United States Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450

August 8, 2008

cc: Fred.Mckelvey@uspto.gov, Robert.Clarke@uspto.gov, Susan.Dudley@omb.eop.gov.

Re: ICR 0651-00xx, Request for Comment on Board of Patent Appeals and Interferences Actions under the Paperwork Reduction Act.¹

Dear Ms Fawcett:

1. I am an inventor and an entrepreneur who has used the U.S. patent system for a quarter of a century. I am writing to express my concerns regarding the above captioned proposed Information Collection Request (“ICR”) associated with *Ex Parte* appeals at the U.S. Patent and Trademark Office (“USPTO”). Attached for inclusion in the record of this ICR, are my prior comments, which have been submitted to the USPTO in response to the proposed rules published in a Notices of Proposed Rulemaking for public comment on July 30, 2007², (the “NPRM”). A copy of these comments (my “Prior Comments”) was previously submitted to OMB under the 0651-0031 control number.³ In these Prior Comments, I estimated only the incremental paperwork burdens due to the proposed rules but many of the numerical drivers for such estimates were based on total applicants’ appeal activity and are therefore relevant for this ICR.
2. Unfortunately, in promulgating its new appeal rules⁴ (“Appeal Rules”), the USPTO failed to respond to many of my comments that were directed at the paperwork burdens imposed by the Appeal Rules. In part, my conclusions in the Prior Comments relied on past and projected growth of appeal briefs and reply briefs.⁵ These projections were based entirely on USPTO’s own data and *its own projections* of the growth it expects in the number of appeals. My analysis showed that just the *incremental* paperwork burdens of the Appeal Rules would be economically significant under Executive Order 12,866. This, because it is a “regulatory action that is likely to result in a regulation that may [h]ave an annual effect on the economy of \$100 million or more”. Without any supporting facts or evidence contradicting the data I compiled from USPTO-supplied information, the USPTO summarily dismissed the detailed and reasoned analysis of my Prior Comments and merely responded by stating “This rulemaking has been determined

¹ USPTO, Board of Patent Appeals and Interferences Actions, New collection; comment request. [73 Fed. Reg. 32559](#), (June 9, 2008), hereinafter referred to as the “ICR”.

² USPTO, *Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals*, [72 Fed. Reg. 41472](#), (July 30, 2007). See also USPTO RIN [0651-AC12](#).

³ See submission at <http://www.reginfo.gov/public/do/DownloadDocument?documentID=51959&version=1>

⁴ USPTO, *Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals*, [73 Fed. Reg. 32938](#), (June 10, 2008).

⁵ See Section 3 of my Prior Comments.

to be not significant for the purpose of Executive Order 12,866".⁶ Apparently, the USPTO ignored these estimates and it now repeats the inadequate accounting of appeals in this instant ICR.

3. The USPTO essentially admits in this ICR that in promulgating its Appeal Rules, it failed to comply with Executive Order 12,866 and/or otherwise was engaged in illegal information collection in violation of the Paperwork Reduction Act ("PRA"). This ICR admits to burdens in excess of \$260M per year, most of which are due to *new burden items that were never included by the USPTO in prior ICRs*. On the other hand, if one accepts the USPTO position that the Appeal Rules *per se* did not introduce incremental burdens in excess of \$100M per year, one must conclude that these burdens were in place prior to the Appeal Rules. If so, the USPTO essentially admits that in all prior years, it was engaged in illegal information collection for which it sought no OMB approval. Such PRA violations amount to hundreds of millions of dollars per year. In either case, OMB should now consider holding accountable the USPTO officials responsible for any such potential violations.
4. The USPTO's practice of separating and delaying the Paperwork Reduction Act section of its Appeal Rule proceedings from the NPRM to a time after the final Appeal Rules were promulgated, frustrates oversight by OMB and the public. The USPTO's (by now, almost predictable) evasive practice of withholding key information appears to continue similar practices on which I commented in Section 2.3 of my Prior Comments. This is most troubling because practically all burdens imposed by the Appeal Rules are paperwork burdens and the USPTO should have disclosed the information during the NPRM to enable parties to comment in the context of the proposed rules that give rise to increments in these burdens.
5. For example, *only now* (and not during in the NPRM notice and comment period) does the USPTO disclose that it has data from an "Informal Survey" of the number of pages in appeal briefs filed before the NPRM⁷, when such data was central to its proposed rule to limit the number of pages in an appeal. Had the public known then that only a very small minority of appeals exceed the page limit proposed by the rules, commenters would have been able to demonstrate that the proposed rules' workload savings touted by the USPTO are de-minimus. Likewise, *only now* (and not during in the NPRM notice and comment period) does the USPTO disclose the number of Reply Briefs filed with the Office, when such numbers were very relevant to the rulemaking process. *Only now*, does the Office disclose additional ICR supporting data related to appeal burdens, when such data would have been extremely relevant during the NPRM.

⁶ 73 Fed. Reg. 32972 at Col. 2.

⁷ See 73 Fed. Reg. 32966 at Col. 1. Unfortunately, the USPTO failed to disclose the full details, date ranges, methodology, statistics applied, and the results obtained in this "Informal Survey", frustrating any opportunity to comment on it even in this ICR proceeding.

6. Despite these new disclosures, the instant ICR lacks important data and support for other numerical data it did provide. I only address here the ICR silence on, and apparent continued ignorance of, specific information regarding *growth* of appeals *as the USPTO itself projects*. This, despite the USPTO being under express notice from my Prior Comments requiring proper analysis of paperwork burdens that include yearly growth. When the stated underlying reason for the Appeal Rules is to address the *growth* in the number of appeals⁸, the USPTO appears disingenuous at best by concealing its *own projections* for the growth in the number of appeals it expects to receive during the next three years covered by this ICR. The USPTO must book the burdens in this ICR in a way that fully reflects a reasoned analysis of the growth in the number of appeals. For example, the USPTO should adopt the annual numbers of Appeal Briefs and Reply Briefs such as those derived from USPTO's own projections, as shown in Table 1 of my Prior Comments. Alternatively, the USPTO must explain the basis for rejecting such a model, showing which growth assumption I obtained from USPTO's own projections are no longer true, and provide an alternative model of appeals growth that is fully supported by reasoned analysis of the facts. OMB should not permit the USPTO to book for every year covered by the ICR only burdens based on last year's flow of appeals, when there is a *prima facie* record of USPTO's awareness, planning, data, and projections for significant increases in the number of appeals in the years covered by the ICR.
7. The USPTO must have studied my Prior Comments and had the opportunity to adopt or reject any of my estimates prior to crafting the instant ICR. To the extent that my estimates for burdens or hourly rates exceed those used in the instant ICR, the USPTO is hereby requested to specifically respond to such Prior Comments and explain the basis for rejecting such higher burden estimates or such higher hourly rates.

Respectfully submitted by



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⁸ **72 Fed. Reg.** 41472, col. 2. ("The Board is currently experiencing a large *increase* in the number of ex parte appeals. In FY 2006, the Board received 3,349 ex parte appeals. In FY 2007, the Board *expects* to receive more than 4,000 ex parte appeals. In FY 2008, the Board *expects* to receive over 5,000 ex parte appeals. These rules are proposed to change procedures in such a way as to allow the Board to continue to resolve ex parte appeals *in a timely manner*" [in view of the large projected increases]); **73 Fed. Reg.** 32958 at Col. 3 ("The [Appeal] Board faced a *significant challenge* in FY 2007. The two-year growth in FY 2006 and FY 2007, of approximately 50%, is by far the largest two-year growth in patent appeal receipts in the years tracked at the Board. In FY 2007, the Board received 4,639 appeals. The FY 2007 receipts represent over a 38% increase from the prior year."). (Emphasis supplied).

Submission as PRA comments to OIRA for PTO 0651-0031 package, ICR 200707-0651-005

By Email:

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

Ex parte Appeal Rules

October 15, 2007

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

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

Dear Sirs:

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

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

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

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

1 HISTORY OF APPEALS WORKLOAD AND THE RULEMAKING

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

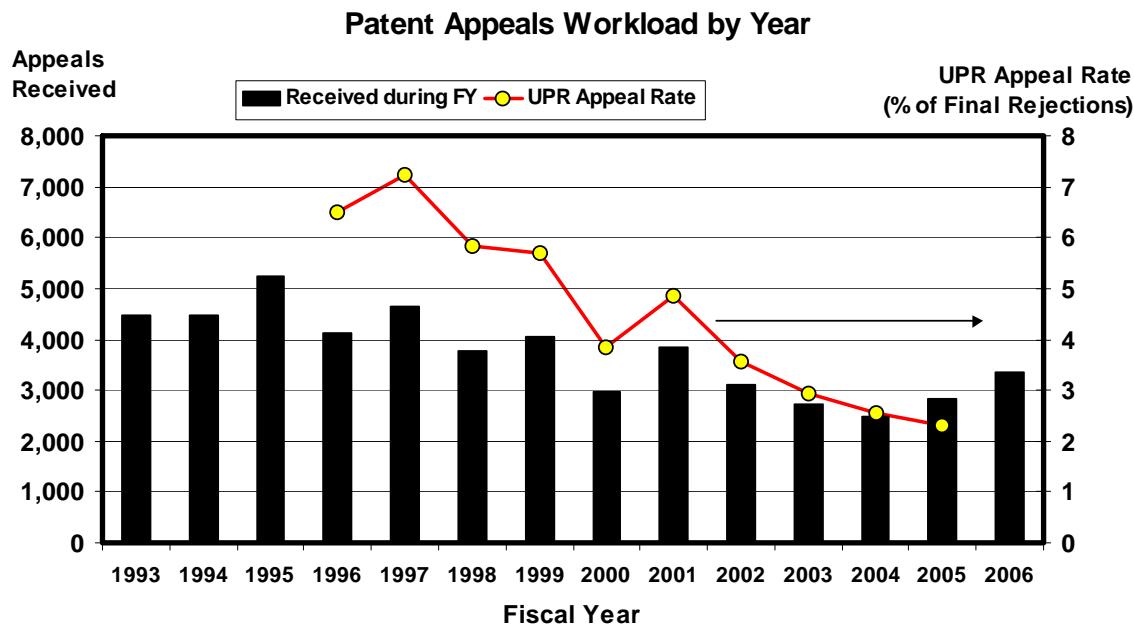


Figure 1. USPTO Board of Patent Appeals and Interference appeal workload by fiscal year. Received appeal rates were obtained by dividing the number of appeals received in the fiscal year by the number of final rejections issued in that year. *Source:* USPTO data as reported in Appendix B.

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

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

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

³ See MPEP §1201.

Patent Appeals Dispositions and Backlog by Year

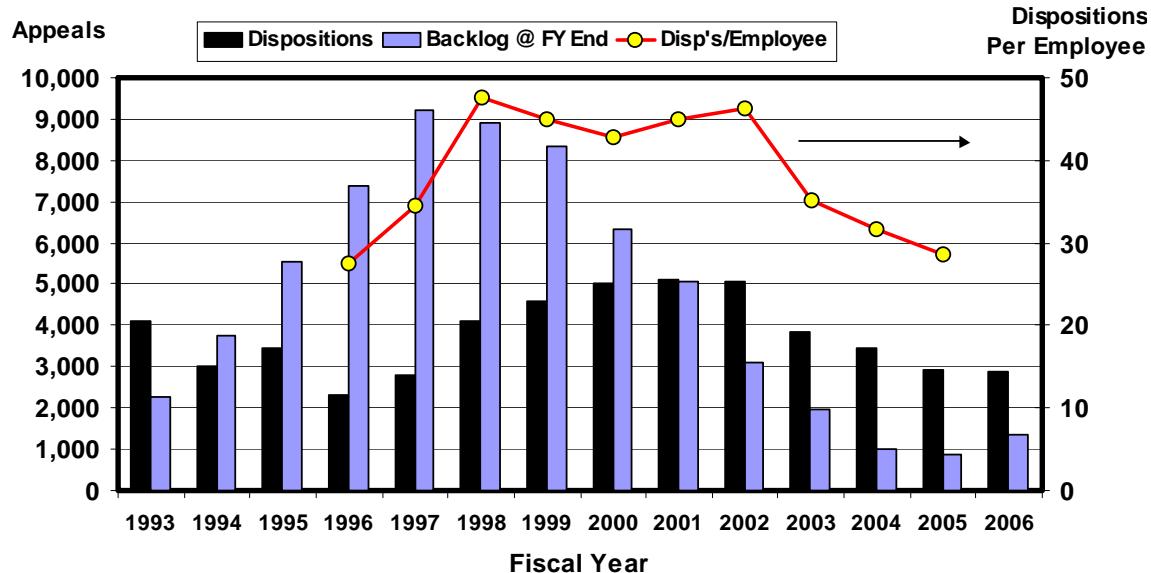


Figure 2. USPTO Board of Patent Appeals dispositions and backlog by fiscal year. Note that despite historic increases in received appeals, the Board was able to process more appeals and reduce its backlog. The number of appeal dispositions in a fiscal year was obtained by adding the appeal backlog at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

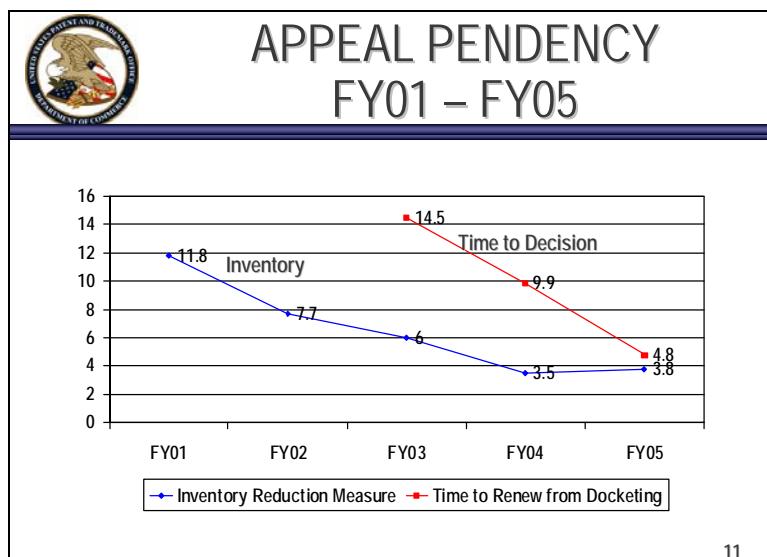


Figure 3. Senior USPTO officials proudly showed the remarkable success in reducing appeal backlog and pendencies in their presentations on the proposed continuation rules, suggesting that applicants should use the appeal process rather than file requests for continued examinations. *Source:* USPTO slide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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

⁸ Appeal NPRM at 41472, col. 2.

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

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

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

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

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

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

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

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

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

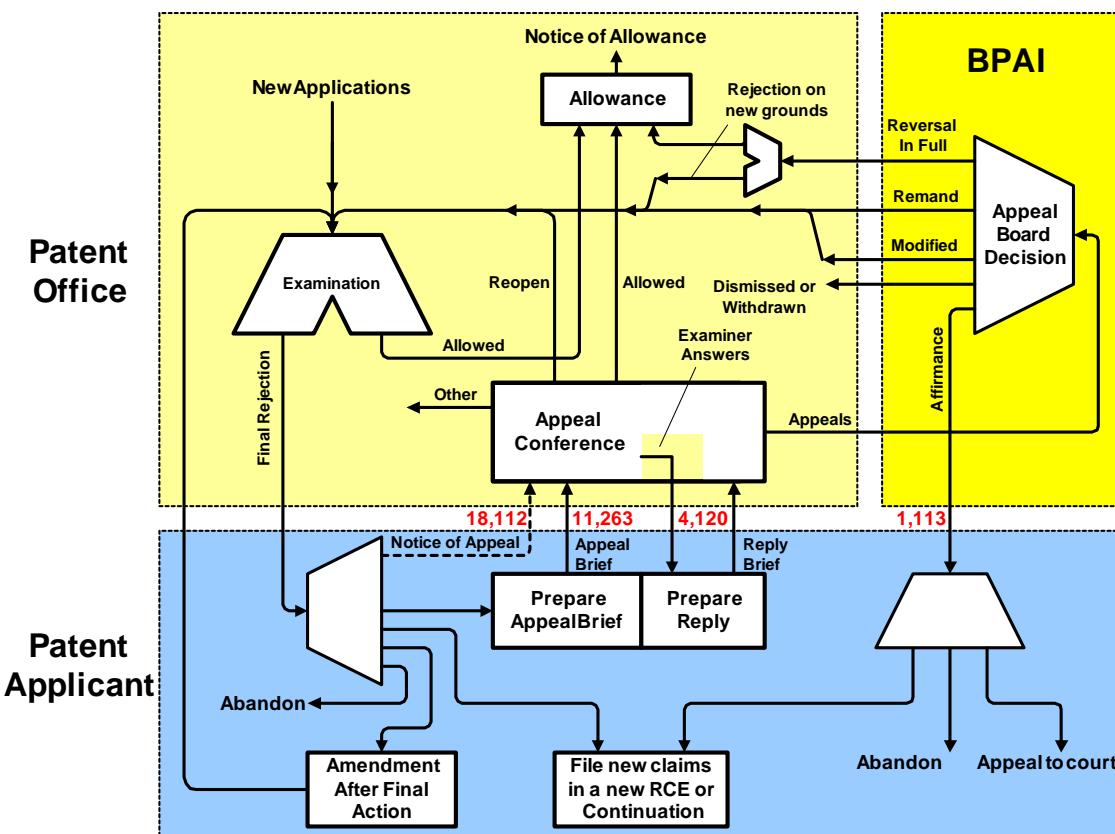


Figure 4. Ex Parte Appeal Process flow at the USPTO. The unit flow numbers in red indicate the number of cases in each flow category during FY 2005 and are not necessarily the same cases, due to accumulation and delays. The cases that the BPAI affirmed-in-part or reversed-in-part are aggregated under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

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

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

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

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

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

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

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

¹⁵ 5 U.S.C. § 500 et seq.

¹⁶ Pub. L. 106-554, Section 515.

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

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

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

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

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

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

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

²⁰ *69 Fed. Reg.* 49960, Col. 1.

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

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

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

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

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

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

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

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

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

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

²⁶ [71 Fed. Reg. 51](#), col 1-2.

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

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

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

²⁹ USPTO 2007 Budget, note 27 at 32.

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

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

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

³⁰ John M. Whealan, USPTO’s Deputy General Counsel for IP Law and Solicitor, *5th Annual Hot Topics In Intellectual Property Law Symposium*, Duke University School of Law, (Feb 17, 2006), http://realserver.law.duke.edu/ramgen/spring06/students/_02172006a.rm, at time mark 53:38-54:55.

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

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

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

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

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

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

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

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

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

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

Appeal and Continuation Rulemaking Chronology

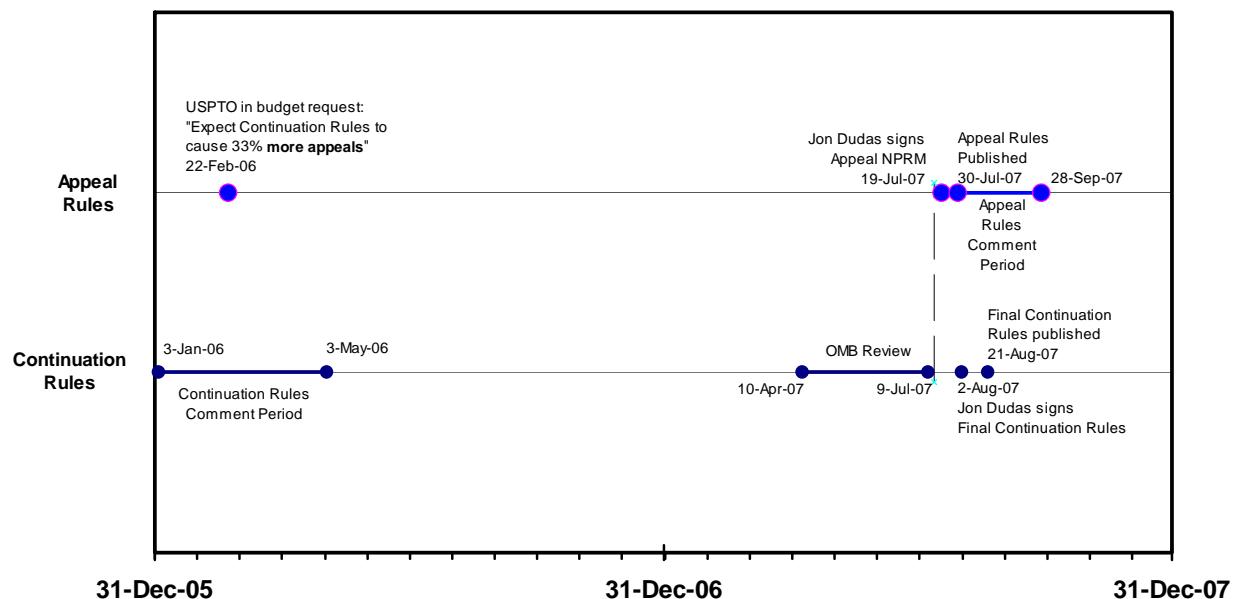


Figure 5. The temporal coordination of USPTO's Appeal and Continuation rulemaking. It is argued that while the USPTO was apparently acting on its February 2006 fully developed projections of appeals surge, the Appeal Rules' publication was delayed until OMB had completed its review and modification of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

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

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

³⁷ Appeal NPRM at 41483, col. 3.

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

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

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

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

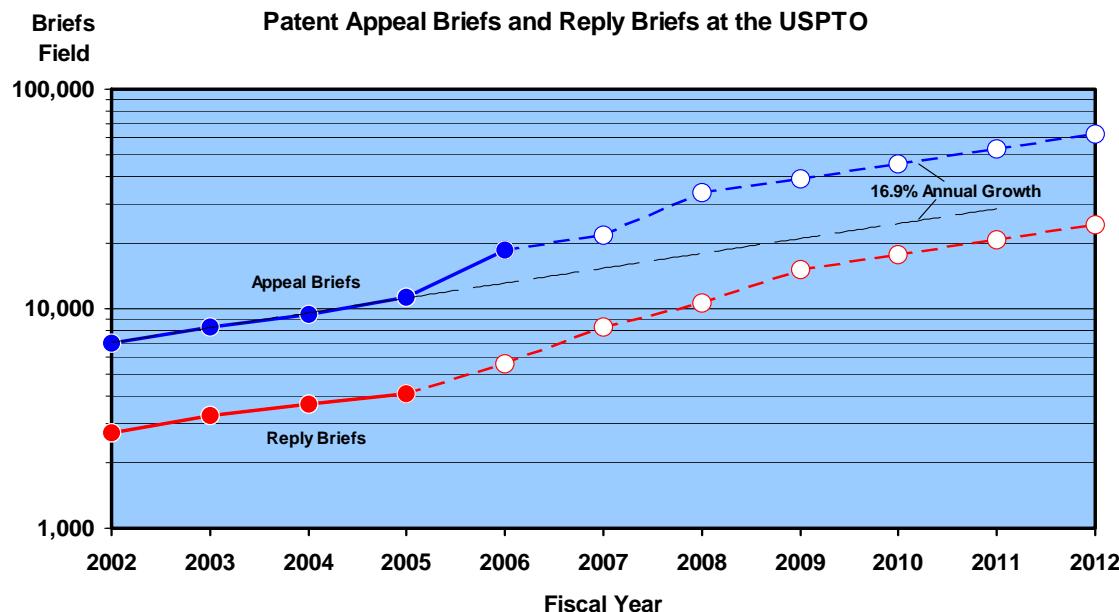


Figure 6. Actual (solid) and projected (broken lines, open circles) number of Appeal Briefs and Reply Briefs filed with the USPTO. The upward ‘bump’ projected in 2008 is based on USPTO’s own projections of a 33% collateral increase in patent appeals when the continuation rules are in effect. Sources: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

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

3.1 Appeal Briefs and their paperwork burdens

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

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

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

⁴¹ Appeal NPRM at 41484, col. 1.

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

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

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

3.2 Reply Briefs and their paperwork burdens

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

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

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

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

3.3 Economic significance under Executive Order 12,866

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

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

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

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

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

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

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

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

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

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

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

⁴⁴ Appeal NPRM at 41484, col. 1.

⁴⁵ Appeal NPRM at 41479, col. 3.

benefit by pendency reductions simply ignores the fact that pendency is already compensated for by patent term adjustments of 35 U.S.C. § 154(b).

4 THE PROPOSED RULES CONTRAVENE THE PAPERWORK REDUCTION ACT

The proposed Appeal Rules include information collection that is illegal under the Paperwork Reduction Act⁴⁶ (“PRA”). Proposed rules 41.37(t) and (u) and 41.41(h)(2) and (3) would require appellants to repackage and re-submit documents that are already in USPTO’s records. (See the relevant column in Table 4 and Table 5). Under the PRA, the Office of Management and Budget cannot approve Information Collection Requests that are duplicative⁴⁷: For example, proposed rule 41.37(t) (“The ‘evidence section’ shall contain only papers which have been entered by the examiner.”) demands information collection that is unambiguously duplicative. Not only is the requested information accessible to the BPAI, it is maintained electronically by the USPTO in a form and format that the USPTO itself prescribed. These requirements contravene the PRA.

5 CONCLUSION

The President himself has instructed the USPTO to “examine whether existing regulations... have created, or contributed to, the problem that a new regulation is intended to correct and whether those regulations (or other law) should be modified to achieve the intended goal of regulation more effectively.” To carry out the President’s instructions, USPTO must withdraw these proposed rules and the Continuation Rules. The agency must examine, in writing, the train-wreck that its own regulations are causing, and develop new regulations.

In developing new regulations, USPTO must immediately examine powerful alternative regulatory solutions to its workload problem such as Examination on Request, a workload savings program⁴⁸ that it has failed to seriously and publicly consider, despite specific congressional authorization under the Consolidated Appropriations Act of 2004.⁴⁹ It may also consider an entire new package, covering continuations, numbers of claims, and appeals in a new Notice of Proposed Rulemaking, with adequate factual support and analysis of the economic effect and interactions. USPTO should make very clear how the newly-proposed rules allow applicants to obtain the full patent protection granted by Congress, and how USPTO has guaranteed that it has not usurped the substantive rights granted to inventors.

⁴⁶ 44 U.S.C. § 3501 et seq.

⁴⁷ “To obtain OMB approval of a collection of information, an agency shall demonstrate that it has taken every reasonable step to ensure that the proposed collection of information: (i) Is the least burdensome necessary for the proper performance of the agency’s functions to comply with legal requirements and achieve program objectives; (ii) Is not duplicative of information otherwise accessible to the agency;....” See 5 C.F.R. § 1320.5(d)(1).

⁴⁸ Analysis of Examination On Request program described in a Letter from R.D. Katzenbach to Susan Dudley of June 29, 2007, available at <http://www.whitehouse.gov/omb/oira/0651/comments/460.pdf> at 30. (Patent applications are examined only if requested within a set period, projecting 20% immediate savings in USPTO workload).

⁴⁹ Pub. L. 108–447, 118 Stat. 2809 (2004). (Provides that 35 U.S.C. 41 shall be administered in a manner that separates user fees to permit deferred payment of examination and search fees. Based on senior USPTO officials’ comments to this author, an Examination On Request proposal was presented to AIPLA members (*Ex Parte*), who were reported to have opposed it, persuading USPTO management to abandon such rulemaking proceeding. This undocumented *Ex Parte* conduct in which Examination on Request ideas were presented only to one interest group and not to the public as a whole is a serious lapse in USPTO’s responsibility to the public to address its workload problems as provided by law).

In the alternative, USPTO should correct the procedural defects outlined above and it should designate these rules as economically “Significant Regulatory Action”. A Regulatory Impact Analysis fully compliant with OMB Circular A-4 should be prepared and published for public comment. All influential information used to support this analysis should adhere to the principles of OMB’s and USPTO’s Information Quality Guidelines.

Respectfully submitted by

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Appendix A These comments are timely

The attached correspondence with this author indicates that leave to file these comments after October 1, 2007 was granted.

From: McKelvey, Fred [mailto:Fred.Mckelvey@USPTO.GOV] **On Behalf Of** BPAI Rules

Sent: Monday, October 01, 2007 11:53 AM

To: Ron Katznelsn

Subject: RE: Extension of time for Comment on proposed RIN 0651-AC12 including its Paperwork Reduction Act analysis. Your request for a formal extension of time to comment on the Notice of Proposed Rulemaking, 71 Fed. Reg. 41472 (July 30, 2007) (Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals) has been received. The process of reviewing comments and determining a final rule has begun today, October 1, 2007. While a formal extension of time will not be granted, any comments received before comment review is complete will be considered. Please feel free to submit any comments as soon as possible.

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

-----Original Message-----

From: Ron Katznelsn [mailto:rkatznelsn@roadrunner.com]

Sent: Wednesday, September 26, 2007 7:44 PM

To: bpa.comments@uspto.gov; Robert.Clarke@USPTO.GOV

Subject: Extension of time for Comment on proposed RIN 0651-AC12 including its Paperwork Reduction Act analysis.

I write to request that the Comment period for the proposed Ex Parte Appeal Rules be extended. Because I rely in my comments on results of a survey obtained only recently, it has recently become clear that not enough time remains to adequately structure, complete the analysis and write the Comments by September 28th. An additional 20 days would be appreciated.

Sincerely,

Ron D. Katznelsn, Ph.D.
Encinitas, CA
Office: 760 753-0668
Mobile: 858 395-1440
rkatznelsn@roadrunner.com

Appendix B Numerical Data

Fiscal Year	Appeals received in FY			Appeals backlog at FY end	Appeal dispositions	Examiner's final rejections	UPR appeal rate (%)	BPAI staff members	Dispositions/Staff member
	All	Design	UPR						
Source	1	1	2	1	3	4	5	4	6
Item	Y	A	B	C	D	E	F	G	J
	1992				1,871				
	1993	4,487			2,273	4,085			
	1994	4,481			3,754	3,000			
	1995	5,225			5,533	3,446			
	1996	4,139			7,364	2,308	63,754	6.49	84
	1997	4,639			9,201	2,802	64,095	7.24	81
	1998	3,779			8,889	4,091	64,868	5.83	86
	1999	4,040	70	3,970	8,344	4,585	69,759	5.69	102
	2000	2,981	39	2,942	6,322	5,003	76,611	3.84	117
	2001	3,855	26	3,829	5,050	5,127	78,807	4.86	114
	2002	3,125	18	3,107	3,090	5,085	87,126	3.57	110
	2003	2,721	25	2,696	1,968	3,843	91,981	2.93	109
	2004	2,469	18	2,451	985	3,452	96,442	2.54	109
	2005	2,834	29	2,805	882	2,937	121,957	2.30	103
	2006	3,349	6	3,343	1,357	2,874			28.5

Table 2. BPAI workload related statistics by fiscal year. Sources: See below.

Sources:

1. USPTO, Annual Reports, at <http://www.uspto.gov/web/offices/com/annual/> and BPAI Process Production Reports at <http://www.uspto.gov/web/offices/dcom/bpai/docs/process/index.htm>.
2. UPR Appeals derived by: $C = A - B$, for years data is available.
3. Appeal Dispositions derived by: $E(Y) = A(Y) + D(Y - 1) - D(Y)$
4. Trilateral Patent Offices, *Trilateral Statistical Reports*. At <http://www.trilateral.net/tsr>
5. UPR Appeal Rate derived by: $G = C/F$ (approximated by $G = A/F$ for years up to 1998).
6. Appeal Dispositions per BPAI staff member derived by: $J = E/H$.

Appendix C Average incremental costs for preparing Appeal Briefs and Reply Briefs compliant with the proposed Appeal Rules

In order to estimate the amount of work in excess of what is done under current practice for the same Appeal Briefs and Reply Briefs, I obtained the relevant characteristics of a small sample of cases in appeals that were before the BPAI. These were examined based on BPAI final decisions as reported most recently on its final decision database.⁵⁰ The prosecution histories available on the USPTO's PAIR system⁵¹ were then consulted and for each case, an estimate was made of the incremental time required for each proposed rule element based on the number of figures in the application on appeal, number of independent claims on appeal, dependent claims on appeal and, where available, the number of claims argued separately. For each proposed rule element, the basis for the calculation and the average incremental time burden across the sample of appeals was entered in Table 4 and Table 5 for the Appeal Brief and Reply Brief respectively. The general statistical characteristics of the appeals sample are provided in Table 3. It should be noted, however, that because the sample is small, no reliable inference can be made on the variance or 'tail' of the probability distribution for each of the attributes identified in Table 3. While the resulting *average* burdens supplied in Table 4 and Table 5 may be within reasonable confidence limits for the purpose of these comments, the USPTO must provide statistical information on a much larger sample in order to properly establish these burdens and their tail distributions.

	Total number of claims on appeal	Number of independent claims on appeal	Number of Figures in Application on appeal.	Number of pages in Appeal Brief	Number of pages in Examiner's Answer	Number of pages in Reply Brief
Average	18.1	2.4	8.3	20.7	14.8	9.6
Standard Deviation	11.4	1.6	8.5	8.8	7.6	6.2
Minimum	1	1	0	10	6	2
Maximum	45	6	29	44	32	22

Table 3. Sample statistics of the first 17 appeals decided by the BPAI on September 20, 2007. *Source:* See text.

The number of incremental hours required for the tasks identified in Table 4 and Table 5 are predominantly those of senior patent attorney time with very little paralegal support. According to the economic survey of the AIPLA, the national average billing rate of a patent attorney in 2006 was \$332 per hour.⁵² Therefore, the hourly rate in the tables assumes a \$300/hr blend for the average billing rates of a patent attorney and that of a paralegal assistant.

⁵⁰ See <http://des.uspto.gov/Foia/BPAIReadingRoom.jsp>. The first 17 cases decided on September 20, 2007 were examined.

⁵¹ Available at <http://portal.uspto.gov/external/portal/pair>.

⁵² *AIPLA Report of the Economic Survey 2007*. American Intellectual Property Law Association, Arlington, VA. (July 2007) (Page I-5, Table for Q27, Q28, Q29, Q31).

Table 4. APPEAL BRIEF REQUIREMENTS AND INCREMENTAL COSTS UNDER THE PROPOSED BPAI RULES

Item	Section	Proposed Rule	Requirement	Provided under current practice ?	Duplication of material already in Agency records	Estimated average Incremental time to comply	
						Hours	Source/ Note §
Appeal Brief							
1	Statement of the real party in interest	41.37(f)	Identification of the name of the real party in interest	Yes			
2	Statement of related cases.	41.37(g)	Identify all related applications, patents, appeals, interferences or court docket numbers. Include all cases known that relate to, directly affect, or would be directly affected by or have a bearing on the Board's decision in the appeal.	Yes			
3	Jurisdictional statement.	41.37(h)	A statement of the statute under which the appeal is taken, the date of the decision from which the appeal is taken, the date the notice of appeal was filed, and the date the appeal brief is being filed.	In Part			
4	Table of contents.	41.37(e), 41.37(l), 41.37(v)(1)	Identification of the items listed in Proposed 41.37(e) along with a page reference where each item begins.	Rarely		0.0	This estimate is conservative, as many practitioners preparing briefs under the current rules do not know how to use the automated Table-of-Contents facilities of their word processors.
5	Table of authorities.	41.37(j)	List court and administrative decisions (alphabetically arranged), statutes, and other authorities, along with a reference to the pages where each authority is cited.	No		1.0	Automated tools require a great deal of manual intervention
6	Status of claims.	41.37(k)	List "status of pending claims" (e.g., rejected—appealed, rejected—not appealed, cancelled, allowable, withdrawn from consideration, or objected to).	Yes			
7	Status of amendments.	41.37(l)	Indicate the "status of amendments" for all amendments filed after final rejection (e.g., entered or not entered).	Yes			
8	Rejections to be reviewed.	41.37(m)	Set out the "rejections to be reviewed," including the claims subject to rejection under each statute.	Yes			
9	Statement of facts.	41.37(n)	Setting out in an objective and non-argumentative manner the material facts relevant to the rejections on appeal. Including scope and content of the prior art, any differences between the claims on appeal and the prior art, and the level of skill in the art.	In Part		1.5	To comply with new specific requirements articulated in the preamble of the NPRM, as those requirements apply to the average claim mix in the Appeals Sample.
10	Argument.	41.37(o)	Contain an argument comprising an analysis explaining, as to each rejection to be reviewed, why the appellant believes the examiner erred as to each rejection to be reviewed. Would have to address all points made by the examiner with which the appellant disagrees.	In Part		0.8	To comply with new specific requirements articulated in the preamble of the NPRM, as those requirements apply to the average claim mix in the Appeals Sample.
Appendix containing:							
11	Claims section	41.37(p)	Accurate clean copy in numerical order of all claims pending in the application, not just those under rejection. The status of each claim would have to be indicated.	In Part		0.3	To review and include claims not under appeal and identification of their status.
12	Claim support section	41.37(q)	For each claim argued separately, an annotated copy of the claim indicating in bold face between braces ({}) after each limitation where, by page and line numbers, the limitation is described in the specification as filed.	No		2.0	Requires substantial analysis of facts related to all limitations of the claims (including those not raised by the examiner) and are therefore not discussed under current practice. Reflects the requirements as applied to the average claim mix in the Appeals Sample.
13	Drawing analysis section	41.37(r)	For each claim argued separately indicating in bold face between braces ({}) where each limitation is shown in the drawings or sequence.	No		1.5	Same comment as for Item 12 above. This estimate is proportional to the number of figures in the application and reflects the requirements as applied to the average claim mix and the figure count in the Appeals Sample.
14	Means or step plus function analysis section	41.37(s)	For each claim argued separately, and for each means or step plus function limitation, provide annotated copy of the claim indicating in bold face between braces ({}) the page and line of the specification and the drawing figure and element numeral that describes the structure, material or acts corresponding to each claimed	No		0.0	The occurrence of this claiming form has become rare and its average burden is assumed to be de minimis.
15	Evidence section	41.37(i), 41.37(j), 41.37(t), 41.37(v)(1)	Contain papers which have been entered by the examiner and the applicant during prosecution and a table of contents setting forth the contents of the Evidence Section.	In Part	Yes	3.0	The Evidence appendix, its table of contents and pagination requirements of Proposed 41.37(v)(1) as stated are far more precise than the Federal Circuit's, and are circularly dependent so that they will require multiple iterations. Assembling and page-numbering the Appendix, and then back-substituting Appendix page numbers into the body of the brief cannot be done electronically. Based on Federal Circuit brief preparation experience of several practitioners, the attorney time shown is a very conservative cost estimate for actual attorney and paralegal costs.
16	Related cases section	41.37(u), 41.37(v)(1)	Provide copies of orders and opinions required to be cited pursuant to 41.37(g).	In Part	In Part		
17	Applicant's time to review the full appeal package including required appendices			In Part		0.5	Under current practice, many appeals are filed without client review. Under the proposed rules which establish strict non forgiving criteria that might result in a loss of patent right, more practitioners are expected to demand more exchange, client review and sign-off to reduce their malpractice liability.

Total Incremental Hours **10.6**

Hourly Rate **\$300**

Total Incremental Cost **\$3,180**

\$300/Hr assumes a blend of the average billing rates of a patent attorney and of a paralegal. 2007 AIPLA Economic Survey data for average billing rate of a patent attorney in 2006 is \$332 (Page I-5, Table for Q27, Q28, Q29, Q31).

§ Estimates were made based on a sample of the first 20 appeals decided by the BPAI and published on September 20, 2007: Average numbers: Total claims on appeal - 18.1, with 2.4 independent claims; Figures in the application on appeal - 8.3, Pages in Appeal Brief - 20.7; Pages in Reply Brief - 9.6

Table 5. REPLY BRIEF REQUIREMENTS AND INCREMENTAL COSTS UNDER THE PROPOSED BPAI RULES

Item	Section	Proposed Rule	Requirement	Provided under current practice ?	Duplication of material already in Agency records	Estimated average Incremental time to comply	
						Hours	Source/ Note §
Reply Brief							
1	Table of contents.	41.37(i), 41.37(v)(1), 41.41(d)(1)	Identification of the items listed in Proposed 41.41(d) along with a page reference where each item begins.	No		0.0	This estimate is conservative, as many practitioners preparing briefs under the current rules do not know how to use the automated Table-of-Contents facilities of their word processors.
2	Table of authorities.	41.37(j), 41.41(d)(2)	List court and administrative decisions (alphabetically arranged), statutes, and other authorities, along with a reference to the pages where each authority is cited.	No		0.4	Automated tools require a great deal of manual intervention
3	Statement of timeliness	41.41(d)(3), 41.41(e)	Establish that the reply brief is being timely filed by including a statement of the date the examiner's answer was entered and the date the reply brief is being filed. For reply briefs filed after the time specified in this subpart, indicate the date an extension of time was requested and the date the request was granted.	No		0.1	This statement is not required under the current practice. Compliance requires review of the timeline record (possibly of other attorney's)
4	Statement of additional facts.	41.41(d)(4), 41.41(f)	Statement of the additional facts that appellant believes are necessary to address the points raised in the examiner's answer and, as to each fact, must identify the point raised in the examiner's answer to which the fact relates.	In Part		0.6	To comply with new specific requirements articulated in the preamble of the NPRM, as those requirements apply to the average claim mix in the Appeals Sample.
5	Argument.	41.41(d)(5), 41.41(g)	Provide argument which would be limited to responding to points made in the examiner's answer. No general restatement of the case should be repeated in a reply brief.	In Part		0.8	To comply with new specific requirements articulated in the preamble of the NPRM, as those requirements apply to the average claim mix in the Appeals Sample.
Supplemental Appendix: To be provided If the examiner entered a new rejection in the examiner's answer. Time estimates reflect an average including cases having no new rejections.							
6	Table of contents.	41.37(i), 41.37(v)(1), 41.41(h)(1)	Identification of the items listed in Proposed 41.41(h) along with a page reference where each item begins.	No		0.2	Table cannot be generated automatically
7	The Examiner's Answer	41.37(l), 41.41(h)(2)	Include a copy of the Examiner Answer to which the Reply Brief is directed.	No	Yes	1.0	Reformatting and manual pagination required for inclusion
8	Supplemental Evidence section	41.37(l), 41.37(v)(1), 41.41(h)(3)	All evidence upon which the examiner's answer relied in support of the new rejection that does not already appear in the evidence section accompanying the appeal brief, except the specification, any drawings, U.S. patents and U.S. published applications.	No	Yes		To meet Applicant's new burden of reproducing and documenting the Examiner's Answer's evidentiary record including reformatting and manual pagination

Total Incremental Hours 3.1

Hourly Rate \$300
Total Incremental Cost \$930

\$300/Hr assumes a blend of the average billing rates of a patent attorney and of a paralegal. 2007 AIPLA Economic Survey data for average billing rate of a patent attorney in 2006 is \$332 (Page I-5, Table for Q27, Q28, Q29, Q31).

§ Estimates were made based on a sample of the first 20 appeals decided by the BPAI and published on September 20, 2007: Average numbers: Total claims on appeal - 18.1, with 2.4 independent claims; Figures in the application on appeal - 8.3, Pages in Appeal Brief - 20.7; Pages in Reply Brief - 9.6