REGULATORY CHECKBOOK

February 25, 2010

The Honorable David Kappos
Under Secretary of Commerce for Intellectual Property and
Director, United States Patent and Trademark Office
Alexandria, VA 22314

Subject: Rules of Practice in Ex Parte Appeals Before the Board of Patent Appeals and Interferences in Ex Parte Appeals, Advanced Notice of Proposed Rule Making (PTO-P-2009-0021)

Dear Director Kappos:

I am pleased to submit these comments on the Board of Patent Appeals and Interferences' Rules of Practice in Ex Parte Appeals, Advance Notice of Proposed Rulemaking (ANPRM) published on December 22, 2009.[1] Regulatory Checkbook is a nonprofit organization committed to improving the quality of scientific and economic analysis available for and used in regulatory decision-making. We do not take substantive positions on regulatory issues.

Although I am not a patent applicant, attorney or agent, I became an ancillary part of the patent community in 2007 when I first reviewed a pair of notices of proposed rulemaking (NPRMs) that, if promulgated, would have significantly restricted continuations practice and limited the number of claims that would be permitted.[2] During my review, I was surprised by the absence of economic and policy analysis put forward by the Office in support of such far-reaching actions. Both proposed rules had been designated by USPTO as "significant" under Executive Order 12,866, but there was never any question that, in fact, these regulatory actions were "economically significant" and thus a Regulatory Impact Analysis (RIA) should have been prepared for each draft rule.[3] To this day, I do not know why USPTO decided not to comply, or why the Office of Management and Budget (OMB) allowed it to do so.[4]

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[1] U.S. Patent and Trademark Office (2009b)

[2] U.S. Patent and Trademark Office (2006b, 2006c).

[3] Clinton WJ (1993). Section 6(a)(3)(C) defines the threshold for triggering an RIA. It cross references Section 3(f)(1), which states that "economically significant" regulatory action is one that "is likely to result in a rule that may have 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…"

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In late 2007, I learned that the Patent Office's noncompliance with Executive Order 12,866 was matched by its noncompliance with the Paperwork Reduction Act (PRA).[5] In the two NPRMs, USPTO did not provide the public credible information about burden[6] or practical utility[7] on which to comment, which it was required by law to do.[8] When the Office finally submitted an Information Collection Request (ICR) in September 2007,[9] it was legally obligated to include the burdens of the Claims and Continuations final rule promulgated the previous August.[10] It didn't. With the help of several knowledgeable patent professionals, I prepared public comments on the ICR in which I documented more than $30 billion per year in new annual paperwork burden.[11] For reference, note that in 2007 the aggregate paperwork burden of the entire Department of Commerce for FY 2006 was valued at $1.8 billion.[12]

My comments are limited to matters of regulatory law and Executive branch administrative procedure. It is my contention that the Office has experienced unusual conflict and controversy in large part because it has refused to comply with statutory requirements (such as the Paperwork Reduction Act) and routine Executive branch procedures (such as Executive Order 12,866).

Each of the proposed rules referenced in footnote 2, plus a third (U.S. Patent and Trademark Office 2006a), would have had billions of dollars in annual effects just from paperwork burdens alone.

[4] From 1988-98, I was a staff economist in OMB's Office of Information and Regulatory Affairs (OIRA). My principle responsibility was reviewing agency RIAs submitted pursuant to Executive Order 12,866 and its predecessor (Reagan 1981).

[5] 44 U.S.C. Part 35, implemented by rule at 5 C.F.R. Part 1320.

[6] Paperwork "burden" is defined in 44 U.S.C. § 3502(2) and 5 C.F.R. § 1320.3(b). Guidance issued *solely* for internal management purposes is exempt, but internal management guidance with external effects is covered.

[7] "Practical utility" is defined in 44 U.S.C. § 3502(11) and 5 C.F.R. § 1320.3(l).

[8] 5 C.F.R. § 1320.11.

[9] U.S. Patent and Trademark Office (2007g).

[10] U.S. Patent and Trademark Office (2007b).

[11] Belzer RB (2007b, 2008b). I provided an expert declaration on these subjects to the Court in *Tafas v. Dudas. See* amicus brief by Polestar Capital Associates, LLC, and The Norseman Group LLC, Exhibit 21, http://www.patentbaristas.com/wp/wp-content/uploads/2008/01/071227-b-178-02-ex-21-belzer-declaration.pdf.

[12] Office of Management and Budget (2007, p. 56, Appendix A, Table 3).

Unfortunately, for years now the USPTO has been hiding as much crucial and relevant information as possible and misleading the public about the implications of its regulatory actions—a practice long ago derided by Judge Abner Mikva:

> 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 in time to allow for meaningful commentary."[13]

I am encouraged by the publication of this ANPRM insofar as it may signal a formal but subtle indication that the USPTO intends to change course. I am concerned, however, because the ANPRM contains no information of value related to paperwork burden and it is utterly silent concerning Executive Order 12,866. What the patent community needs from the USPTO right away is an enforceable commitment to fully comply with all applicable laws and Executive branch procedures.

Noncompliance with Law, Administrative Procedure, and Executive Order 12,866 in the Continuations Limits, Claims Limits, and IDS Rules

In recent years the USPTO has experienced a significant increase in patent pendency. There is a fundamental disagreement concerning the cause. Nonetheless, in 2005 the Patent Office launched a series of major regulations whose stated intent was to reduce patent pendency by restricting both the number of continuations applicants could file ("Continuations Limits," RIN 0651-AB93), the number of claims each application could contain ("Claims Limits," RIN 0651-AB94), and creating new information disclosure statement filing requirements ("IDS," RIN 0651-AB95). The USPTO's stated purposes are contained in the abstracts the Office published in the 2005 Regulatory Agenda, which are reproduced in **Table I** below.[14]

[13] *Conn. Light & Power Co. v. NRC*, 673 F.2d 525, 530-31 (D.C. Circuit 1982).

[14] U.S. Patent and Trademark Office (2005a, 2005b, 2005c).

Table I: Regulatory Agenda Entries for the USPTO's Major Regulatory Initiatives in 2006-2008		
741. CHANGES TO PRACTICE FOR CONTINUING APPLICATIONS, REQUESTS FOR CONTINUED EXAMINATION PRACTICE, AND APPLICATIONS CONTAINING PATENTABLY INDISTINCT CLAIMS	**742. CHANGES TO PRACTICE FOR THE EXAMINATION OF CLAIMS IN PATENT APPLICATIONS**	**743. CHANGES TO INFORMATION DISCLOSURE STATEMENT REQUIREMENTS AND OTHER RELATED MATTERS**
Priority: Other Significant	Priority: Other Significant	Priority: Substantive, Nonsignificant
Legal Authority: 35 USC 2(b)(2)	Legal Authority: 35 USC 2(b)(2)	Legal Authority: 35 USC 2(b)(2)
CFR Citation: 37 CFR Part 1	CFR Citation: 37 CFR Part 1	CFR Citation: 37 CFR Part 1
Legal Deadline: None	Legal Deadline: None	Legal Deadline: None
Abstract: The Office revises the Rules of Practice in Ex Parte Appeals to share the burden of examining an application if the applicant has filed multiple continuing applications or multiple requests for continued examination. The revised rules would require that second or subsequent continuation applications and second or subsequent requests for continued examination of an application include a showing as to why the amendment, argument, or evidence presented were not previously submitted. The revised rules would also ease the burden of examining multiple applications that have the same effective filing date, overlapping disclosure, a common inventor, and common assignee by requiring that all patentably indistinct claims in such applications be submitted in a single application absent good and sufficient reason. These changes would allow the Office to apply the patent examining resources currently absorbed by multiple continuing applications and requests for continued examination that simply recycle earlier applications to the examination of new applications and thus allow the Office to reduce the back-	Abstract: A small but significant minority of applications contain an excessive number of claims, which makes effective examination of such applications problematic. The United States Patent and Trademark Office (Office) revises the Rules of Practice in Ex Parte Appeals to share the burden of examining applications containing an excessive number of claims. Specifically, the Office amends the rules to provide that if an application contains more than ten independent claims, the applicant must provide a patentability report that covers all of the independent claims in the application. In addition, the Office amends the rules to provide that the Office will give a separate examination only to those dependent claims expressly elected for separate examination, and that the applicant must provide a patentability report that covers all of the independent claims and elected dependent claims in the application if the number of independent claims plus the number of dependent claims elected for examination is greater than ten. The changes would allow the Office to apply the patent examining resources currently absorbed by ap-	Abstract: The United States Patent and Trademark Office (Office) amends its regulations on information disclosure statement (IDS) requirements and other related matters to improve the quality and efficiency of the examination process. These changes would enable the examiner to focus in on the relevant portions of submitted prior art at the very beginning of the examination process, give higher quality first actions, and minimize wasted steps. This action would make the following changes relating to submissions of IDS's by applicants: impose a requirement for the personal review of, and to provide information about, certain citations; eliminate the fees for, but permit only timely, IDS submissions; and only This will mean faster more efficient examination for the typical applicant without any additional work on the applicant's part but a small minority of applicants who consume a disproportionate share of Agency resources will be required to share the burden they place on the Agency permit the filing of an IDS after the mailing of a notice of allowance if a claim is admitted to be unpatentable and a narrowing amend-

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log of unexamined applications. This will mean faster more efficient examination for the typical applicant without any additional work on the applicant's part but a small minority of applicants who consume a disproportionate share of Agency resources will be required to share the burden they place on the Agency.	plications that contain an excessive number of claims to the examination of new applications, and thus allow the Office to reduce the backlog of unexamined applications. This would mean faster more effective examination for the typical applicant without any additional work on the applicant's part, but a small minority of applicants who consume a disproportionate share of agency resources will be required to share the burden they place on the agency.	ment is also submitted. The Office would also permit third parties to submit prior art up until the mailing of a notice of allowance after application publication; to no longer permit an IDS to meet the submission requirement for a request for continued examination (RCE); to permit, after payment of the issue fee, certain amendments and petitions so applicants will not have to file a continuation application or an RCE for such items; and to revise the protest rule to better set forth options that applicants have for dealing with unsolicited information received from third parties.
Timetable: Action Date FR Cite NPRM To Be Determined	Timetable: Action Date FR Cite NPRM To Be Determined	Timetable: Action Date FR Cite NPRM To Be Determined
Regulatory Flexibility Analysis Required: No	Regulatory Flexibility Analysis Required: No	Regulatory Flexibility Analysis Required: No
Small Entities Affected: No	Small Entities Affected: No	Small Entities Affected: No
Government Levels Affected: None	Government Levels Affected: None	Government Levels Affected: None
Agency Contact: Robert W. Bahr, Senior Patent Attorney, Department of Commerce, Patent and Trademark Office, P. O. Box 1450, Alexandria, VA 22313 Phone: 571 272–8800 Email: robert.bahr@uspto.gov	Agency Contact: Robert W. Bahr, Senior Patent Attorney, Department of Commerce, Patent and Trademark Office, P. O. Box 1450, Alexandria, VA 22313 Phone: 571 272–8800 Email: robert.bahr@uspto.gov	Agency Contact: Robert W. Bahr, Senior Patent Attorney, Department of Commerce, Patent and Trademark Office, P. O. Box 1450, Alexandria, VA 22313 Phone: 571 272–8800 Email: robert.bahr@uspto.gov
RIN: 0651–AB93	RIN: 0651–AB94	RIN: 0651–AB95
Source: USPTO (2005a).	Source: USPTO (2005b).	Source: USPTO (2005c).

Noncompliance with Executive Order 12,866

These abstracts are the index patient for the disease. For the Continuations Limits and Claims Limits regulatory actions, the USPTO reported to OMB that each action was "other significant" under Executive Order 12,866. This meant that that neither action was likely to have $100 million or more in effects in any one year. For the IDS regulatory action, the USPTO reported to OMB that it was "nonsignificant," meaning that effects were too minor to even warrant OMB review.[15]

It is inconceivable that responsible USPTO officials honestly believed that these claims were true.[16]

Noncompliance with the Regulatory Flexibility Act (RFA)

The Regulatory Flexibility Act (RFA) establishes certain procedures agencies must follow in addition to publishing their Regulatory Agendas (5 U.S.C. § 602). For any action covered by Section 553 of the Administrative Procedure Act, or any other law requiring it to follow notice and comment procedures,

> the agency shall prepare and make available for public comment an initial regulatory flexibility analysis. Such analysis shall describe the impact of the proposed rule on small entities. The initial regulatory flexibility analysis or a summary shall be published in the Federal Register at the time of the publication of general notice of proposed rulemaking for the rule. The agency shall transmit a copy of the initial regulatory flexibility analysis to the Chief Counsel for Advocacy of the Small Business Administration (5 U.S.C. § 603(a)).

The Regulatory Agenda entries signal that the Patent Office intended from the outset to take advantage of a limited exception in 5 U.S.C. § 605(b), which would permit the Office to avoid this analytic requirement "if the head of the agency certifies that the rule will not, if promulgated, have a significant economic impact on a substantial number of small entities."

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[15] During the first 16 fiscal years of Executive Order 12,866, OMB reviewed 10,186 draft proposed and final regulations, an average of 637 per year. To be "not significant " a draft regulatory action would have to have fewer impacts than the least of these.

[16] In a subsequent meeting held at OMB, Robert Bahr, Senior Patent Counsel in the Office of the Deputy Commissioner for Patent Examination Policy, acknowledged that the IDS rule was (at least) *significant*, even though the Patent Office had stated in the NPRM that it was not, and that the Office had made no effort to correct the record. See footnote 49.

This is exactly what the USPTO did. In the preamble to the proposed Continuations Limits and Claims Limits rules, the USPTO included the following text:

> For the reasons set forth herein, the Deputy General Counsel for General Law of the United States Patent and Trademark Office has certified to the Chief Counsel for Advocacy of the Small Business Administration that the changes proposed in this notice will not have a significant economic impact on a substantial number of small entities.[17]

It is inconceivable that the USPTO's Deputy General Counsel honestly believed that these claims were true.

Noncompliance with the Paperwork Reduction Act (PRA)

Every time an agency collects or sponsors a collection of information from the public, it must comply with the procedures and requirements of the Paperwork Reduction Act.[18] These requirements apply whether the information collection is mandatory or voluntary. It is a routine function of an agency's information resources management (IRM) office and general counsel to ensure that these requirements are satisfied.

The purpose of the PRA is to minimize paperwork *burden* on the public and ensure that the information agencies collect has *practical utility*. Paperwork *burden* is defined in 44 U.S.C. § 3502(2) and 5 C.F.R. § 1320.3(b). *Practical utility* is defined in 44 U.S.C. § 3502(11) and 5 C.F.R. § 1320.3(l). Collections of information contained in proposed rules are subject to contemporaneous notice and comment requirements (5 C.F.R, § 1320.11). Agencies must provide the public, at the same time that a proposed rule is published, an array of information including, but not limited to, evidence showing "whether the information will have practical utility" and a "spe-

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[17] *See* U.S. Patent and Trademark Office (2006b, p. 56; 2006c, p. 66). In the preamble to the IDS rule, the USPTO claimed that it was exempt because "prior notice and an opportunity for public comment are not required pursuant to 5 U.S.C. 553 (or any other law)" (U.S. Patent and Trademark Office 2006a, p. 38819). This is inconsistent with the Regulatory Agenda entry, which acknowledges that the rulemaking was substantive rather than procedural.

[18] *Collection of information* is defined in 44 U.S.C. § 3502(3) and 5 C.F.R. § 1320.3(c). The procedures agencies must follow are found in 5 C.F.R. § 1320.5 (general planning), § 1320.8 (internal review prior to submission to OMB), § 1320.9 (agency certifications of compliance), and §§ 1320.10-12 (notice and comment and submission to OMB). It is illegal for any agency to conduct or sponsor a collection of information without complying with these procedures.

cific, objectively supported estimate of burden." This information must be provided "in a manner that is reasonably calculated to inform the public" (5 C.F.R. § 1320.8).

The USPTO's notices accompanying the proposed rules did not comply with any of these requirements. For the proposed Continuations Limits and Claims Limits rules, the USPTO published notice of submission of the relevant Information collection Request (ICR) to OMB. This notice contained identical, boilerplated recitations of summary factual claims lacking any analytic support or explanation of their derivation.[19] Burden per respondent was reported as ranging from "1 minute and 48 seconds to 12 hours" for 2,284,439 respondents. By division, the average reported burden is 1.2 hours.[20] For the proposed IDS rule, the USPTO's compliance with the PRA was equally poor and inscrutable. The Office's ICR notice reported 2,317,539 respondents would bear burdens ranging from 1 minute and 48 seconds to 12 hours, also with an average burden of 1.2 hours.[21] How much of this burden was attributable to the proposed rules is unknown; the USPTO didn't say.

I have found no evidence that *any* patent applicant or attorney knew *anything* about the PRA at this time. This circumstance might have been different if, for example, the USPTO had fulfilled its statutory responsibility to consult with the public.[22] The Office also could have published instructions showing how to access the ICR Supporting Statements. It did not do so. Indeed, the USPTO did not even inform the public that ICR Supporting Statements existed so that copies could be requested from the Office.

By law, ICRs along with their Supporting Statements must be submitted to OMB, and made publicly available, no later than the date of publication in the *Federal Register* (5 C.F.R. § 1320.11(b)), which was January 3, 2006. The ICR covering both proposed rules was submitted to OMB on December 22, 2005, but the Supporting Statement was not made public.[23] Unless a member of the public knew whom to

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[19] U.S. Patent and Trademark Office (2006b, pp. 57-58; 2006c, pp. 66-67).

[20] The ICR reports the difference between previously approved burden and burden requested. Presumably, this difference is the estimated net increase in burden due to the proposed Continuations Limits and Claims Limits rules: 75,200 hours valued at $4,093,000, an increase of about 3%. The average hour of burden was valued at $54.43.

[17] U.S. Patent and Trademark Office (2006a, p. 38819).

[22] 44 U.S.C. § 3506(c)(2)(A), implemented by 5 C.F.R. § 1320.8(d)(1).

[23] See http://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=200512-0651-002. Agencies have always been obligated to inform the public of Paperwork submissions and make them available, Since June 2007, OMB has sponsored a web site that helps agencies fulfill the second of these duties.

ask and what to ask for, there was no way to obtain enough information to inform provide comment.[24]

The first genuine opportunity the public had to provide informed public comment on this collection of information occurred after the final Continuations and Claims Limitation rule was promulgated on August 21, 2007, with an effective date of November 1, 2007.[25] By law, the USPTO was required to submit the conforming ICR to OMB "[o]n or before the date of publication of the final rule" (5 C.F.R. § 1320.11(h). It didn't. In fact, the Office waited over a month before submitting the ICR to OMB.[26] When it finally submitted the ICR, it didn't include conforming changes.

Unbeknownst to the public (including plaintiffs Triantafyllos Tafas, Smith-Kline Beecham Corporation, *et al.*), the Patent Office was forbidden by law from collecting the information required by the final rule unless and until OMB approved the ICR. By law, the public was permitted to submit comments (this time, to OMB) until at least October 26, 2007—five days before the rule's planned effective date, and as it happened, four days before the U.S. District Court for the Eastern District of Virginia temporarily enjoined the rule.[27] In short, the USPTO did almost everything possible to frustrate the purposes of the Paperwork Reduction Act. It denied the public any genuine opportunity to participate and it boxed OMB into a corner whence it was virtually impossible to perform a credible review.[28]

Besides this abject procedural failure, the USPTO also failed to fulfill its substantive responsibilities under the PRA. Timely but preliminary comments were

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[24] On March 13, 2008, the USPTO submitted to OMB a "change worksheet" that made certain minor revisions in the Office's burden estimates. *See* U.S. Patent and Trademark Office (2007a). The change worksheet was not made public.

[25] The two proposed rules were promulgated as a single final rule. *See* U.S. Patent and Trademark Office (2007b).

[26] U.S. Patent and Trademark Office (2007g). Although this notice was published on September 18, 2007, the ICR was not actually submitted until September 26, 2007.

[27] *Tafas v. Dudas*, 541 F.Supp.2d 805, 812, 86 USPQ2d 1623, 1628 (E.D. Va. 2008).

[28] Had the Court not enjoined the final rule, it is likely that the USPTO would have asked OMB for an emergency approval pursuant to 5 C.F.R. § 1320.13. The Director would have had to make a false certification that "the agency cannot reasonably comply with the normal clearance procedures under this part because (i) Public harm is reasonably likely to result if normal clearance procedures are followed; (ii) An unanticipated event has occurred; or (iii) The use of normal clearance procedures is reasonably likely to prevent or disrupt the collection of information or is reasonably likely to cause a statutory or court ordered deadline to be missed."

submitted to OMB showing that the paperwork burden from the final rule would not be negligible, as the Patent Office had implied, but rather fantastically large.[29] These estimates were clarified over the next three months. I estimated the monetized burden of the final Continuations and Claims rule at $10 billion to $25 billion per year, and the effects of the array of rulemakings then underway as even more staggeringly large:

> We estimate that PTO's recent and anticipated regulatory actions will result in between 45 million and 73 million new burden-hours. These burdens translate into 26,000 to 40,000 full-time equivalent work-years (2,000 hours per year). There are approximately 15,000 attorneys and agents licensed to practice before PTO. If every one of them were occupied full-time fulfilling these new paperwork burdens, it would require between 87% and 133% of their available time. The actual prosecution of patents to protect economically vital innovations and inventions could grind to a halt.[30]

I am unaware of whether the USPTO ever privately attempted to rebut these estimates. I am aware of no such effort having been made public.

The 2008 Revision to the BPAI Rules of Practice in Ex Parte Appeals Rulemaking: Still More Noncompliance

Public commenter Ron Katznelson summarized, with ample supporting data, the milieu in which the Rules of Practice in Ex Parte Appeals rulemaking occurred:

> 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'

[29] Belzer (2008a) and Katznelson (2008a). My comment primarily concerned the IDS rule, the draft final version was then under review by OMB. I estimated the annual paperwork burden of the *proposed* IDS rule at $7.3 billion per year.

[30] Belzer (2008b, p. 2).

> discretionary or procedural decisions in the examination of claims.
>
> …
>
> 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.
>
> USPTO described several reasons for these very promising declines. For example, USPTO instituted several intermediate steps in the appeal process, including appeal conference program[5] and adopting a pre-brief appeal conference program[6] 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… 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 (emphasis in original).[31]

Then something went wrong. As Dr. Katznelson recounts, the USPTO first announced its intent to revise the Rules of Practice in the 2007 Regulatory Agenda. The text is reproduced in **Table II** on page 13, with the problematic elements highlighted in red as before. The agenda entry does not explain why the Board would want to change its rules, but it does claim that the changes will "have some positive impact on the USPTO's appeal backlog and pendency." In retrospect, this may have been the first public hint that the USPTO's efforts to reduce patent pendency by squeezing the examination process was having unintended adverse effects on appeals.

At this time, the USPTO almost certainly understood that finalizing the Continuations Limits rule would vastly increase the BPAI's workload. Indeed, all the Office needed to do to understand this is to have read its own words and the public comments. In the 2006 preamble to the proposed Continuation Limits rule, the

[31] Katznelson (2008a, pp. 2, 4, internal footnotes omitted, emphasis in original).

USPTO recommended that applicants utilize the appeal process instead of filing continuations:

> 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.[32]

Public comments indicated that applicants would do exactly what the Office recommended. Thus, it was now clear—before the Continuations Limits rule was promulgated—that the BPAI would be swamped as a direct result. Rather than stop to reconsider, however, the Office soldiered on. Revising the BPAI Rules of Practice apparently was to remedy the very problem that the Office planned to create. Instead of reconsidering the wisdom of limiting continuations, the USPTO proposed to choke off the number of appeals by making it more expensive to file them and subtly changing the burden of proof so that examiners would win more of them.

[32] U.S. Patent and Trademark Office (2006b, p. 51).

Table II:
Regulatory Agenda Entry for BPAI Rules of Practice in Ex Parte Appeals Rule Making, 2007

565. CHANGES TO RULES OF PRACTICE IN EX PARTE APPEALS BEFORE THE BOARD OF APPEALS AND INTERFERENCES IN EX PARTE APPEALS

Priority: Substantive, Nonsignificant

Legal Authority: 35 USC 2(b)(2); 35 USC 6(b); 35 USC 132; 35 USC 133; 35 USC 134; 35 USC 305; 35 USC 306

CFR Citation: 37 CFR 41, subparts A and B

Legal Deadline: None

Abstract: The USPTO is revising the Rules of Practice in Ex Parte Appeals 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.

Timetable

Action	Date	FR Cite
NPRM	05/00/07	
NPRM Comment Period End	07/00/07	
Final Action	07/00/07	

Regulatory Flexibility Analysis Required: No

Small Entities Affected: No

Government Levels Affected: None

Agency Contact: Fred E. McKelvey, Senior Administrative Patent Judge, Department of Commerce, Patent and Trademark Office, Mail Stop Interference, P. O. Box 1450, Alexandria, VA 22313
Phone: 571 272–9797
Fax: 571 273–0042
Email: bpai.rules@uspto.gov

RIN: 0651–AC12

Source: USPTO (2007d).

Noncompliance with Executive Order 12,866

The Regulatory Agenda entry indicated that the Rules of Practice revision would be substantive, meaning that notice and comment was required under the Administrative Procedure Act (APA). By the time the rule was proposed, however,

the USPTO had reversed itself. Now the rule was merely procedural, thus exempting it from APA notice and comment.[33] At proposal, the Office continued to claim that this regulatory action was nonsignificant under Executive Order 12,866, and thus too unimportant to warrant submission to OMB for review,.[34] Several commenters vigorously contested this claim.[35] Commenters on the belatedly published PRA notice, discussed below, did so again.[36]

It is inconceivable that the USPTO's General Counsel honestly believed that the proposed rule was *not significant* for purposes of Executive Order 12,866. It is barely believable that he did honestly failed to realize it was likely to have effects exceeding $100 million, and was therefore *economically significant*.

Noncompliance with the Regulatory Flexibility Act

Labeling the proposed rule "procedural" exempted it from the Regulatory Flexibility Act. The RFA does not require Initial or Final Regulatory Flexibility Analyses for procedural rules, and the head of the agency does not have to make a certification of no significant impact. This appears to have been the chief advantage of the designation.

Substantively, however, there is little doubt that the proposed rule would have had a large impact on small entities. Any regulatory action that reduces the number of appeals by raising their filing costs and lowers the likelihood of appellate success necessarily increases the rate of false negatives errors in examination.[37] Small entities are least able to bear these costs.

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[33] A convoluted explanation was given in defense of the notion that the proposed rule was merely interpretative. *See* U.S. Patent and Trademark Office (2007e, p. 41483). The USPTO's argument, that "[t]he changes in the proposed rules relate solely to the procedure to be followed in filing and prosecuting an ex parte appeal to the Board," ignored the substantive content of proposed rule's actual text.

[34] U.S. Patent and Trademark Office (2007e, p. 41484).

[35] *See* Baker (2007), Cantor Fitzgerald (2007), Hyatt (2007), and Katznelson (2007).

[36] *See* Boundy (2008), Ceres (2008), Intellectual Ventures (2008), and Katznelson (2008b).

[37] The null hypothesis in patent examination is that an application is allowable. Thus, a false negative error arises when the Patent Office rejects an allowable application, and a false positive occurs when it issues an undeserved allowance. A reasonable objective for the USPTO—though not one that it seems to be trying to achieve—is to minimize the aggregate value of false negatives and false positives. The available evidence suggests that the Patent Office in recent years has placed a much higher weight on avoiding false positives.

Meanwhile, there is no current Regulatory Agenda entry for the revisions the USPTO now proposes to make to the BPAI Rules of Practice in Ex Parte Appeals. Thus, the Patent Office already lies in violation of 44 U.S.C. § 602(a).

Noncompliance with the Paperwork Reduction Act

To date, the USPTO has failed to comply with the Paperwork Reduction Act (PRA) four times.

Noncompliance in the Notice of Proposed Rulemaking, August 2007

For notices of proposed rulemaking that contain information collection requirements, agencies are required to comply with certain requirements, which are set forth in 5 C.F.R. §§ 1320.5, 1320.8, and 1320.11. The preamble to the proposed rule includes a commonplace, boilerplate statement that superficially appears to do so:

> This proposed rule involves information collection requirements which are subject to review by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.). The collection of information involved in this proposed rule has been reviewed and previously approved by OMB under control number 0651–0031. The United States Patent and Trademark Office is not resubmitting an information collection package to OMB for its review and approval because the changes in this proposed rule would not affect the information collection requirements associated with the information collection under OMB control number 0651–0031. [38]

The problem with this statement is it contains several falsehoods.

With respect the information collection under ICR OMB control number 0651–0031, it would not be affected by the NPRM because that ICR does not include any significant information collections related to appeals.[39] No one who had actually looked at ICR 0651-0031 would think otherwise.

I discuss this decision theoretic approach to understanding the challenges of patent examination reform in the final section of this comment, beginning on page 39.

[38] U.S. Patent and Trademark Office (2007e, p. 41484).

[39] Only a few, very limited aspects of appeal-related paperwork burdens are found in ICR 0651-0031: the Notice of Appeal (0.2 hour/respondent), the Pre-Appeal Brief Re-

With respect to the proposed rule, the statement says it contains no new burden. This claim is facially absurd. The proposed rule consists of a laundry list of new information collections. Independent estimates that the Patent Office has never refuted put this burden at easily over $100 million per year.[40]

With respect to prior OMB review of the relevant collections of information, no such review had ever occurred. Since at least 2004, when the Rules of Practice in *Ex Parte* Appeals were most recently amended, and quite possibly since the PRA was enacted in 1980, the Board has had no valid OMB Control Number covering any of its nontrivial information collections. This is, of course, the most egregious of Paperwork Act violation. Despite the fact that *all* BPAI information collections have been illegal for so long, the Board has been quick to reject appeals for the most picayune reasons unmoored from the text of the 2004 Rule, and thus illegal even if OMB had issued a Control Number covering all legitimate information collections contained in the 2004 Rules. Each such technical rejection invites an appellant to invoke the PRA's affirmative defenses to demand that the Board cease and desist—and reverse.[41]

The USPTO received 29 comments on the proposed rule from 24 distinct individuals or organizations.[42] It would not have been surprising, given the dearth of knowledge about the PRA within the patent community, had none of them raised paperwork issues in their comments. Yet five commenters did so, most commonly complaining that the proposed rule would require appellants to re-submit information that is already in the USPTO's files.[43] Patent attorney Scott D. Paul's exasperation is especially memorable:

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quest for Review (0.1 hour/respondent), and the Request for Oral Hearing Before the Board of Patent Appeals and Interferences (0.2 hour/respondent). *See* U.S. Patent and Trademark Office (2007f, p. 12, Table 3).

[40] *See*, e.g., Katznelson (2008a, 2008c) and Hoover (2008). Note that paperwork burdens exceeding $100 million per year render the proposed rule economically significant under Executive Order 12,866—exclusive of the value of other effects, such as economic losses resulting from more false negatives.

[41] These public protection provisions are contained in 44 U.S.C. § 3512 and 5 C.F.R. § 1320.16. They are absolute, trumping every other provision of law, including Patent Law.

[42] The list is found at http://www.uspto.gov/ip/rules/comments/bpai1.jsp.

[43] *See* Baker (2007), Cantor Fitzgerald (2007, pp. 34-35), Hyatt (2007, p. 25), Katznelson (2008a, p. 18), and Paul (2007). Baker identifies, though without a citation to the applicable regulatory requirement, a specific PRA violation: the USPTO's failure to submit to OMB on or before the date of proposal the information collections contained therein (5 C.F.R. § 1320.11(b)).

> I am also entirely unclear as to the need for an "Evidence Section," which presumably requires the submission of all the items listed. I recognize the need for a table of contents since a table of contents is useful to establish what documents need to be before the Board. However, all the evidence, which presumably has to been submitted with the Appeal Brief, has already been submitted to the USPTO. I do not presume to be an expert nor even remotely knowledgeable about the Paperwork Reduction Act beyond its name. However, I cannot believe that essentially requiring Applicants to submit all this evidence again to the USPTO, when this evidence has already been submitted, would run not afoul of some section of that Act (pp. 17-18).

Mr. Paul's intuition turns out to be on target. The PRA requires agencies to ensure that information collections are "not duplicative of information otherwise accessible to the agency" (5 C.F.R. § 1320.5(d)(ii).

Noncompliance in the Submission of ICR 0651-0031 ("Patent Processing"), September 2007

In September 2007, the USPTO submitted to OMB request for renewal of ICR 0651-0031 ("Patent Processing").[44] The request was routine, but revisions were legally required to obtain OMB approval of the information collections contained in the Continuations and Claims final rule, which had been published in August 2007.

If the Patent Office's information resources management office truly believed that information collections related to *BPAI appeals* were included in ICR 0651-0031, as they had certified just weeks before in the BPAI Rules of Practice notice of proposed rulemaking, then these information collections should have been at least listed in the proposed revisions to ICR 0651-0031. They were not.[45]

Nonetheless, this ICR elicited sufficient curiosity to prompt further analysis of paperwork issues by the public. This analysis revealed that the BPAI Rules of Practice NPRM did, in fact, include a raft of new information collections, none of which the Patent Office had even acknowledged.

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[44] U.S. Patent and Trademark Office (2007g).

[45] Even if it is stipulated that, as claimed by the USPTO in the BPAI Rules of Practice NPRM, that the proposed rule did not increase existing burdens, it should have been obvious that this ICR didn't contain any nontrivial collections of information related to ex parte appeals—if, that is, the USPTO's information resources management office had competently performed the reviews required by 5 C.F.R. §§ 1320.5 and 1320.8.

I raised qualitative concerns about this to OMB at a meeting held under the ex parte meeting procedures of Executive Order 12,866, on October 14, 2007, concerning a different rule.[46] Pursuant to standard procedure, the USPTO was invited to attend this meeting and sent Messrs. Robert Bahr and Brian Hanlon.[47] During the meeting, it was agreed by all parties that ICR 0651-0031 must include *all* collections of information related to the Continuations and Claims final rule, the IDS rule, all BPAI Rules of Practice rules, and another rule proposed in August 2007 titled "Examination of Patent Applications That Include Claims Containing Alternative Language" (U.S. Patent and Trademark Office 2007c).[48]

Therefore, while it is remotely possible that the USPTO had been confused about its responsibilities under the PRA, any such confusion came to an end on October 14, 2007.[49]

While agency confusion ended, agency noncompliance did not.

Noncompliance in the Belated "60—Day Notice," June 2008

The USPTO soldiered on to promulgate a final rule on June 10, 2008.[50] By now, it had long been apparent to everyone that the NPRM had been illegally published. The Office had not submitted the required ICR to OMB, and it had not published the legal notice and request for comment required by the PRA (5 C.F.R. § 1320.11(a)-(b).

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[46] This meeting concerned the likely paperwork burdens of the draft final IDS Rule, which had been submitted to OMB for review in July 2007. *See* Belzer (2007a).

[47] At the time, Mr. Bahr was Senior Patent Counsel for the USPTO's Office of the Deputy Commissioner for Patent Examination Policy.

[48] In a follow-up letter to OIRA Administrator Susan E. Dudley, I quantified the paperwork burden of the proposed IDS rule at more than $7 billion per year. *See* Belzer (2007c, pp. 1-2). I did not yet have an estimate of the value of paperwork burdens associated with the proposed changes to the BPAI Rules of Practice in Ex Parte Appeals.

[49] During this meeting, the question arose as to why the USPTO had stated in the preamble to the IDS proposed rule that it was "not significant for purposes of Executive Order 12866" (2006a, p. 38819) Mr. Bahr stated that this was a typographical error, meaning that the Patent Office recognized that the proposed rule was (at least) *significant* for Executive Order 12,866 purposes. I asked Mr. Bahr if the USPTO had published a correction in the *Federal Register* at any time during more than 15 months that had elapsed, and Mr. Bahr acknowledged that the Office had not done so. I suggested to Mr. Bahr that the Patent Office's failure to publish a correction misled the public about the magnitude of the proposed rule's likely consequences. Mr. Bahr declined to respond.

[50] U.S. Patent and Trademark Office (2008b). Public notice as published on September 18, 2007, but the ICR was not submitted until September 26, 2007.

The right thing to do to correct this error would have been to re-propose the rule, this time, however, with a complete and informative PRA notice, as required by law. The USPTO did not do this. Instead, the Office tried to cover up its violation by publishing PRA notice *the day before promulgating the final rule.*[51] The June 9, 2008, *Federal Register* notice acknowledges having "received comments from the public concerning the burden of these rules on the public," and even goes so far as to admit that these burdens result from "the new requirements that allow the agency to structure the information being received." Incredibly, the USPTO said that it was now publishing notice "[i]n order to ensure that the public has opportunity to comment on the burden impact of the proposed rule making" (p. 32559).[52]

The contents of this notice also are extremely interesting. The USPTO identifies five information collections related to BPAI appeals for which a valid OMB Control Number is required:[53]

- *Appeal Brief (Br.R. 41.37).*
- *Petition for Extension of Time for Filing Paper After Appeal Brief (Br.R. 41. and 41.20).*
- *Petition to Increase Page Limit (Br.R. 41.3 and 41.20).*
- *Reply Brief (Br.R. 41.41).*
- *Request for Rehearing Before the BPAI (Br.R. 41.52).*

According to the USPO, these five information collections impose 773,895 burden-hours valued at $239,907,450—not zero, as it had claimed in the preamble to the proposed rule.

Yet, the notice remains utterly disingenuous. It obfuscates the difference between burdens associated with existing rules and burdens resulting from the revisions that USPTO was contemporaneously promulgating. The notice did not alert the public to the fact the information collections contained in this notice were currently illegal, and it omitted the boilerplate reminder that the public need not comply with

[51] U.S. Patent and Trademark Office (2008a).

[52] *See* footnote 13 and accompanying text for the case law on such "bureaucratic sport."

[53] The notice indicates that the USPTO sought to establish a new ICR containing these ICs plus two existing (trivial) ICs then contained in ICR 0651-0031.

illegal information collections—language that it included in both the NPRM and final rule:

> Notwithstanding any other provision of law, no person is required to respond to nor shall a person be subject to a penalty for failure to comply with a collection of information subject to the requirements of the Paperwork Reduction Act unless that collection of information displays a currently valid OMB control number.[54]

In my 20+ years of experience dealing with many federal agencies, I do not believe I have ever witnessed such a cynical abuse of PRA procedures.

Despite the impossibility of influencing the USPTO's rulemaking decision, a dozen individuals and organizations responded anyway.[55] They unleashed a barrage of complaints about:

- *Multiple violations of PRA procedures (Boundy 2008; Intellectual Ventures 2008; Katznelson 2008b)*
- *Information collections contained in the final rule but not acknowledged or estimated in any form (Boundy 2008; Intellectual Ventures 2008; Katznelson 2008a; Schar 2008)*
- *Demands for the resubmission of information already in the USPTO's possession (Boundy 2008; Intellectual Ventures 2008; Katznelson 2008a)*
- *Lack of actual, nor merely theoretical, practical utility (Ceres 2008)*
- *Improbably low burden estimates due to understatement of scope (e.g., numbers of respondents) and technical factors (e.g., hourly rates and estimated number of hours per response), all of which lacked objective support (Boundy 2008; Ceres 2008; Hayden 2008; Heimlich 2008; Hinnen 2008; Intellectual Ventures 2008; Katznelson 2008a; Moore 2008; Schar 2008; Swantz 2008)*
- *Burdens resulting from presumably unintended consequences, such as the effect of the newly proposed "Bd.R. 41.56 misconduct" (Boundy 2008)*

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[54] U.S. Patent and Trademark Office (2007e, p. 41484; 2008b, p. 32972)

[55] These comments are available at http://www.uspto.gov/news/pra/index.jsp. Note that they were comments on paperwork aspects of the *final rule*, which was promulgated the next day, not on the proposed rule.

- *No accounting of the paperwork burdens resulting from examiner error (Boundy 2008; Schar 2008)*

Two individuals who had commented on the proposed rule inferred that the USPTO had ignored their comments, or responded falsely or disingenuously.[56] Comparing their comments to the Patent Office's (non)response produces no support for a contrary inference.

The Patent Office's cavalier attitude to public comments is especially troubling given that, while its stated desire was to be customer-friendly, its actual behavior has been otherwise. Nonresponsiveness and disingenuousness continue unabated in the USPTO's December 2009 ICR Supporting Statement, as I point out below.

Noncompliance in the 30-Day Notice and Accompanying ICR Supporting Statement, October 2008

As required by the PRA, the USPTO published notice of its submission of the ICR to OMB and requested that public comments be directed to OMB.[57] the PRA requires that such submissions be contemporaneous with final rule publication. But the Patent Office waited to submit the ICR until two months before the previously announced effective date of the final rule (December 10, 2008).

The submission included Supporting Statement that should have included, among other things, objectively supported estimates of burden; demonstrations of practical utility; and credible responses to comments previously received. It did not. Burden estimates were unchanged, despite public comment; practical utility was as-

[56] *See* Boundy (2008)("If you 'summarize,' please do so more fairly and accurately than the 'summary' of public comments in the Appeal Final Rule notice. I found at least a dozen issues in the public comment letters for which there is no recognizable answer in the Final Rule notice - either the summary is such a grotesque caricature of the comment that the 'summary' is unrecognizable as having any relationship to the comment, or the PTO simply ignored comments it chose not to answer"); Katznelson (2008b)("Unfortunately, in promulgating its new appeal rules … the USPTO failed to respond to many of my comments that were directed at the paperwork burdens imposed by the Appeal Rules;" "When the stated underlying reason for the Appeal Rules is to address the growth in the number of appeals, 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").

[57] U.S. Patent and Trademark Office (2008d).

sumed, not demonstrated; and responses to comments were either disingenuous or absent.[58]

Several defects in the USPTO's October 2008 ICR Supporting Statement[59] and electronic SF-83 submission[60] are notable. First, with regard to the SF-83, the short statement nowhere acknowledges that the USPTO has been imposing an illegal information collection, possibly since 1981. The Short Statement notes only that the ICR "will increase the USPTO's current information collection inventory." Second, it cites the June 9, 2008, *Federal Register* publication as the applicable "60-day notice." As shown above, this document cannot serve as the statutorily required 60-day notice because it was not published with the NPRM, and worse, it was published just one day prior to promulgation of the final rule. Third, the SF-83 includes a 10-point certification of compliance with 5 C.F.R. § 1320.9 that is, in every important respect, false. This certification is signed on behalf of the USPTO's Chief Information Officer, the designated Senior Official responsible for PRA compliance.

With regard to the ICR Supporting Statement, numerous defects are obvious.

> *Actual practical utility of the information is asserted, but is not demonstrated (§ A.2)*

The PRA requires agencies to demonstrate and certify "actual, not merely the theoretical or potential, usefulness of information to or for an agency, taking into account its accuracy, validity, adequacy, and reliability, and the agency's ability to process the information it collects" (5 C.F.R. § 1320.3(l)), all referenced by 5 C.F.R. §§ 1320.5(d)(1)(iii), 1320.78(d)(1)(i), and 1320.9(a)).

Nothing in the text of the Supporting Statement makes any of these demonstrations. In lieu of demonstrating practical utility, the USPTO asserts that practical utility arises automatically from the Office's statutory authority to examine patent applications. Such an inference would drain the PRA of content.

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[58] I consider a response as disingenuous if it relies on any one of the following standard tricks: (1) mischaracterization of the comment, followed by response to the mischaracterization; or (2) accurate characterization of a comment followed by (a) response by logical non sequitur, (b) response invoking authority rather than evidence, (c) response citing undisclosed evidence, or (d) response citing disclosed evidence incorrectly.

[59] U.S. Patent and Trademark Office (2008c). OMB acted on a December 2009 revision (U.S. Patent and Trademark Office 2009c).

[60] *See* http://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=200809-0651-003#,

Compliance with applicable information quality guidelines is asserted, but is not demonstrated (§ A.2)

All ICRs are required to comply with the Information Quality Act, and USPTO's must comply with the Office's own information quality guidelines.[61] The Supporting Statement appears to include a certification of compliance (p. 3).[62] In fact, the ICR does not comply at all.

To *actually* comply with OMB and USPTO information quality guidelines, burden estimates must be "capable of being substantially reproduced" by a qualified third party. They also must be objective—meaning accurate, clear and unbiased.

As noted below, the USPTO's burden estimates are neither transparent nor capable of being reproduced. They are based on the undocumented "beliefs" of USPTO personnel. Public commenters on the June 9, 2008, *Federal Register* notice consistently characterized the USPTO's estimates as severely understated. The Patent Office has not publicly refuted these criticisms, so it should be inferred that its burden estimates are likely to not be objective. The USPTO's compliance with information quality appears to be nothing more than a "box to be checked," with boilerplate text intended to serve as substitutionary atonement.

Duplication is highly significant, not minimized, as required by law (§ A.4).

The PRA requires agencies to ensure that information collections are "not duplicative of information otherwise accessible to the agency" (5 C.F.R. § 1320.5(d)(1)(ii)), and certify that proposed information collections are "not unnecessarily duplicative" (5 C.F.R. § 1320.9(b). This language is admittedly inconsistent insofar as it seems to permit *some* duplication. The Supporting Statement

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[61] U.S. Patent and Trademark Office (2002): "Information quality is an integral part of the pre-dissemination review of information disseminated by the USPTO. Information quality is also integral to information collections conducted by the USPTO, and is incorporated into the clearance process required by the Paperwork Reduction Act (44 U.S.C. Chapter 35) (PRA) to help improve the quality of information that the USPTO collects and disseminates to the public."

[62] A careful read shows that the compliance statement is nonsensical:

> The Information Quality Guidelines from Section 515 of Public Law 106-554, Treasury and General Government Appropriations Act for Fiscal year 2001, apply to this information collection and comply with all applicable information quality guidelines, i.e., OMB and specific operating unit guidelines.

claims that the degree of duplication is reasonable, but fails to give a reasoned explanation why this is so, except that the Patent Office says it is:

> The duplication of effort is limited, however, and the agency considers it necessary. In order to be clear as to the evidence, copies of evidence relied on in the appeal need to be filed with the brief. While the copies of evidence required by the appendix may be duplicates of evidence already in the file, the necessity of absolute clarity as to the evidence relied on outweighs the burden on the public.

This justification does not explain why examiners or intake clerks cannot perform this task with equal or greater accuracy and less cost. USPTO personnel have computerized access to the exact information the Board seeks.

> *Use of information technology is supposed to be maximized, but the USPTO declines to do so (§ A.3)*

Appeal briefs and similarly unique documents may be difficult to computerize. The same cannot be said for the duplicative information that is in the USPTO's possession but which the final rule would compel applicants to resupply. Indeed, the only way for an applicant to be certain of providing an exact copy of these existing documents is to download them from the USPTO, print them, and attach them as exhibits.

The USPTO's rule would convert an existing electronic process into a superfluous manual one. Amazingly, the Patent Office implies that this imposes no measurable burden.

> *Small business impacts are not reduced, much less minimized, as required by law (§ A.5).*

The PRA requires agencies to minimize impacts on small businesses and other entities (5 C.F.R. § 1320.9(c)). In the Supporting Statement, the USPTO claimed to have done this, but this appears to be another case of boilerplate text substituting for reason or genuine compliance.

The only accommodation acknowledged to have been made to small entities is the statutorily required reduction in fees. Of course, this is a *non sequitur*, for it is unrelated to the information collection.

> *Burden-hour figures are not objectively supported, as required by law (§ A.12).*

The PRA requires agencies to develop, disclose, and seek public comment on a "specific, objectively supported estimate of burden" (44 U.S.C. § 3506(c)(1)(A)(iv),

5 C.F.R. § 1320.8(a)(4)). The figures provided in the Supporting Statement are specific, but they are not objectively supported.

With respect to the number of respondents, "[t]he USPTO estimates that it will receive approximately 31,828 responses per year for this collection" (p. 20). The Office does not disclose the basis for this "estimate," nor does it explain what it means when it says this very precise figure is "approximate."[63]

With respect to the number of burden-hours per response, "[t]he USPTO estimates that it takes the public approximately 5 to 30 hours to complete this information," depending on the information collection (p. 20). The Office does not disclose the basis for these "estimates" either, and despite their arbitrary appearance, it does not describe them as "approximate."[64]

The PRA requires agencies to *objectively* estimate paperwork burdens, because to do otherwise would be to undermine the purpose of the law, which is to

> minimize the paperwork burden for individuals, small businesses, educational and nonprofit institutions, Federal contractors, State, local and tribal governments, and other persons resulting from the collection of information by or for the Federal Government (44 U.S.C. § 3501(1)).

When it enacted the law in 1980, Congress recognized that federal paperwork burdens had become a serious public concern.[65] It directed agencies to estimate burden but imposed three checks on them in recognition of their inherent and severe conflict of interest, which is always to understate it: (1) the discipline of public notice and comment, (2) the external authority of OMB to review agency estimates and to decide which values were most credible, and (3) a requirement that agency estimates be objectively supported. The discipline of public comment and OMB oversight are both undermined when agencies refuse to obey the law's requirement that burden estimates be objectively supported, as the USPTO has done. [66]

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[63] The figure implies precision ± 0.5 respondent per year.

[64] The Supporting Statement says Appeal Briefs, Petitions for Extension of Time for Filing a Paper After Appeal Brief, Petition to Increase the Page Limit, and Reply Brief require on average 30, 15, 15, and 5 hours per response. *See* U.S. Patent and Trademark Office (2008c, p. 20, Table 5).

[65] Funk et al. (2009, pp. 987-990).

[66] Funk et al. (2008, p. 987) specifically mention that Congress intended the law to "to encourage and provide for public participation in reduction efforts and management decisions."

The discussion of outside consultation falsely credits the June 9, 2008, Federal Register publication as a statutorily compliant 60-day notice (§ A.8).

The PRA requires "60-day notices" to be included within the preamble to every notice of *proposed* rulemaking (5 C.F.R. § 1320.11(a)). The Supporting Statement implicitly acknowledges that the NPRM for this rule did not include a legally valid notice. However, the USPTO also purports to have complied belatedly by publishing the separate notice on June 9, 2008 (p. 6). As explained in great detail earlier, this notice did not meet the required notice requirements. The only way the Office could have complied with both the letter and spirit of the law is to have re-proposed the rule. The Patent Office didn't re-propose; it didn't even feign compliance with the law by postponing promulgation of the final rule for 60 days. The Patent Office promulgated it the very next day—on June 10, 2008.[67]

Despite the obvious sham underway, several individuals and institutions submitted comments anyway.[68] One might think that, having received these comments, the USPTO would reconsider its decision to dismiss the PRA as a mere administrative nuisance and instead take the comments seriously. Such thoughts would be incorrect.

The USPTO discussed *some* of the public comments it received on the June 9, 2008, *Federal Register* notice. It dismisses comments that touch on the subject matter of the rule itself on the ground that they were not germane, because, after all, the rule itself, having been contemporaneously promulgated as final, was no longer a legitimate subject for comment:

> Many comments received by the USPTO fell outside the scope of the requested subject matter (information collection under the Paperwork Reduction Act). For example, many comments were directed toward the BPAI proposed and/or final rules, the rule making process related to the proposed and/or final rules, other BPAI rules and the rule making procedures relating to their promulgation, and other patent-related issues. The

[67] See footnote 13 and the accompanying text for the case law governing such "bureaucratic sport."

[68] Public comments can be found, at least temporarily, at the USPTO's PRA web page at http://www.uspto.gov/news/pra/index.jsp, and permanently at the top half of the list within OMB's ICR record at http://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=200809-0651-003

> following analysis addresses only those comments related to information collection under the Paperwork Reduction Act.[69]

Such comments would have been germane if the USPTO had published timely notice simultaneous with the NPRM. Indeed, it would have been both normal and expected for commenters to simultaneously raise concerns about substantive regulatory requirements and paperwork burdens. It is precisely because regulatory requirements and paperwork burdens are inextricably related that the PRA requires agencies to seek public comment on paperwork burden at the same time as they seek public comment on proposed regulatory provisions.

In short, through this Supporting Statement the USPTO advances a novel theory of legal and administrative practice: it is acceptable for an agency to ignore comments if it first willfully violates the law so as to make them irrelevant. In more than 20 years of experience dealing with administrative procedures, I do not recall an agency ever invoking the Orphan Defense.[70] One can only imagine what Judge Mikva's reaction would be.

The USPTO's disregard for proper PRA procedures, and its expectation that OMB would look the other way, is clearly apparent in the footnote attached to the paragraph quoted verbatim above. This footnote is so riddled with false statements that it warrants explicit attention here. It is reproduced on the left side of

Table III on page 30, with the false statements contained therein explained on the right.

> *The USPTO uses undisclosed data obtained through unrevealed means in arbitrary ways.*

The USPTO's estimate of the number of responses is attributed to "an informal survey of appeal briefs in FY 2007".[71] Was this sample representative? Was it stratified by technology center, or any other obvious factor of interest? The Patent

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[69] U.S. Patent and Trademark Office (2008c, p. 7).

[70] The classic definition of the Yiddish term *chutzpah* as "that quality enshrined in a man who, having killed his mother and his father, throws himself on the mercy of the court because he is an orphan." *See* Rosten (1968).

[71] U.S. Patent and Trademark Office (2008c, p. 18). Elsewhere, the USPTO reports having performed at least two "informal surveys," one prior to publication of the NPRM and one afterwards, the latter survey having a sample size of 135. *See* U.S. Patent and Trademark Office (2008b, p. 32966). Which of these "informal surveys" (if any) the Supporting Statement is referring to cannot be ascertained.

Office doesn't say. In the Supporting Statement, the Office ignored vigorous criticism leveled against undocumented "informal surveys" by commenters on the June 9, 2008, *Federal Register* notice.[72]

The USPTO relies on the unsubstantiated "beliefs" of unnamed Patent Office personnel.

Many responses invoke as their authority the unsubstantiated "beliefs" or "expectations" of unidentified USPTO personnel, as in this exchange at p. 15:

> Comment 7: Several comments were received which question the accuracy of and the factual basis on which agency estimates were made. For example, some comments suggest that there was no accurate factual basis, and therefore a lack of a proper of analysis, for the estimated time for preparing an appeal brief (Schar, Ceres [(2008)] at pages 2-3, Katznelson [(2008b)] at paragraph 6, and Boundy [(2008)] at pages 16-25, 42-45).
>
> Answer 7: The agency believes that it has objective factual support for its estimates. Moreover, some of the comments support USPTO's estimates.

The Patent Office cannot credibly argue that the "beliefs" of Office personnel qualify as "objectively supported estimates."[73]

The USPTO's responses to public comments are absent or disingenuous.

The Supporting Statement responds to just a handful of the issues raised by public commenters on the June 9, 2008, *Federal Register* notice.[74] Most of the public comments were ignored. In the few cases where a response was provided, it is disingenuous. For example:

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[72] Boundy (2008) and Katznelson (Katznelson 2008b). Dr. Katznelson notes that the Patent Office's claim that the proposed rule changes would generate significant savings to the Board is inconsistent with its claim that only a few appellants would be affected. Both claims cannot be true.

[73] The existence of supportive comments is legally irrelevant; all that matters is whether the agency's burden estimates are specific and objectively supported. Nonetheless, which public comments the USPTO believes were supportive of its burden estimates remains a mystery. I cannot find a single public commenter who agrees with the Office's estimates.

[74] U.S. Patent and Trademark Office (2008c, pp. 11-15).

- *In response to a comment noting that the USPTO did not present evidence showing how the proposed changes will reduce delays in patent processing, the Supporting Statement says "[t]he amended rules are expected to reduce delays due to return of appeals to examiners," which it says is "a major source of delays in appeals" (pp. 11-12)*

The USPTO's answer to the complaint that it did not present evidence in support of its practical utility argument is to assert that unnamed Office officials "expect" the proposed changes will be effective, and therefore the information will have practical utility.

- *In response to a comment noting that the proposed page limit and font size restrictions will indirectly undermine the Office's objective of reducing appeal workload by forcing applicants to submit multiple appeals, the Supporting Statement defends the Office's position by noting that Article III appellate courts usually have page limits (pp. 12-13).*

The USPTO does not counter with evidence. Rather, it merely asserts that "[t]he page limit and font size requirements of the amended rules … will not lead to the filing of multiple appeals." This conclusion is attributed to undisclosed "agency studies."

- *In response to a comment noting that much of the paperwork burden imposed by the revised rules is duplicative, and thus contrary to law, the Supporting Statement asserts that the revised requirements are "not <u>unnecessarily</u> duplicative" because it "saves agency resources" (emphasis added, p. 13).*

The Patent Office's defense against the charge that it has violated one provision (5 C.F.R. § 1320.5(d)(1)(ii) ("not duplicative of information otherwise accessible to the agency") is to announce that it is violating another (5 C.F.R. § 1320.5(d)(1)(iii) ("shall also seek to minimize the cost to itself of collecting, processing, and using the information, but shall not do so by means of shifting disproportionate costs or burdens onto the public").

- *In response to comment noting that the Office did not comply with applicable information quality guidelines, the Supporting Statement dismisses them because they "did not provide specific ways to enhance the information to be collected" (p. 18)*

Table III:
False Statements in ICR Supporting Statement Footnote 1

ICR Supporting Statement Footnote 1	*False Statements in the Footnote*
'Some comments argued that the USPTO should have included the information collection in the notice of proposed rule making (Katznelson at page 2 and Boundy at pages 12-15).'	References are to Katznelson (2008b) and Boundy (2008), but similar arguments made by Baker (2007), Hyatt (2007), and Paul (2007) are ignored.
'After publishing the notice of proposed rulemaking, which, in fact, did solicit comments on the paperwork burden contained in the notice of proposed rulemaking, the Agency received comments suggesting the benefit of further PRA analysis. 72 Fed. Reg. 41472, 41484 (Jul. 30, 2007).'	The PRA statement in the NPRM included two falsehoods: 1. *That the NPRM would result in no paperwork burden* 2. *Falsely stated that applicable paperwork burdens had been "reviewed and previously approved by OMB";* USPTO provided nothing on which to comment.
'In response to these comments, and due to the narrowed the scope of the final rules (which also significantly reduced the PRA burden imposed by the rule), the USPTO again solicited comments on the PRA burden to the public. 73 Fed. Reg. 32559 (Jun. 9, 2008).'	The PRA does not permit agencies to publish an *ex post* notice and request for comment on the information collections contained in a proposed rule.
'The USPTO has fully complied with its obligations under the PRA by liberally construing its obligations under the PRA in an effort to ensure that the public has ample opportunity to comment on the burden impact of the rule making and to maintain an inventory of the burden.'	The USPTO's noncompliance with the PRA was in fact stunningly broad, persistent, and complete.

Here, the USPTO utterly misrepresents the content of a public comment, which concerned USTPO's noncompliance with information quality guidelines that apply to agency information *dissemination.*[75] The Patent Office erroneously characterized these comments as dealing with information *collection*, then dismissed them because they did not include proposed remedies to a problem they did not raise.

> *No changes made in response to public comments on the June 9, 2008, notice.*

It is universally true that senior officials hate to admit error, a fact that the October 2008 Supporting Statement amply illustrates. Nonetheless, senior officials sometimes accompany disingenuous responses to public comment with quietly constructive improvements. This enables them to implicitly admit error while maintaining an illusion of exceptional competence and wise judgment.[76]

If quietly constructive improvements had been made in response to comment, there would be significant differences between the burden estimates and practical utility justifications in the June 9, 2008, *Federal Register* notice and the October 9, 2008, ICR Supporting Statement.

No such constructive improvements are evident, however. The USPTO's estimates of the number of respondents, the burden-hours per response, and the appropriate average hourly rate are identical in both documents.[77] Public comment had no effect whatsoever.[78]

Noncompliance in the revised Supporting Statement, December 2009

Eleven public comments were submitted to OMB on the October 9, 2008, ICR submission.[79] Unsurprisingly, these comments raise many of the same issues that

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[75] *Compare* with the content of the definition in footnote 70.This is obvious to anyone who actually *reads* the public comment (Boundy 2008, pp. 16-25).

[76] This practice can be summarized colloquially as, "We did not make a mistake, but we won't do it again." It is a variant of past exonerative tense; see footnote 91.

[77] *Compare* U.S. Patent and Trademark Office (2008a, p. 32560) and (2008e, p. 20, Table 5).

[78] The discussion of practical utility, however, is significantly different in the two documents: the June 9, 2008, *Federal* Register notice is bereft of any discussion of practical utility.

[79] See the bottom half of the public comment list at http://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=200809-0651-003.

had been raised before but which the USPTO had ignored. This time, however, s extensive new analyses were provided.[80]

The USPTO did not publicly respond to any comments submitted to OMB during the 2008 ICR review. How it responded *privately* to OMB cannot be known for sure, as neither the Patent Office nor OMB has made this information public. That OMB took public comments seriously—and more seriously than did the USPTO—is evident in OMB's decision not to approve the ICR on or before December 10, 2008, the intended effective date of the final rule.

One could look to the December 2009 version of the ICR Supporting Statement in search of evidence that the USPTO had (finally) decided to be serious about complying with the PRA.[81] Unfortunately, this comparison does not yield evidence of any material improvement. Leaving aside changes necessary to reduce the scope of the ICR to the 2004 Rules of Practice—the only portion for which OMB issued a valid Control Number[82]—changes to the Supporting Statement purely are editorial. No corrections were made in any of the nonconforming sections previously discussed.

Nonetheless, the December 2009 Supporting Statement asserts that it is responding to comments on the October 2008 30-day notice:

> The Office has considered the comments thus far submitted on the final rule and is proposing to amend the final rule to eliminate any additional burden introduced by the final rule. As such, the Office is modifying the pending information collection request submission (OMB Control No. 0651-00xx) to limit it to the current rule (37 CFR 41.1 et seq. (2004)) (p. 6).

The USPTO continues to incorrectly characterize the June 9, 2008, *Federal Register* publication as a "60-day" notice:

> Comments received for the 60-Day Federal Register Notice which are considered to be relevant to the existing 37 CFR 41.1 et seq (2004), and thus relevant to this modified information request, are discussed below.

What the Office actually did is very different. Numerous comments (and associated responses) that were in the October 2008 version of the Supporting Statement were deleted, all without explanation. The USPTO's responses to the remain-

[80] The most notable of these are Katznelson (2007, 2008c) and Hoover (2008).

[81] U.S. Patent and Trademark Office (2009c).

[82] Office of Management and Budget (2009).

ing comments are substantially unchanged. The Patent Office has simply discarded the majority of the public comments on the June 9, 2008, *Federal Register* publication that it previously deemed worthy of response.

In the Supporting Statement, the USPTO cherry-picks which information collections related to the rule to include. For example, the Patent Office refuses to count the burdens associated with preparing for or participating in oral hearings.

> The agency does not consider the time for preparation of the oral hearing to be a burden under the PRA in that there would be no collection of new information at the oral hearing. Since the oral hearing is limited to information already submitted and collected, it is essentially an opportunity for clarification of the information already collected or received.[83]

But this explanation is passing strange. Recall that the definition of burden is

> the total time, effort, or financial resources expended by persons to generate, maintain, retain, or disclose or provide information to or for a Federal agency.[84]

Why the USPTO believes that burdens related to *providing information* in an oral form is exempt cannot be discerned from the Supporting Statement. The Patent Office's explanation implies that oral hearings *do not provide information*. Of course, if that were true, then oral hearings would be superfluous and have no practical utility to the agency. In that case, the USPTO would be right not to count any paperwork burden but it also would be prohibited from having oral hearings., for OMB cannot approve information collections that an agency acknowledges have no practical utility.

Finally, in the December version of the Supporting Statement the USPTO did not respond to the comments submitted to OMB on the October version.[85] These comments expanded upon previous concerns and identified new issues. The Patent Office's failure to respond reinforces the ugly reputation it has engendered over the past several years and legitimizes the opinions of its harshest critics. The public is

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[83] U.S. Patent and Trademark Office (2008c, p. 9)(U.S. Patent and Trademark Office 2008c)http://www.reginfo.gov/public/do/DownloadDocument?documentID=89627&version=2 at page 9

[84] 44 U.S.C. § 3502(2), 5 C.F.R. § 1320.3(b)(1),

[85] The complete list is found at the bottom of http://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=200809-0651-003.

entitled to infer that the USPTO has succumbed to *mala fides*, and that the pitched battle that has been waged since 2006 against the Office must continue.[86]

OMB Approval of Paperwork Burdens Specifically Related to the 2004 BPAI Rules of Practice in Ex Parte Appeals, December 2009

On December 22, 2009—the same day that the ANPRM was published—OMB quietly issued a valid control number covering the information collections contained in the 2004 Rules of Practice.[87] This approval is limited to three information collections: Appeal Briefs, Reply Briefs, and Requests for Rehearing. The annual burdens for the approved components of the preparation, retention, and submission of these information collections are now estimated by the USPTO to cost $263,991,000 per year, as listed in Table IV below. No other information collections related to appeals are approved. The USPTO in general, and the Board in particular, are prohibited from seeking information that is not required by the 2004 Rules or any other information from the public. Any attempt to seek more information triggers the public protection provisions of the law in 44 U.S.C. § 3512 and 5 C.F.R. § 1320.6.[88]

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[86] This inference is further justified because the revised Supporting Statement continues to include, now on p. 7, Footnote 1 from the October 2008 version. The passage of time has not rendered this footnote more truthful than it was in the original.

[87] Office of Management and Budget (2009).

[88] There is evidence that the Board is, in fact, enforcing the 2008 Rules of Practice in violation of both § 552(a) of the Administrative Procedure and the PRA. For example, on February 9, 2010, the Board denied consideration of arguments raised by an appellant on the ground that the appellant had impermissibly advanced them in the Reply Brief but could have raised them in the Appeal Brief. The Board cited the correct 2004 version of the Rules—37 C.F.R. § 41.37(c)(1)(vii))—but interpreted them in a manner inconsistent with their plain text, which permit arguments to be raised in *either* brief. Curiously, the Board's interpretation is consistent with the unimplemented 2008 Rules of Practice. In addition to being legally contestable on the merits, this action constitutes the imposition of a penalty for failing to provide information for which the agency lacked a valid OMB Control Number at the time the Reply Brief was submitted. The Board invites a direct challenge under 44 U.S.C. § 3512 for this decision, and perhaps hundreds more, because it continues to skirt the law. *See Ex parte Subramaniyan*, http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&flNm=fd2009002485-02-05-2010-1, p. 2.

Table IV:
BPAI-Related Information Collections, Requested and Approved
(2004 Rule Only)

Information Collection		Respondents	Burden-Hours/ each	Total Burden-Hours	Hourly Rate
Appeal Briefs	Requested	23,145	30	694,350	$310
	Approved	23,145	34	786,930	$325
Petitions for Extension of Time for Filing a Paper After Appeal Brief	Requested	2,298	15	34,470	$310
	Approved	0	0	0	---
Petitions to Increase the Page Limit	Requested	1,315	15	19,725	$310
	Approved	0	0	0	---
Reply Briefs	Requested	4,947	5.0	24,735	$310
	Approved	4,947	5.0	24,735	$325
Request for Rehearing before the BPAI	Requested	123	5.0	615	$310
	Approved	123	5.0	615	$325
Sources: Requested: USPTO (2009d, pp. 20-21, Table 5); Approved: USPTO (2009c, p. 13, Table 3).					

The Board has been extraordinarily fortunate that no applicant to date has exercised these rights. This is certain to change, because knowledge about the PRA is spreading within the patent community. Every nonsubstantive rejection issued by the Board prior to December 22, 2009, is subject to PRA challenge. In addition, every rejection the Board issues since that date can be challenged if it is based on the appellant's failure to supply information not within the limits of ICR 0651-0063, which in turn is coextensive with the literal text of the 2004 Rules.

The Advance Notice of Proposed Rulemaking

Possible coincidences notwithstanding, it is clear that OMB and the USPTO reached a private deal in which OMB would prospectively cure the longstanding illegality of the Board's conduct in return for the USPTO restarting the regulatory development process via the ANPRM.[89] For members of the public who have participated in this rulemaking since 2007, the deal is probably a reasonable one. Patent applicants have been demonstrably uninterested in obstructing the Board. Proof of this is self-evident, for the Board has to date received not a single petition or other paper invoking the public protection provisions of the Paperwork Act despite the scope and persistence of the Board's illegal conduct.

It is thus with considerable apprehension that three potentially fatal defects in the ANPRM must be identified and discussed.

[89] OMB lacks any authority to retrospectively cure illegal information collections—in this case, every information collection imposed by the Board prior to December 22, 2009.

The ANPRM is virtually silent with respect to the Paperwork Reduction Act

The only reason that the USPTO administratively stayed implementation of the 2008 Final Rule is that the Patent Office was caught flagrantly and repeatedly violating the PRA.[90] This compelled OMB not to approve the ICR, which left the Board infinitely vulnerable to legal challenges relying on 44 U.S.C. § 3512.

Despite this connection to the PRA, the ANPRM is virtually silent about it. The only substantive reference to the PRA is highly misleading because the USPTO's reliance on the past perfect exonerative tense disguises the Office's thorough culpability:[91]

> Because the information collection process had not been completed by the original effective and applicability date of the final rule, the Office published a Federal Register notice (73 FR 74972 (December 10, 2008)) notifying the public that the effective and applicability date of the final rule was not December 10, 2008, and that the effective and applicability dates would be identified in a subsequent notice.[92]

The text also attributes postponement of the final rule to a decision of the new Obama Administration directing agency heads "to consider seeking comments for an additional 30 days on rules that were published in the Federal Register and had not yet become effective by January 20, 2009." This reference is purely gratuitous, of course; the rule was stayed during the Bush Administration, more than a month before the inauguration, and the USPTO did not seek additional public comments.

The only other reference to the PRA in the ANPRM consists of the usual boilerplate text that is inscrutable to all except PRA mavens. In this text, the USPTO provides no new information relevant to burden or practical utility and does not seek public comment—there being, of course, nothing to comment upon because the Patent Office did not estimate the burdens associated with the proposed revisions or seriously examine their actual practical utility.

The absence of useful information about burden or practical utility, however, did not inhibit the Patent Office from proposing numerous regulatory changes that would have significant paperwork implications. This means all public comments on

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[90] In my first comment to OMB on the October 2008 ICR, I identified ten separate violations of law. *See* Belzer (2008a).

[91] *See* Broder (2007, quoting William Schneider).

[92] U.S. Patent and Trademark Office (2009b, p. 67988).

the ANPRM—including this one—are by necessity incompletely informed. Support or opposition to any or all of the specific changes proposed must be interpreted as provisional, and subject to change after the USPTO has (one hopes) consulted with members of the public to develop objective estimates of paperwork burden, developed these estimates, published them, and sought public comment on them, all as required by law.

To be sure, the PRA imposes no agency duty to estimate paperwork burden for an ANPRM. Like the APA, the PRA does not recognize ANPRMs as formal rulemaking notices. By the same token, the public can comment on the ANPRM, or choose not to comment without penalty to their right to comment on the NPRM; and the can legitimately adopt views on the NPRM that are different from or even opposite to those taken on the ANPRM.[93] This could have been significantly ameliorated if the USPTO had instead chosen to be proactive, and provided preliminary burden estimates for each regulatory provision it was proposing. It represents a lost opportunity at least, and it may signal that the adversarial relationship that the USPTO has developed with its customers for several years remains intact.

The ANPRM is utterly silent with respect to the Regulatory Flexibility Act

I noted at the beginning of this section that the USPTO's 2006 Regulatory Agenda entry for this rule (reproduced as **Table II** above), declared that it would be substantive. Gamesmanship has been evident since that date. In the NPRM, the USPTO reversed course, claiming that the rule was instead procedural, and repeated that claim in the final rule.[94] In the 2007 NPRM, the USPTO's argument was a *non sequitur*: the Office cited case law persuasively proving a fact that no one had contested—that notice and comment are not required for procedural rules—all the while avoiding the more salient question, which was whether the rule was truly substantive, as many commenters alleged.

Why did the USPTO make this claim, given that it *did* provide notice and seek public comment? While it is possible that the Office claimed the rule was procedural solely to enable it not to have to take public comments seriously—an inference for which plenty of evidence has been cited already— a more likely explanation is that the Office wanted to escape the Regulatory Flexibility Act. For most agencies, proce-

[93] Lubbers (2006, p. 210).

[94] U.S. Patent and Trademark Office (2007e, p. 41483). Public commenters vigorously disputed this claim, identifying numerous regulatory provisions with clearly substantive effects, some of which they alleged were illegal. The USPTO glossed over these comments in the preamble to the final rule (U.S. Patent and Trademark Office 2008b, p. 32969).

dural rules are exempt from the RFA because they are exempt from APA § 553. That seems not to be the case for the Patent Office, however, which is required to issue all regulations in accordance with this Section.[95]

This tactic might have looked like a clever strategy in the summer of 2007 when the NPRM was published and before *Tafas v. Dudas* was decided. At the time, other federal agencies were doing similar things.[96]

It doesn't look clever any more. By now, it should be clear that the USPTO can not evade the RFA. It has been clear from the outset that small entities would be disproportionately affected by changes in the Rules of Practice that raise the fixed cost of securing a patent. Whether a significant number of small entities would be affected is an empirical question that cannot be addressed based on the limited information thus far disclosed by the USPTO. A Regulatory Flexibility Analysis is clearly needed. Choosing to ignore the RFA threatens to undermine the entire regulatory reform effort, and it surely does not instill public confidence that the Patent Office has left behind the confrontational pose and cavalier attitude that were so apparent over the past several years.

The ANPRM is utterly silent with respect to Executive Order 12,866

The patent examination process is so complex and affects so many people that any serious attempt to reform it should be expected to have massive impacts. For this reason, it is disconcerting that the USPTO utterly ignored Executive Order 12,866 in the ANPRM. Of course, E.O. 12866 does not require agencies to be transparent about the likely scope of regulatory effects at the ANPRM stage. Nonetheless, given the Patent Office's unblemished record of noncompliance, it would have been wise to put to rest all doubts about the Office's intentions. The Office should have stated that any material change from the 2004 Rules of Practice would be economically significant.

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[95] *See* 35 U.S.C. § 2(b)(2), which authorizes the USPTO to regulate "not inconsistent with law" so long as, among other things such regulations are "made in accordance with section 553 of title 5." The controlling case law is *Tafas v. Dudas,* 541 F.Supp.2d 805, 812, 86 USPQ2d 1623, 1628 (E.D. Va. 2008) ("[T]he structure of Section 2(b)(2) makes it clear that the USPTO must engage in notice and comment rulemaking when promulgating rules it is otherwise empowered to make—namely, procedural rules").

[96] The tactic didn't work out in the other major case during this period. The Department of Homeland Security also attempted to circumvent the RFA and lost. *See AFL-CIO v. Chertoff* (552 F. Supp. 2d, N.D. Cal., 2007) (certification of exemption from RFA because the final rule imposed no new burdens on employers was contradicted by facts and oral argument claiming the rule was exempt because it was interpretative).

There is still time to do this. The USPTO can prepare a Regulatory Agenda entry for this rulemaking for publication in April 2010. This entry should clearly state that the rule is economically significant.[97]

The USPTO proposes to modify the ill-fated 2008 Final Rule rather than start over

In the ANPRM, all regulatory texts are characterized as modifications from the unimplemented 2008 final rule. This arrangement makes it especially difficult for the public to comment. Every change must be examined against a hypothetical baseline. A reasonable inference is that senior USPTO personnel are too invested in the 2008 version to appreciate the reality of the Office's current predicament.

For PRA purposes, the only permissible baseline for estimating burden is the 2004 Rules. Thus, regardless of what baseline the Office used in the ANPRM, it must use the 2004 Rule as the baseline in an NPRM. The PRA does not permit agencies to use a baseline in the § 1320.11(a) paperwork notice that is different from the one used in the proposed rule. The Patent Office would invite a new round of controversy and conflict if it tried to do this.

The same is true for choosing a baseline for use in the Regulatory Impact Analysis (RIA) that must be prepared in support of an economically significant rule. OMB's RIA guidance specifically provides for cases in which multiple regulatory baselines may be used, but the circumstances in which this would be appropriate do not apply here.[98] The best approach would be for the Patent Office to analyze multiple alternatives, where one alternative is the 2008 final rule.

Concluding Comments

Regulatory Checkbook's interest is strictly limited to improving the quality of scientific, technical and economic information used in regulatory decision-making. We have no stake whatsoever in the substantive details of patent law and examination. These comments are provided strictly as a public service.

At the same time, in the course of reviewing the USPTO's work products and numerous public comments, it has become clear to me that the Patent Office suffers considerable dysfunction because it insists on trying to achieve secondary objectives, such as reducing patent pendency or expediting throughput. This is ironic be-

[97] The December 2009 ANPRM is currently proceeding without a Regulatory Agenda entry, and thus the USPTO is in violation of 5 US.C. § 602.

[98] *See* Office of Management and Budget (2003, pp. 15-16). Multiple baselines make sense when existing rules are subject to significant differences in regulatory interpretation.

cause a consistently *stated* agency objective has been to maximize patent quality, and it is unclear whether patent quality is highly correlated with these various secondary objectives. One comes away convinced that USPTO management has committed itself, perhaps unwittingly, to pursue these secondary objectives even at the expense of patent quality.

In concluding comments I made at the January 20, 2008, Roundtable, I proposed a different way the USPTO could structure an objective function emphasizing quality, one that both the Patent Office and its customers could embrace. Currently, different divisions within the Patent Office engage in strategic suboptimization, often to the detriment of other divisions (never mind the public).

The first task is to identify a workable measure of quality, and fortunately the field of decision theory offers an excellent one. As a starting point, the null hypothesis in patent examination is allowance, for it is the Patent Office's statutory job to show that an allowance should *not* be granted, and an applicant is "entitled" to grant until the Office does so. Within this system there are two types of errors the Patent Office can commit, both of which are unavoidable. These errors are displayed in Table VI below.

The upper-left and lower-right boxes represent correct USPTO decisions, about which there seems to be no dispute; no one credibly argues that the Patent Office should issue allowances without regard to merit. The two types of errors are located in the opposite corners; false positives (issuing allowances despite evidence of unpatentability) in the upper-right, and false negatives (rejecting patentable claims in the lower-left.

Conventional practice among examiners is to reject claims in First Office Actions—the lower row—largely irrespective of the evidence, though any *prima facie* explanation of unpatentability will do. It is the job of patent lawyers, as advocates for their clients, to persuade examiners that their applications belong in the upper row.

Where a claim winds up depends on the strength of evidence mounted by each side, the relative skill of the participants, and the rules governing the contest. Clearly, this system depends on clear rules that are perceived as fair and are applied fairly to all similarly situated applicants. Meanwhile, the incentives of the parties should push each application toward a true positive. To the extent that evidence can be brought to bear that shows incentives are not aligned with these objectives, tat is where the USPTO should focus its process reform energies.

Another likely source of dysfunction is the relative propensity of each side to shade (or break) the rules. USPTO officials frequently complain that applicants abuse the rules, but applicants often say examiners refuse to follow them. This is an

example where empirical study of the relative incidence and economic significance of both behaviors, conducted *before* the USPTO proposes regulatory changes, would be highly beneficial. Unfortunately, in the ANPRM the USPTO appears to have made up its corporate mind, without providing persuasive supporting evidence, that applicant abuse of the rules is the problem.[99] Nothing in the ANPRM suggests that USPTO officials have evidence supporting this inference beyond mere "belief" and "expectation." Nor does he ANPRM suggest that they have even considered the possibility that examiners abuse their authority or fail to follow mandatory procedures set forth in the MPEP.

As a regulatory policy matter, however, the task is straightforward. Patent quality is approximately maximized when the aggregate economic value of all errors is minimized. That is, the USPTO should be minimizing both false positives and false negatives.[100] Proposed changes to the Board's Rules of Practice should be evaluated using this model:

[99] *See*, e.g., U.S. Patent and Trademark Office (2009b, p. 67991)("The Office has found that too often an applicant or a patent owner belatedly presents evidence as an afterthought and that the evidence was, or should have been, readily available."

[100] The USPTO seems to be claiming that it is doing this. The Patent Office's latest Performance and Accountability Report says that in FY 2009 the allowance compliance rate (defined as "the percentage of applications reviewed during prosecution prior to allowance, with no errors") had reached 96.9%. *See* U.S. Patent and Trademark Office (2009a). Contrary to the Information Quality Act and the USPTO's information quality guidelines, this and related statistics are not "capable of being substantially reproduced" by qualified third parties. The precise methods used to derive this figure are not disclosed, nor is it clear whether the statistic is supposed to measure false positives, false negatives, both, or something else. To prove it case, the Patent Office ought to subject these performance claims to thorough public review.

Table VI: Maximizing Patent Value

USPTO Decision	**Null Hypothesis is True** *(Claim is Patentable)*	**Null Hypothesis is False** *(Claim is not Patentable)*
Allow Claim	**True Positive** Social Value *May Be* Positive: + NPV of patent protection – ∑ private and social costs of USPTO transactions	**False Positive** Social Value *Is* Negative: Ø NPV of patent protection – ∑ private and social costs of USPTO transactions + NPV transferring wealth from society to applicant
Reject Claim	**False Negative** Social Value *Is* Negative: – NPV of patent protection – ∑ private and social costs of USPTO transactions	**True Negative** Social Value *May Be* Positive: Ø NPV of patent protection – ∑ private and social costs f USPTO transactions + NPV of not transferring wealth from society to applicant

- *Is the proposed change likely to decrease or increase the rate of false positives? False negatives? Reduce false positives by increasing false negatives?*

Changes that do not reduce least one type of error should be abandoned. Changes that achieve the reduction in one type of error by increasing the other type must be examined carefully to determine whether the net change is socially beneficial.

- *Is the value of reduced error greater than the increase in private costs that would be imposed?*

The net social value of USPTO output declines if the social (not agency) value of its incremental achievements is less than the increased incremental paperwork burden imposed on the public. It also declines if the economic value from lost patent protection exceeds the incremental gains in administrative efficiency or effectiveness. These are crucial issues to study in the Regulatory Impact Analysis.

- *Is greater efficiency or effectiveness within the Patent Office achieved by increasing paperwork and economic costs to applicants?*

Such changes could be justified, but only if the value of improved agency efficiency and effectiveness exceeds private sector paperwork and economic costs. Moreover,

the Paperwork Reduction Act prohibits agencies from reducing their internal burdens by shifting them to the public.

The discipline of decision theory can be incorporated into the Regulatory Impact Analysis that is required by Executive Order 12,866 for all economically significant regulatory actions. Instead of perceiving the RIA requirement as a burdensome nuisance, the USPTO ought to use regulatory analysis to help structure the reform initiative and thereby improve its quality. Careful study may well reveal that some of the changes the Patent Office has been proposing would be unhelpful or counterproductive, and that some alternatives proposed by the public provide considerably more promise.

Meanwhile, the USPTO's troubling record of noncompliance with applicable law and Executive branch procedure means that it has a lot of work to do to prove that it has mended its ways. An enforceable public announcement that the Office will honorably comply with these laws and procedures is an essential first step.

Sincerely,

Richard B. Belzer, Ph.D.
President
Belzer@RegulatoryCheckbook.Org

Attachment: Documents Incorporated by Reference

Documents Incorporated by Reference

Baker D. 2007. *Comments on Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals; Proposed Rule [0651-AC12].* Available: http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/d_baker.doc [accessed February 16, 2010].

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