From: Boundy, David [mailto:DBoundy@cantor.com]
Sent: Monday, August 18, 2008 12:40 AM
To: Fawcett, Susan; Jordan, Kimberly
Subject: Information Collection Comment on Appeal Rule 0651-00xx

Dear Ms. Fawcett and Ms. Jordan -

As we discussed, here is a revised document to replace the comments I sent earlier on the Appeal Information Collection Request for Comment. Please use these for all purposes, and discard the earlier draft. These comments are from me personally, not from Cantor Fitzgerald. Thank you

<<Boundy lettersupplemental re Paperwork burdens of Appeal Rule 080817 2300 DEB.pdf>>

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August 17, 2008 (updating an earlier version of August 8, 2008)

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Re: Information Collection Comment, ICR 0651-00xx, Request for Comment on Board of Patent Appeals and Interferences Actions, 73 Fed. Reg. 32559 (Jun. 9, 2008) ("Appeal ICR RFC") and RIN 0651-AC12, Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals, 73 Fed. Reg. 32938 (Jun. 10, 2008) ("Appeal Final Rule Notice")

Dear Ms Fawcett and Ms. Jordan:

We appreciate the opportunity to comment on the PTO's Information Collection Request regarding Ex parte appeals and the newly-final Appeal Rule.

Unfortunately, the PTO's observance of procedural regulations, and the substantive estimates now provided to OMB, violate many provisions of OMB's paperwork regulations (5 C.F.R. § 1320) and OMB's and PTO's own Information Quality

Guidelines.[1] Any burden estimates provided by PTO are based on incomplete information, information that the PTO clearly has but refuses after repeated requests to disclose. The PTO failed to obtain the required public "consultation" on paperwork burdens (either to reduce them before the NPRM or fairly quantify them) before or within the June 2007 NPRM, declined to submit the rule for clearance by the OMB and the Small Business Administration, and has now failed to comply with rulemaking requirements in the Final Rule Notice and Appeal ICR. Because the PTO concealed much of the most-relevant information and failed to attempt to follow established clearance procedure, we believe that the only fair, effective, and legally-compliant, procedure is for the PTO to withdraw the Appeal Rule, and start over again with a properly-prepared Notice of Proposed Rulemaking (NPRM) accompanied by a properly-prepared, timely "objectively supported" submission to OMB under 5 C.F.R. § 1320.11 based on disclosed objective data which the PTO has readily available to it.

In this ICR covering the years 2009-2011, the PTO will seek approval for information collection for ***each*** of the three years covered by the ICR. Because this ICR seeks approval for the annual burdens of 2011 and the PTO has developed and used annual growth rate estimates, it must estimate and seek approval for 2011 burdens, and disclose the data and methods used to project those burdens. In these comments, we provide in Table 1 only an illustrative set of estimates for 2011 and provide some support for these estimates, though because the PTO concealed the data it has, we lack sufficient information to present these estimates as final proposals for burdens. All we know today is that the PTO's estimated burdens are severely understated, as we explain.

Further, in a number of submissions relating to various rule packages since June 2006, the PTO has consistently certified to OMB and the Small Business Administration Office of Advocacy (SBA) that its rule packages were "not significant" or impose no substantial burden and therefore require no review under Executive Order 12,866 or the Regulatory Flexibility Act. Now, in this Appeal ICR RFC, the PTO concedes that the

[1] http://www.uspto.gov/web/offices/ac/ido/infoqualityguide.html

Appeal Rule creates over $100 million in paperwork burden alone. Moreover, the PTO has **never** acknowledged, let alone provided good faith estimates for, non-paperwork regulatory burdens for any of these rule packages, such as loss of patent asset value, diversion of investment away from innovation, and the like.

The omissions and errors go far beyond minor, understandable mistakes in paperwork submissions. The seriousness of PTO's errors, and the pattern discernable from this submission in combination with several recent rule packages, strongly suggests a concerted PTO effort to bypass and evade regulatory oversight by OMB and Small Business Administration's Office of Advocacy.

Importantly, examiners have historically lost **80-90%** of appeals to the Board of Patent Appeals and Interferences (BPAI), when all layers of review are considered.[2] Unlike most other agencies where higher-level intra-agency review exists to resolve close cases, patent appeals are driven almost entirely by an extraordinarily high error rate in the first-level agency adjudication, largely the result of the PTO's employee compensation system, and it is simply unfair of the PTO to impose further burdens on applicants for correcting the PTO's own errors caused by PTO's misincentivization of its employees. Because of the PTO's stated policy of declining to manage or direct its examiners[3], proceedings before patent examiners are procedurally chaotic and

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[2] PTO publicly discloses only the rate of reversal at the final stage, final decisions of the Board of Patent Appeals and Interferences. However, statistics provided by FOIA request and during discovery in the *Tafas v. Dudas* litigation in the Eastern District of Virginia show that more than 2/3 of appeals result in the examiner's position being reversed or vacated before the appeal reaches the Board. *See also* Figure 4 in Katznelson letter (Exhibit 2) showing that the BPAI affirmed the examiner in only 10% of appeals filed by applicants.

[3] One **very** large factor in this high reversal rate is the PTO's stated refusal to follow White House instructions or to implement Executive Order 13,422 and the Final Bulletin on Agency Good Guidance Practices. Executive Order 13,422, 72 Fed. Reg. 3432 (Jan. 25, 2007, http://www.whitehouse.gov/omb/inforeg/eo12866/ fr_notice_eo12866_012307.pdf); "Final Bulletin for Agency Good Guidance Practices" (OMB Memorandum M-07-07, January 18, 2007, http://www.whitehouse.gov/omb/memoranda/ fy2007/m07-07.pdf); and "Implementation of Executive Order 13422 (amending Executive Order 12866) and the OMB Bulletin on Good Guidance Practices" (OMB Memorandum M-07-13, April 25, 2007, http://www.whitehouse.gov/omb/ memoranda/fy2007/m07-13.pdf).

unpredictable, and often an appeal is the only way to secure examination under any predictable and orderly standard of law. Because the appeal route has become a central safeguard for applicants for protecting their intellectual property, the burdens under the instant ICR should be carefully scrutinized, rigorously minimized, and properly accounted for.

For the reasons further elaborated below, the PTO has boxed itself into 5 C.F.R. § 1320.12(f), which requires the PTO to withdraw the Appeal Rule and start the rulemaking process over again with a new NPRM. Many of the individuals involved with this rulemaking should be investigated by OMB to determine whether they should be quarantined from any future rulemaking, because they apparently lack the legal knowledge, ability to investigate facts, or adjudicative competence required for the task.[4]

As we note below, the PTO has demonstrated a repeated pattern of unfairly mischaracterizing public comments, in order to provide dodging "non responses." The

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For example, one recent final Rule notice reiterated the PTO's long-standing refusal to provide any supervisory oversight over examiners with respect to the PTO's procedural guidance. Changes to Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications, Final Rule, 72 Fed. Reg. 46716, 46752 col. 2-3 (Aug. 21, 2007). In a public speech before the Biotechnology Industry Organization Annual Meeting of General Counsel in September 2007, Deputy Commissioner Love (the single official within the PTO most responsible for implementing the Executive Order and Bulletin) confessed that he was not even aware of the existence of the Bulletin. The PTO issued its guidance on obviousness, 72 Fed. Reg. 57,526 (Oct. 10, 2007) without following the procedures set in the Bulletin. A year and a half after the issuance of the Executive Order and the Bulletin, the PTO's web site still does not have the information required. The PTO's persistent refusal to follow, enforce, or even inform itself of, the law it is required to follow, violates the President's Good Guidance Practices, § II(1)(b) ("Agency employees should not depart from significant guidance documents without appropriate justification and supervisory concurrence.").

[4] *Niam v. Ashcroft*, 354 F.3d 652, 654-60 (7th Cir. 2004) ("The [administrative] judge's analysis was so inadequate as to raise questions of adjudicative competence." The court then follows with a list of errors, including the judge's misunderstanding of the role of evidence and burdens of persuasion, "the [administrative] judge's opinion is riven with [factual] errors," "startling omissions plus a striking non sequitur," failure to even comment on evidence or address arguments. The court concludes, "In view of the performance of these [administrative] judges and the criticisms of them that we have felt obligated to make, we urge the [agency] to refer the cases to different [administrative] judges.") In view of the striking overlap in errors, the court's admonition should apply here.

PTO apparently cannot fairly and accurately "summarize" public comments. If the PTO submits an ICR to OMB, the PTO should publish and provide the comments to OMB in full, without interposing itself as an intermediary.

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Table of Exhibits

I. The Patent Office Violated a Number of OMB's Implementing Regulations Under the Paperwork Reduction Act

A. The Appeal Rule Imposes Millions of Dollars of Duplicative Paperwork Burden, In Violation of 5 C.F.R. § 1320.5(d)(1) and 9(b)

Bd. R. 41.37(t) and (u) require appellants to repackage and re-submit the following documents that are already accessible to PTO:

- "Affidavits and declarations, if any, and attachments to declarations, before the examiner…" Bd. R. 41.37(t)(5).
- "Other evidence…" Bd. R. 41.37(t)(6)
- "Other evidence filed after the notice of appeal … and admitted to the file" Bd.R. 41.37(t)(7)
- "Copies of orders and opinions" for related cases, even those decided by the PTO itself. Bd. R. 41.37(u)

Under the Paperwork Reduction Act, 44 U.S.C. § 3501 et seq. (PRA) and its implementing regulations, the Office of Management and Budget cannot approve Information Collection Requests that are duplicative:

> To obtain OMB approval of a collection of information, an agency shall demonstrate that it has taken every reasonable step to ensure that the proposed collection of information:
>
> (i) Is the least burdensome necessary for the proper performance of the agency's functions to comply with legal requirements and achieve program objectives;
>
> (ii) Is not duplicative of information otherwise accessible to the agency; …

5 C.F.R. § 1320.5(d)(1) (Emphasis added). Every item requested by Bd.R. 41.37(t)(5), (6) (7) and 41.37(u) is necessarily duplicative of information accessible to the agency. Bd. R. 41.37(t) ("The 'evidence section' shall contain only papers which have been entered by the examiner.") Therefore, these information collection demands are unambiguously duplicative. Not only is the requested information *accessible* to the Board, it is maintained electronically by the PTO in a form and format that the PTO itself prescribed.[5] Bd. R. 41.37(t) and (u) are simply untenable.

This issue was directly raised in the Notice and Comment letters (Boundy letter[6] at 34-35; Belzer paperwork letter (Exhibit 3) at page 17; Katznelson letter (Exhibit 2) at page 18). The Response to Comments in the Notice of Final Rulemaking is **dead silent** on these four rule provisions. In its response, the PTO only stated that "Paragraphs (t) and (u) of section 41.37 have been revised and do not require the collection of information beyond what is already required by the current rules".(73 FR 32955, Col. 3). This is a typical PTO recharacterization and dodge of the comments it received. PTO's argument that the new rules do not require collection of information beyond that required under the old rules is an irrelevant "response" to a comment that was never made. The comments did not address mere changes in Section 41.37 but the actual provisions of that section. Evidently, PTO's duplicative information collection is most

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[5] Under OMB's section 1320.5(d)(ii), it would not matter if the Board were a separate federal agency from the PTO. The Board could not impose the duplicative requirement as long as the same information is accessible from the PTO.

[6] http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf

likely also illegal under the old rule. How does the PTO explain its action and failure to respond to comments? The PTO's promulgating a final rule without response to a serious comment violates the following provisions of law:

- The Administrative Procedure Act, which requires agencies to fully and fairly address comments raised in Notice and Comment letters.[7]
- The obligation under § 1320.5(d)(1) to take "every reasonable step" to avoid "duplicative" information collections.

B. The Sanctions Provision of Bd.R. 41.56 is Ambiguous, in Violation of 5 C.F.R. § 1320.9(d), and Imposes Burdens that are not Accounted For in the PTO's ICR

Several of the comment letters noted the ambiguity of Bd.R. 41.56: that the Rule creates a totally new, unbounded and undefined category of "ethical misconduct" with standards that do not exist in any other jurisdiction.[8] Leaving sanctions to the unfettered discretion of an administrator to act with no standards is clearly problematic.

Indeed, the Final Rule notice confirms the worst fears expressed in those letters: It states that the standard will be any "actions which the Office believes are detrimental to the efficient handling of ex parte appeals," 73 Fed.Reg. at 32948, col. 1, with no boundary, and with an express disclaimer of any known standard. 73 Fed.Reg. at 32968 col. 2 (precedent of courts "may or may not be helpful"). Bd.R. 41.56 by its terms puts the public to the burden of reading the mind of some official to be designated in the future, who most likely has no practical legal experience in the area of ethics or sanctions. The Response to Comments gives no useful guidance as to the specific conduct that will be sanctioned, instead offering two *non sequiturs*, (a) setting out the possible sanctions to be applied, and (b) providing an "assurance" (unenforceable of

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[7] The APA does not permit an agency to create diversionary characterizations of issues raised by public comments, and respond only to such "strawmen." The PTO failed to reply to a number of issues, and instead "replied" only to irrelevant softball mischaracterizations of the comments. "Unless an agency answers objections that on their face appear legitimate, its decision can hardly be said to be reasoned." *Mistick PBT v. Chao*, 440 F.3d 503, 512 (D.C. Cir. 2006).

[8] Comment email of Allan Hoover, http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/a_hoover.doc, letter of American Intellectual Property Law Association, http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/aipla.pdf at page 11

course) that "it is expected that sanctions will be rare." 73 Fed.Reg. at 32968 col. 2. These two give the public no help in ascertaining the standards of conduct that the Office "believes" to be sanctionable.

Tellingly, PTO General Counsel James Toupin and Director of the PTO's Office of Enrollment and Discipline Harry Moatz have recently stated in public talks that the Patent Office declines to maintain consistency with its earlier formal written interpretations of applicants' ethical obligations.[9] In public presentations and in meetings with Congressional staff, both have stated that PTO Rules 1.56 and 10.18 obligate an applicant to read every document, even references that are provided to the Office under the duty of disclosure, in its entirety. This is a direct contradiction of the PTO's formal written interpretations of its rules, including the two relevant Notices of Final Rulemaking: (a) the PTO revised 37 C.F.R. § 1.56 to **remove** the requirements that Mr. Toupin and Mr. Moatz now seek to impose[10], and (b) the PTO **removed** the pre-1997 requirement of 37 C.F.R. § 10.18(b) that every document be "read."[11] The fact that these two officials, who are the two individuals most directly responsible for knowing and administering this regulation, are willing to publicly express views in direct conflict with the agency's own written interpretations, illustrates the danger of passing a new ethics provision containing unbounded, undefined, and vague terms and relying on the discretion of individual administrators, no matter how well-meaning.[12]

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[9] Talk of Harry Moatz at PLI conference on Advanced Patent Prosecution, July 23, 2007; Talk of Harry Moatz at IPO Annual Meeting, New York NY, September 11, 2007, http://www.patentlyo.com/patent/MoatzHarry_presentation.pdf at slide 9; Talk of James Toupin at Marcus Evans IP Summit, Hot Springs VA, September __ 2007;

[10] 57 Fed. Reg. 2021, 2026 (Jan. 17, 1992) ("The applicant can submit information to the office for the examiner's consideration whether the information is considered material or not."); 57 Fed. Reg. at 2023 ("The Office believes that most applicants will wish to submit the information, however, even though they may not be required to do so, to strengthen the patent and avoid the risks of an incorrect judgment on their part on materiality…").

[11] 62 Fed.Reg. 53131, 53175 (Oct. 10, 1997) (repealing the former requirement under pre-1997 37 C.F.R. § 10.18(b) that papers submitted to the PTO be "read").

[12] In these and other presentations, Mr. Moatz and Mr. Toupin have defended their proposition by arguing that their novel interpretation of PTO Rule 56 is a mere analog to that duty. This could only be true if Federal Rules of Civil Procedure 11 and 37 obligated a litigant to read every document in every document production in its entirety before producing it to the

Because attorneys will be forced to comply with a standard that has no ascertainable boundaries, the Paperwork burden of drafting of papers will be increased by some unknown but very large amount. OMB should require PTO to first articulate the scope and standard it intends to apply, and then require PTO to estimate the paperwork burdens for that compliance.

C. Because of The PTO's Failure to Pursue With Any Permissible Procedural Path to Approval, the PTO Has No Option But to Start Over With a New Notice of Proposed Rulemaking

Paperwork regulations, 5 C.F.R. § 1320.11 and .12 provide only three paths for paperwork clearance of a rule:

- § 1320.11, for burdens in a proposed rule
- § 1320.12(a), for information collection burdens in rules that have an existing valid OMB control number
- § 1320.12(b) for information collection burdens in rules that have changed status from "not previously covered" to now covered.

1. The PTO Stated It Would Not Even Attempt Compliance with Paperwork Clearance Regulations of 5 C.F.R. § 1320.11

5 C.F.R. § 1320.5(c)(2) obligated the PTO to submit the Appeal Rule to OMB "in accordance with the requirements of § 1320.11" at the time of the Proposed Rulemaking, in July 2007. 5 C.F.R. § 1320.11 requires as follows:

> (a) The agency shall include… in the preamble to the Notice of Proposed Rulemaking a statement that the collections of information contained in the proposed rule … have been submitted to OMB for review under section 3507(d) of the [Paperwork Reduction] Act. …
>
> (b) All such submissions shall be made to OMB not later than the day on which the Notice of Proposed Rulemaking is published in the Federal Register…

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requesting party, which is of course simply false. In a June 2008 meeting, PTO General Counsel Toupin stated to a Senate staffer that certain proposed rules, requiring an applicant to prepare and provide to either the tribunal or to the opposition party a written paper discussing the attorney's view of the materiality of every single document produced, and the attorney's evaluation of the effect of that document to the material issues in the case, was merely an analog to a litigant's obligation under Rule 11. Mr. Toupin's incorrect understanding of the law of civil litigation illustrates the peril of an agency asserting authority to create and enforce rules on ethical conduct when the head legal authority of that agency, and presumably all the other lawyers who advise him and would have corrected such a stark misimpression, lack sound knowledge of the relevant law.

§ 1320.11(c), (e), (f), (h)(2) and (k) specify further events and actions that must occur before a rule may be published as a final rule. None of these further events and actions can occur if an agency breached its obligations under § 1320.11(a) and (b) to start the public comment and OMB review process in motion.

The Patent Office admitted that it did not even attempt to comply with § 1320.5(c)(2), 11(a) or (b), 72 Fed.Reg. 41284 col. 2:

> 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.

The PTO engaged in diversionary characterizations of its obligations. The issue is not whether the proposed rules affect information collection under a *particular OMB control number*. Rather, PTO was required to address information collection associated with a *particular proposed rule*. The Patent Office apparently tried to circumvent the mandate of the Paperwork clearance regulations by rewriting the regulations.

That was illegal in June 2007, and it remains illegal now.

2. By the PTO's Own Admissions, Neither § 1320.12(a) or 12(b) Clearance is Available to the PTO

The PTO's only lawful path to obtain information collection approval for new rules such as the Appeal Rule is 5 C.F.R. § 1320.11. The time for that is past, and neither of the other two alternatives, § 1320.12(a) or 12(b) offers a route for clearance of the Appeal Rule.

§ 1320.12(a) applies only to information collections that have been previously approved by OMB and have a currently valid OMB control number – which does not apply to the Appeal Rule.

§ 1320.12(b) applies only as a "grandfather" clause to a <u>current</u> rule that "that was not required to be submitted for OMB review under the Paperwork Reduction Act at the time the collection of information was made part of the rule, but which collection of information is now subject to the Act and [Part 1320]." But as the PTO now admits, the information collection was subject to the Act and Part 1320 as of the date it was "made part of the rule" (June 10, 2008), and has not changed status at any time that could

make § 1320.12(b) applicable. Thus § 1320.12(b) is not available for the June 2008 Appeal Rule.

Unless the PTO is again applying a double standard, that applicants must comply with burdensome and unwritten rules that PTO employees make up on the fly[13] but the PTO itself need not even pretend to comply with rules that bind it, the PTO has no legal alternative but to withdraw the June 10 Final Rule Notice, and if it wishes to regulate appeals, start over at the beginning under § 1320.11.

3. The PTO's Procedural Failures Have Substantive Consequences and Should Not Be Excused

The PTO's failure to timely comply with paperwork clearance procedure is not a mere timing issue of little consequence. The purpose of complying with the Paperwork Clearance Regulations with a proposed rule is to ensure that the public has a fair opportunity to inform the agency of the true impact of a proposed rule, and that the agency and the OMB have a fair and accurate picture to consider changes make sound decisions in drafting a final rule. If an agency declines to even disclose its paperwork estimates, let alone make paperwork submissions, until the final rule is published, the public and OMB are denied access to the information needed for informed public comment, and effectively lose their opportunity to do so. In the 1995 amendments of the Paperwork Reduction Act, Congress specifically sought to eliminate agency evasion of the type now attempted by the PTO. Under this statute, OMB cannot cede to PTO's actions by avoiding its own accountability under the Act.[14] The courts have made clear

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[13] http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf Attachments A and B.

[14] The PRA legislative history is unambiguous as to PTO's and OMB's obligations: H.R. Rep. 104-37, P.L. 104-13, (February 15, 1995):(at 170: "Unfortunately, Federal agencies have not kept pace with evolving management practices and skills necessary to: (1) precisely define critical information needs; and (2) select, apply, and manage changing information technologies. … The result, in many cases, has been wasted resources, a frustrated public unable to get quality service and a Government ill-prepared to measure and manage its affairs in a acceptable, businesslike manner…. The consequences-…-***cannot be tolerated***"; At 187: "The current legislation also ***strengthens OMB accountability***, as well as its paperwork reduction mandate. … [T]he Committee believes that a more thorough and open agency paperwork clearance process can improve the quality of paperwork reviews and public confidence in

that a notice-and-comment period with no disclosure – or delayed disclosure – of material facts and data is insufficient to meet the requirements of the APA, and there is no apparent reason that the same reasoning would not apply to timely compliance with Paperwork Reduction Act regulations.

What the PTO should not attempt, and OMB should not approve, is the PTO's apparent attempt at "self help" and short-circuiting the regulatory review and approval process, by submitting to OMB materials that have not been through a proper public vetting process, and that should have been submitted to the public and OMB over a year ago, with the Proposed Rule. There is no provision giving the PTO authority to act over a year late, as it attempts here.

4. Under § 1320.12(f), the PTO Must Start Over Again With a New Notice of Proposed Rulemaking, and Publish a Federal Register Notice that the 2004 Appeal Rules Remain in Effect

The closest fit between the Appeal Rule and Part 1320 is § 1320.12(f):

> (f)(1) If OMB disapproves a collection of information contained in an existing rule… OMB shall:
>
> (i) Publish an explanation thereof in the FEDERAL REGISTER; and
>
> (ii) Instruct the agency to undertake a rulemaking within a reasonable time limited to consideration of changes to the collection of information contained in the rule and thereafter to submit the collection of information for approval or disapproval under § 1320.10 or § 1320.11, as appropriate; and
>
> (iii) Extend the existing approval of the collection of information (including an interim approval granted under paragraph (b) of this section) for the duration of the period required for consideration of proposed changes, including that required

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Government decision-making. Analogous to the way in which an agency's rulemaking record stands as the basis for and evidence of the need for a regulation, so should a more highly developed and examined record of an agency's formulation of an information collection proposal stand as the basis for the collection and ***as a public record of its need***. The delineation of a more detailed agency paperwork clearance process obviously places a heavier burden on agencies to justify the programmatic need for information. But this, too, should help counteract some of the negative connotations associated with information collections. Information requirements will less often come ***unannounced and unexplained*** if the agency has already ***had to justify the requirement***, and the burden it imposes, to the public and ***consider public comments***. This early review in turn should help agencies make their case for the value of Federal information and prompt them to improve the quality and availability of such information. The review certainly will assist individuals and organizations representing those who are burdened ***to engage agencies in meaningful dialogue*** about the need for information. Out of this more thorough review of information collection proposals should come more effective ways to minimize burdens and maximize the utility of information collected or generated by or for the Federal Government".

> for OMB approval or disapproval of the collection of information under § 1320.10 or § 1320.11, as appropriate.

As discussed above, the PTO cannot even apply to OMB for paperwork clearance, and if the PTO applies, OMB must disapprove. Thus, the PTO should simply go back to the beginning and follow the law. The PTO should publish a Federal Register notice that the 2007-08 Appeal Rule is withdrawn, that the 2004 Appeal Rule remains in effect to the degree permitted by the ongoing series of month-to-month extensions granted for ICR 0651-0031, and start over again with an NPRM that is accompanied by a proper and timely § 1320.11(a) and (b) submissions to OMB.

Note that § 1320.12(f)(2)(ii) will require the PTO to specifically break out the burdens of the 2007-08 Appeal Rule relative to the 2004 appeal rules. That burden is almost certain to exceed $100 million in paperwork burden alone, with hundreds of millions of dollars of additional non-paperwork regulatory burdens. Thus, the PTO will be required to submit a regulatory analysis compliant with OMB Circular A-4.

II. The PTO's Paperwork Estimates Violate Information Quality Regulations

Many of the estimates in the Appeal ICR RFC and in the Final Rule Notice have no disclosed basis, let alone a basis in "objective" or "reproducible" information. The PTO's entire burden estimation process is non-objective. The PTO's recent estimates of various paperwork burdens have varied by over 60% - the PTO provides no "reproducible" source of information. Until the PTO takes information quality seriously, its burden estimates are not credible, and cannot be approved.

A. The PTO Bound Itself to Information Quality Principles, and is Bound to Provide "Objective Support" for Its Estimates – These Two Requirements Are Violated in The Appeal ICR RFC

The Information Quality Act (IQA) (or Data Quality Act, codified in notes to 44 U.S.C. § 3616) requires agencies to "ensur[e] and maximiz[e] the "quality, objectivity, utility, and integrity of information (including statistical information) [they] disseminate…" The IQA requires agencies such as the PTO to establish and follow their own

implementing guidelines. "Objectivity" under OMB's and PTO's guidelines[15] (hereinafter, "PTO IQG") requires that information be "accurate, reliable, and unbiased," and "presented in an accurate, clear, complete, and unbiased manner" (PTO IQG § IV(A)(6)). Data and analyses must be transparent and "reproducible" by competent third parties. The PTO commits itself to full public disclosure (PTO IQG § IV(A)(7), emphasis added):

> "Reproducibility" of these analytic results does include "especially rigorous robustness checks" and when asked the USPTO does provide disclosure of the data sources that have been used and the specific quantitative methods and assumptions (if any) that have been employed

Data, analyses, statistics, and similar "representation[s] of knowledge" that the PTO disseminates in rulemaking are covered by the IQA, and by OMB's and the PTO's implementing guidelines (PTO IQG, "information that … forms any part of the support of the policies of the agency" are covered).

Further, the Paperwork Reduction Act and OMB's implementing regulations required that all rules and information collection estimates be supported by "objective support," which OMB requires to be disclosed in the ICR or NPRM. 5 C.F.R. § 1320.8(a)(4).

A number of statements in the Notice of Proposed Rulemaking violate the PTO's Information Quality Guidelines[16] requirements for objectivity and utility, and requirements under the Administrative Procedure Act for a rational connection between a regulation and the problem sought to be regulated.

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[15] http://www.uspto.gov/web/offices/ac/ido/infoqualityguide.html

[16] http://www.uspto.gov/web/offices/ac/ido/infoqualityguide.html

B. None of the Numbers in the ICR Are Supported by "Objective" or "Reproducible" Information or Analysis, in Part Because the PTO Failed to Comply with 5 C.F.R. § 1320.8(d)(1)

1. The PTO Has Highly Reliable Historical Numbers for the Past, Numbers That Are Not Disclosed

The PTO has provided no objective way to estimate its future appeal workload. If the PTO's numbers in the Appeal ICR have any rational basis, it is neither disclosed or apparent, and instead appear to be driven by the PTO's management objectives.

This underlying defect is embodied in the Appeal ICR RFC and Rulemaking Notices in the widely varying estimates of future workload, none of which have any disclosed support or explanation of trends. For example:

- In July 2007, at 72 Fed. reg. 41479, col. 3, the PTO forecast 5,000 ex parte appeals in FY 2008. In June 2008, that projection had increased to 6,000. 73 Fed. Reg. 32938.
- In the September 2007 ICR 0651-0031-005[17],the PTO forecast 16,500 Notices of Appeal for FY 2008. In the July 2008 Appeal ICR RFC, this number is suddenly 27,630, 73 Fed.Reg. 32560, a **67% increase in under 9 months**.

There is very little doubt that substantial increases have taken place and are likely to continue. However, the PTO has made no effort to properly account for these trends or explain its models (if any) for forecasting appeal workload. Before this ICR can be approved, the PTO must disclose objective, reproducible estimates and estimation methods for future workload, and provide some analysis for where the doubling and tripling of appeal workload comes from? The wild fluctuations in the numbers leads one to ask whether there is any objective basis for any of them? Or is the PTO merely asserting low numbers to one audience that demands low numbers, and other higher numbers that demand high numbers, willy-nilly as the PTO finds it convenient? If the PTO's workload is being generated as a result of internal PTO inefficiencies (as described in some detail by many of the public comment letters, and ignored by the PTO in its responses to comments in the Final Rule Notice), then the PTO should deal with those first, before burdening the public.

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[17] http://www.reginfo.gov/public/do/DownloadDocument?documentID=44055& version=0 at page 20.

2. The Bases for PTO's Projections for Future Numbers of Responses are Not Disclosed, and Therefore Neither "Objective" nor "Reproducible"

No basis for the PTO's projections of future numbers of responses are disclosed in the Appeal ICR RFC. This is merely a continuation of a trend: FOIA requests, litigants, and a Congressional Subcommittee have requested the PTO's software models for predicting future workload. The PTO has refused all such requests.[18] For all that the PTO has disclosed, its projections are no more than bald guesses, with no rational basis. The PTO bears the burden of "objectively supporting" its burden projections, and OMB should assume that the PTO's projections are totally unreliable, until the PTO discloses some rational basis and support for them.

The only thing that is clear is that the PTO's projections are not even consistent with the objective data that the PTO has disclosed, as we discuss in § IV.G.2 at page 41.

3. The PTO's "Hours Per Response" Numbers Are Biased Because the PTO Violated 5 C.F.R. § 1320.8(d)(1) by Failing to "Consult with the Public" or Otherwise Gather Objective Burden Estimates

5 C.F.R. § 1320.8(d)(1) requires the Patent Office before the Office submits the ICR to OMB for approval, to "consult with members of the public and affected agencies concerning each proposed collection of information." This duty is in addition to the duty to publish a valid 60-day paperwork notice with the NPRM.

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[18] In the *Tafas v. Dudas* litigation, the PTO was challenged to provide the "complete analytical defense" for its predictions and projections required by the Administrative Procedure Act. *Tafas v. Dudas*, brief of amicus Polestar Capital, http://docs.justia.com/cases/federal/district-courts/virginia/vaedce/1:2007cv00846/221151/173 at pages 7-8. The PTO made no response whatsoever, let alone offering any documented support for its predictions and models

A Congressional inquiry specifically requested the PTO's models, http://www.patentdocs.net/patent_docs/files/berman_letter.pdf, and the PTO produced nothing responsive. http://www.patentdocs.net/patent_docs/files/dudas_letter.pdf

a) The PTO Has a Rich Database to Establish "Number of Responses" Estimates – It Disclose Its Facts and Analytical Methods

The Appeal Rules' burdens are dependent in large measure on the characteristics of patent applications under appeal. For example, the time that appellants would spend on the claims section under Bd. R 41.37(p), (q), (r), (s) will largely depend on the number of claims in an application, the number of total and independent claims under appeal and the number of claims argued separately. Similarly, the number of figures in the application under appeal would determine the time that appellants would spend on the drawing analysis requirements under Bd. R 41.37(r). The PTO was on notice that such numerical attributes are key burden determinants by at least one comment letter, which provided illustrative table of some of these factors. [19] Further, because the PTO has such an extraordinarily rich statistically workload database, there is no reason the PTO should evade its obligation to conduct its own statistically valid analyses and publish their details for public comment.

The PTO cannot discharge these obligations by merely adopting ***after promulgating the rules*** estimates furnished based on private illustrative surveys. Neither the NPRM, the Final Rule Notice, or the Appeal ICR RFC ever even suggest that the PTO ever even attempted to gather reliable, objective or reproducible estimates of numbers of claims, pages or figures per appeal. The only information source disclosed ***after the rules were promulgated,*** is one result of the PTO's "informal survey," apparently based solely on papers submitted, but apparently without inquiry with any attorney for the burdens spent preparing those papers, and with no disclosure whatsoever of the survey methods. OMB must not approve any information collection request that does not include estimates supported by a description and results of a ***formal survey*** with ***disclosed, objective, reproducible survey methods*** that directly establishes the underlying determinants of burdens.

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[19] See Katznelson letter (Exhibit 2), Table 3 at page 22.

b) The Only Reliable Source For Hours of Burden For Response is the Required "Consultation" With the Public

The PTO's estimates are not well informed, not objective, and not reproducible, because the PTO has never sought information from a reliable source (at least none that is disclosed), and because the PTO failed to "consult" as required to obtain information of acceptable quality.

Just as the PTO has a rich database of population count statistics, patent attorneys have detailed and objective records of the time spent on various tasks relating to appeals. Because this is the only "objective" and "reproducible" source of this information, and the PTO failed to "consult" as required by 5 C.F.R. § 1320.8(d)(1) to gather this objective information, it is clear that the estimates in the Appeal ICR RFC were prepared without the foundation required by law.[20].

There is nothing in the record to suggest that the PTO ever even attempted to comply with § 1320.8(d)(1), and the PTO has a documented history of breaking it. For example, in the *Tafas v. Dudas* litigation, the PTO produced documents A7484-7811, examples of examination support documents for accelerated examination. The PTO represented to the contractor that prepared the RegFlex Analysis[21] for the Claims rule that these were representative of the documents required under the ESD requirement of the claims rule.[22] Each of the sample documents has the attorney's name and phone number clearly shown in its signature block. The PTO therefore knew the best and most-informed sources from whom to obtain cost and burden information. I, David Boundy, personally telephoned the sources that the PTO itself designated, and those

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[20] Illustrative analyses by private parties are not subject to the Information Quality Act, and are not reliable without either a large statistical sample or peer review. For example, Katznelson's survey cited in note 19 was only illustrative and was not intended as statistically valid, because it only contained 17 appeals decided on September 20, 2007.

[21] http://www.uspto.gov/web/offices/pac/dapp/opla/presentation/ccfrcertificationanalysis.pdf

[22] Email from Robert Bahr to Elizabeth Gormsen, Sept 20, 2006, at *Tafas* production number A07481.

persons stated that they had never been contacted by the PTO. Instead, the PTO relied on guesses by "staff" who had never prepared such documents.

Because the PTO failed to disclose any "objective support" for its estimates, it is impossible to "evaluate … validity of the methodology and assumptions used," 5 C.F.R. § 1320.8(d)(1)(ii), or comment on the PTO's numbers. The June 2008 Appeal ICR RFC is inadequate to meet the requirements of 5 C.F.R. § 1320.8(d)(1). Thus, the PTO must start the entire process over again, with an NPRM and a proper § 1320.8(d)(1) "consultation" request for comment on disclosed objective support.

C. Many of the "Facts" in the Final Rule Notice and Appeal ICR RFC Have No Objective Support – Many of the PTO's "Beliefs" are Simply Wrong

It has been noted in the past that the PTO's estimation methods are "junk science," [23] largely because the PTO fails to seek objective information from informed sources.[24] Consequently, the PTO's estimates are often off by factors of 50 and 100 from reasoned and fact-supported estimates.[23]

Specific examples of naked and erroneous "beliefs" or "expectations" discussed elsewhere in this letter include

- The PTO lacks tools or data to make consistent or accurate workload predictions, as discussed in § II.B.2 at page 18.
- The PTO's estimates for the numbers of petitions to expand page limits and for extensions of time have varied so much over the last year as to suggest that the PTO lacks any objective or reproducible basis for its estimates. We discuss these analytical defects at § IV.I at page 44.

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[23] Peer-reviewed sworn affidavit of an anonymous affiant, ¶ 27, at http://www.reginfo.gov/public/do/DownloadDocument?documentID=57760&version=1 PDF page 15

[24] ICF International, "Certification Analysis Under The Regulatory Flexibility Act, Changes to Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications, Prepared for: United States Patent and Trademark Office" (June 29, 2007) (http://www.uspto.gov/web/offices/pac/dapp/opla/presentation/ccfrcertificationanalysis.pdf) at page 15 (PDF page 18), admitting that for paperwork compliance costs "USPTO staff provided estimated unit costs" as the sole information relied on, with no consultation of the relevant public or any other person with practical experience to have an informed opinion.

- The PTO relies on naked "belief" for attorney practices, that could have been proven false by making a few phone calls. We discuss this Information Quality failure at § IV.B at page 35.
- The PTO states that "the number of appeals is expected to increase," with no identified basis, reason for or quantification of this "belief." The only apparent reason for the PTO to not state the reason for the "expected" increase in appeals is that the PTO recognizes it would have to concede that the PTO has violated Executive Order 12,866 and its proscription against burdensome regulations, and piling one burden on top of a base burden caused by others of the PTO's own regulations.

D. The Analysis of the Page Limit Requirement is Badly Flawed

The PTO discusses the page limit of Bd.R. 41.37(v)(5) at 73 Fed.Reg. 32966. The "analysis" there violates many principles of the PTO's Information Quality Guidelines and the Administrative Procedure Act.

First, several of the public Notice and Comment letters noted that the requirement for 14-point, double-spaced font effectively cuts the page limit in half. The PTO responds in 73 Fed. Reg. 32966 at Col. 1 that

> An informal survey of the argument and fact portions of appeal briefs in appeals before the Board conducted *prior* to the notice of proposed rule making revealed that less than ten (10) percent of the appeal briefs exceeded 25 pages. An informal survey of 135 briefs taken *after* the notice of proposed rule making revealed that less than three (3) percent of the argument and fact portion of appeal briefs exceeded 30 pages.

The Data Quality Act was enacted precisely because Congress intended to eradicate agency adoption of or use of such "Informal Surveys" using opaque data and analyses as if they were reliable science. The USPTO failed to provide any details, date ranges, methodology, statistical methods, mechanisms for compensating for old and new font size rules, and the actual full results obtained in this "Informal Survey", frustrating any opportunity to comment on it. Nevertheless, it is clear that the briefs in the "Informal Survey" were filed under existing rules, most likely using 12-point font, and in some case using one-and-a-half line spacing. . *See, e.g.*, 37 C.F.R. §1.52(b)(2) (permitting 1.5-line spacing and "preferably a font size of 12" for patent application filings). In any event, the PTO did not disclose what fonts or spacing were used, and it is thus not known whether PTO's "informal survey" even examined the font, spacing, or typestyles of the briefs that it reviewed. The comparison of 14-point page limits under the new rule

and unknown (and most likely 12-point) font under existing rule, without disclosing this analytical discontinuity to readers such as OMB and SBA, is not a valid "response" to the public comments, and violates Information Quality principles.

The PTO attempts to justify its 30-page, 14-point, double-spaced page limit by stating that "it will be noted that many administrative and judicial tribunals have page limits on briefs." Though it was directly challenged to do so, the PTO is unable to identify a single tribunal who considers patent issues in a manner analogous to an ex parte appeal to the Board[25] whose page limit[26] is any less than **three times** that of Bd.R. 41.37(v)(5).

The PTO was challenged to identify any difference between its needs and those of the International Trade Commission, the agency that is most analogous to the Board in its adjudication of patent issues. The PTO was challenged to identify any reason that it needed a page limit when the ITC does not. The Final Rule Notice is **dead silent** on the issue of the size of the page limit (as opposed to the existence of some page limit), in violation of the Administrative Procedure Act, and in violation of paperwork regulations that require the PTO to take such burdens into account.

The rationale given for the font size minimum is counterfactual makeweight. The Final Rule Notice states that the requirement for minimum 14-point font relates to image degradation during FAXing and scanning. However, the PTO recently promulgated a proposed rule that would disallow filing briefs by FAX. (73 Fed. Reg. 45662, 45664 col. 2 (August 6, 2008). The same notice explains that 12-point font is adequate for the Office's needs in all other contexts. 73 Fed.Reg. at 45666 col. 3. In a May 13, 2008 public talk, John Doll stated that the vast majority (70% or more) of all papers filed in the Office are filed electronically, as degradation-free PDF's.[27] The PTO states no rationale for 14-point font that squares with the facts, and offers no rebuttal to the many

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[25] all in one hearing, rather than in the manner of a trial court that proceeds in multiple phases, under Fed.R.Civ.P. 12 phase, then several summary judgment motions each addressing a single issue, then trial and post-trial motions.

[26] adjusted for font size

[27] http://www.klgates.com/newsstand/Detail.aspx?publication=4547

comments that pointed out that the requirement for 14-point font, in combination with the page limit, deprives appellants of a due process opportunity to make the arguments "at a meaningful time in a meaningful manner."[28]

The process of "shoehorning" a brief into a **tight** page limit adds considerable additional time to preparing a brief, time that is not accounted for, and time that cannot be reconciled with the PTO's obligation to make sure that its information collections are the "least burdensome necessary" for the functioning of the agency. The only rationale the PTO gives is its own convenience; the Final Rule Notice reflects no weighing of the burdens and expropriation of patent property to be effected by this rule. The page limit regulation, as it currently stands, cannot obtain OMB approval.

III. The PTO Failed to Structure its Information Collection to be "The Least Burdensome Necessary for the Proper Performance of the Agency's Functions," and Ignored Public Comments that Noted the Excessive Burdens

5 C.F.R. § 1320.5(d)(1) requires that agencies structure all rules to be "least burdensome necessary" Similarly, Executive Order 12,866[29] § 1(b)(11) requires:

> Each agency shall tailor its regulations and guidance documents to impose the least burden on society, including individuals, businesses of differing sizes, and other entities (including small communities and governmental entities), consistent with obtaining the regulatory objectives, taking into account, among other things, and to the extent practicable, the costs of cumulative regulations.

A number of the public comment letters noted excessive burdens of the proposed rules, and many offered less burdensome alternatives that would achieve the PTO's

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[28] "The fundamental requirement of due process is the opportunity to be heard 'at a meaningful time and in a meaningful manner.'" *Barry v. Barchi*, 443 U.S. 55, 72 (1979). A number of comments raised this issue, and the PTO ducked it by recharacterizing the comments. Once an issue is waived on final intra-agency review, it cannot be revived on further judicial review. For that reason, no known administrative agency has a page limit anything near as draconian as that proposed by the PTO – though challenged to do so, the PTO was unable to identify a single one.

[29] http://www.whitehouse.gov/omb/inforeg/eo12866/eo12866_amended_01-2007.pdf

objectives. Few of these suggestions were adopted. Striking, the Final Rule Notice is **dead silent** on a number of these.[30]

A. The "Claim and Drawing Analysis Section" of Bd.R. 41.37(r) are, by the PTO's Own Admission, Burdensome Far Out of Proportion to their Utility

Bd. R. 41.37(r) requires that every appeal have a "claims support and drawing analysis section" analyzing every limitation of every independent claim and separately-argued dependent claim. A number of the public comment letters noted that the burdens of providing this information far outweigh any utility to the Board, and that the majority of the information requested has near-zero utility to the PTO. Several public comments proposed alternatives that could both reduce burden and increase utility. [31]

The PTO, through its **dead silence** on these observations, apparently acquiesces to the observation that requiring "analysis" of facts that have no relevance to the issues pending in an appeal has **no utility**. The PTO's silence is an acceptance that in almost all cases, the minimal utility to the PTO is outweighed by the burden on the public.

The PTO's silence is an acceptance that in almost all cases, the form in which the information is requested decreases its utility. The Final Rule concedes that this information is of only the slightest utility by requiring it to be in an appendix, rather than in the body of the brief, because the Board will only seldom look at it.

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[30] In particular, it is a *per se* APA violation for an agency to dismiss alternatives proposed in public comment letters without careful discussion. *Motor Vehicle Mfrs. Ass'n v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 48 (1983) ("not one sentence" of discussion of a reasonable alternative is a category of agency behavior that is *per se* arbitrary and capricious); *Yale-New Haven Hosp. v. Leavitt*, 470 F.3d 71, 80 (2d Cir. 2006) (an "agency must consider reasonably obvious alternatives and, if it rejects those alternatives, it must give reasons for the rejection…"); *Chamber of Commerce of U.S. v. Securities and Exchange Com'n*, 412 F.3d 133, 145 (D.C. Cir. 2005) (concluding that agency's failure to consider an alternative that was neither frivolous nor out of bounds violated the APA).

[31] http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf at 35-37.

The Final Rule notice is likewise **dead silent** on several proposed alternatives.[32] For example, Boundy's public comment letter[33] noted that the burden could be reduced, and the utility of the information increased, if the "analysis sections" were confined to only the claim limitations at issue, and if the discussion was moved into the body of the brief, instead of being banished to an appendix. The PTO's **dead silence** in response is a concession that the rule, as final, is of lower utility and higher burden than necessary.

Because the PTO ignored the comments and reframed the issues, it went ahead with the low-utility, high-burden rule without adequate explanation. The Appeal ICR cannot be approved until the PTO corrects these defects.

B. The Pagination Requirements as Framed Are Burdensome, With Zero Utility to the Agency

Several of the comment letters noted that the appendix and pagination requirements of Bd. R. 41.37(v)(1) are burdensome, in requiring all pages to be "consecutively numbered … starting at 1." The comment letters suggested that the PTO follow the example of all other tribunals, which permit skipping page numbers, and restarting the page numbers at the end of the brief and beginning of the appendix, or filing a replacement brief at a later date with appendix page numbers substituted, so that materials can be reorganized as the brief matures.[34] The comment letters noted that this "consecutive" requirement alone could add full *days* of attorney and paralegal time, representing over $28 million in incremental costs over current rule, with **absolutely zero utility** for the PTO, compared to the pagination rules of other tribunals.

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[32] The laws broken by the PTO's silence are discussed in footnotes 7 and 30..

[33] http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf at 10-11.

[34] *E.g.*, Federal Rule of Appellate Procedure 30(c)(2) (permitting the appendix to be filed after the briefs are filed, and a week later, filing a replacement brief with final page numbers substituted); Federal Circuit Rule 30(c)(2) ("Omission of pages need not be noted, *e.g.*, page 102 may be followed by page 230 without stating that pages 103-229 are not reproduced in the appendix").

The Final Rule Notice is **dead silent** in reply, 73 Fed.Reg. at 32965 col. 2, except to foreclose one other option that parties use to reduce the burden of preparing appendices. 73 Fed.Reg. 32944 col. 3. No explanation for adhering to the most burdensome possible rule is given. A person with experience preparing legal papers would reasonably conclude that the PTO deliberately made this rule as burdensome and unwieldy as possible.

The PTO breached the Paperwork Reduction Act, 5 C.F.R. § 1320.5(d)(1), Executive Order 12,866 § 1(b)(11), the Administrative Procedure Act[35], and the Patent Act, which requires that the PTO's rulemaking consider issues of "cost effectiveness." 35 U.S.C. § 2(b)(2)(F). OMB is not permitted to approve the ICR. The Appeal Rule is unenforceable; if the PTO wishes to enforce something similar, a new NPRM with an approvable rule is required.

C. By Silence, the PTO Concedes that the Burden-to-Utility Balance of a Table of Authorities is Unjustifiable; the PTO Relies on Unsupported Assertions that are Simply False

At least one of the public comment letters noted that a "Table of Authorities" is not easy to generate: that using the automatic tools in Microsoft Word, a Table of Authorities takes a bare minimum of 2 or 3 hours, and almost always considerably more. The public comment letters also noted that a Table of Authorities has very little utility in most appeals, and that whatever utility exists will be outweighed by the burden of creating it.

The Final Rule Notice concedes that, indeed, in most appeals, a Table of Authorities will have almost no utility. 73 Fed.Reg. 32959, col. 3, reply to Comment 42.

The PTO is **dead silent** on the most important issue, the balancing of utility against burden. The Final Rule Notice asserts that the Table of Authorities will, in some unspecified but apparently small number of cases, have some utility – but the Paperwork Reduction Act does not permit an agency to impose burdensome

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[35] See footnote 7.

information collections merely because it may occasionally have some utility whose value, relative to the cost of providing it, is unknown.

The Final Rule notice makes clear that the PTO did no factual investigation, and does not understand the features or use of modern word processor software. The Final Rule Notice states "Modern word processors make the creation of … a table of authorities fairly easy when headings are used in a document." 73 Fed.Reg. at 32969, col. 3. "Use of headings" is totally irrelevant to a table of authorities. This sentence is at best a *non sequitur*. It is also counterfactual, as anyone who has ever used the Microsoft Word "Table of Authorities" feature will confirm. Word does not automatically generate a useable Table of Authorities, it requires a great deal of manual intervention. Even when used by a very knowledgeable and sophisticated user, a Word "Table of Authorities" requires an hour for even the simplest brief, and sometimes several hours. For most attorneys, who use the feature only once a year or less, the burden of a Table of Authorities will be several times greater. This estimate of burden of Word's Table of Authorities feature was brought to the Office's attention[36]; the Final Rule Notice is **dead silent** on any objective basis to believe the burden is any lower. The Final Rule Notice merely confirms that the PTO is unwilling or unable to make even minimal factual inquiries to confirm the truthfulness of its assertions.

The Table of Authorities requirement as set for the in the Final Rule notice violates both the Paperwork Reduction Act and Executive Order 12,866.[37]

D. The Requirement for Attorney Signature of a Notice of Appeal is an Unnecessarily Gratuitous Burden

In a 1997 rulemaking, the PTO eliminated the requirement for signature of a Notice of Appeal, because signature of a Notice of Appeal is "redundant" with signature of a subsequent Appeal Brief. 62 Fed.Reg. 53132, 53167, col. 2 (Oct 10, 1997). The

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[36] http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf at pages 12-13.

[37] http://www.whitehouse.gov/omb/inforeg/eo12866/eo12866_amended_01-2007.pdf

PTO offered no explanation for reimposition of this burden, which it previously conceded to be duplicative.

This particular rule, though small in effect, demonstrates the total disregard for public burden that has pervaded the PTO's recent rulemakings.

E. The Extension of Time Rule is Unnecessarily Burdensome

For all other extensions of time, the PTO permits either an extension after the fact by mere payment of a fee and a purely formal petition for extension under 37 C.F.R. § 1.136(a), or a petition "filed on or before the day on which such reply is due." In almost all courts, a petition for extension of time may be filed on the date a paper is due, if it is filed with the consent of opposing counsel, which is almost never denied.

The requirement of 37 C.F.R. § 41.41(d) that any petition be filed at least 10 days before the final due date imposes unnecessary burdens: the petition must be filed prophylactically if there is any possibility that an extension will be required, rather than on the last day, when it is known whether an extension will actually be required.

The NPRM and Final Rule Notice are **dead silent** on any rationale for adopting this more burdensome rule, instead of the less burdensome alternatives the PTO uses in every other context, and that most courts use.

F. Suggestions that the PTO Provide Guidance on Two Issues that Result in Significant Paperwork Wastes, and on Which There is Great Disagreement Among Different PTO Decisionmakers, Were Totally Ignored in the Final Rule Notice

Boundy's public comment letter[38] suggested that the PTO provide guidance on two issues on which various PTO officials sharply disagree, and noted that that intra-agency disagreement creates large and unnecessary paperwork burdens when applicants are shunted between officials who each insist that they have no responsibility for dealing with a problem, because of differing definitions of two terms: (a) the scope of "appealable" and "petitionable" subject matter, and (b) the definition of the term "new

[38] http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf at pages 4, 36-37, and Attachments E and F.

ground of rejection." A number of the rules in the Appeal Rule turn on the definitions of these terms The Final Rule Notice is **dead silent** on this comment and suggestion.[39]

The ambiguity in these two terms in the Appeal Rule was made clear to the PTO, and the PTO's failure to clarify the ambiguity is a violation of 5 C.F.R. § 1320.9(d). The PTO's failure to reply to validly-raised public comments and to consider certain alternatives violates Paperwork Reduction regulations and the Administrative Procedure Act.[40]

G. The Erroneous Statement of the Standard of Review Will Generate Staggering Paperwork Burdens

Several of the public comment letters noted that the Appeal Rule as framed misplaced the burden of proof and standard of review. The Final Rule Notice confirms that this rewriting of the law is the PTO's stated intent: the Board imagines itself to be an Article III Court reviewing final agency decisions under the Administrative Procedure Act standards of review, rather than an intra-agency tribunal reviewing decisions of non-lawyers who have an error rate of 80-90%. The standards for burdens of proof and evidence that apply on judicial review of an agency's highest tribunal do not apply to the

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[39] To the degree the PTO addresses any related issue, it states that it will brazenly defy the Federal Circuit. *Contrast* 73 Fed. Reg. at 32945 col. 2 (explaining circumstances when an examiner may introduce an entirely new reference or a new portion of an existing reference, yet not give an applicant the protections of regulations that apply when an examiner introduces a "new ground of rejection") *with In re Wiechert*, 370 F.2d 927, 933, 152 USPQ 247, 251-52 (CCPA 1967) ("An applicant's attention and response are naturally focused on that portion of the reference which is specifically pointed out by the examiner. … [W]hen a rejection is factually based on an entirely different portion of an existing reference the appellant should be afforded an opportunity to make a showing of unobviousness vis-à-vis such portion of the reference"); *In re Echerd*, 471 F.2d 632, 635, 176 USPQ 321, 323 (CCPA 1973) ("We find the new reliance [to be] a new ground of rejection. New portions of the reference are relied upon to support an entirely new theory… appellants should have been accorded an opportunity to present rebuttal evidence as to the new assumptions of inherent characteristics made by the board"); *In re Ahlert*, 424 F.2d 1088, 1092 n. 4, 165 USPQ 418, 421 n. 4 (CCPA 1970) ("to cite new references, in which case a new ground of rejection is <u>always</u> stated," emphasis added). These citations were provided in the Notice and Comment Letters, Boundy Attachment F footnotes 37 and 38. This failure to even attempt to reconcile the Final Rule Notice with Federal Circuit authority suggests that the PTO have lost even the pretense of respect for the rule of law.

[40] See footnote 7.

Board's review of examiners. The analogy that the Final Rule Notice tries to draw, 73 Fed.Reg. 32960 col. 3, between court/agency review and Board/examiner review reflects an appalling misunderstanding of administrative law, a stark misquotation of the cited authority, and a remarkable blindness to the differences in procedural law that apply at various steps.

This erroneous standard of review will create staggering paperwork burdens for both the public and the PTO. When a lower tribunal uses the wrong standard of review, a further reviewing court is obligated to set aside the lower decision on that basis alone. *Cooper Industries Inc v. Leatherman Tool Group, Inc.*, 532 U.S. 424, 443, 58 USPQ2d 1641, 1649 (2001) (vacating a decision of the Ninth Circuit based solely on the Ninth Circuit's application of an incorrect standard of review of a decision by a district court); *Dickinson v. Zurko*, 527 U.S. 150, 165, 50 USPQ2d 1930, 1936-37 (1999). The PTO's statement that the Board will give deference to examiners, rather than applying a *de novo* preponderance of evidence standard, with the requirement to support all fact findings by substantial evidence,[41] is simply illegal, and will result in hundreds of appeals per year to the Federal Circuit, which will in turn vacate and remand to the Board on a *per se* basis.

This entire rulemaking is premised on the erroneous assumption that the Board of Patent Appeals can be analogized to an Article III court. This is simply wrong. The entire rulemaking should be start over at the beginning without this flawed premise.

H. Less Burdensome Alternatives to the Various Petitions Were Suggested in the Public Comments, and the PTO Failed to Even Acknowledge Them in the Final Rule Notice

Several of the comment letters proposed alternatives to the various petitions required by the rules, many of which would reduce paperwork burdens and/or improve utility. The Final Rule Notice is **dead silent** on many of them. For example:

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[41] *Association of Data Processing Service Organizations v. Bd. of Governors of the Federal Reserve*, 745 F.2d 677, 684 (D.C. Cir. 1984) (Scalia, J.) ("it is impossible to conceive of a 'nonarbitrary' factual judgment supported only by evidence that is not substantial in the APA sense").

- far-less-burdensome alternatives to the Petition for Extension of Time and to Enlarge Page Limits were proposed, alternatives used by many courts, [42] alternatives that would sharply reduce the 15 hour burden the PTO proposes. The Final Rule Notice is **dead silent** on these alternative proposals, except perhaps to unrecognizably recharacterize them.

- AIPLA's letter and Boundy's letter both proposed that the rules should encourage the inclusion of drawings in the body of the brief, rather than make it all but impossible to include them.[43] The Final Rule Notice is **dead silent** on this suggestion.

- Many of the letters noted that if page limits and strict formal requirements would encourage efficiency on the part of appellants, than analogous requirements would be efficient if imposed on examiners. [44] The Final Rule is **dead silent**. The PTO must explain this obvious double standard – either page limits are efficient if imposed on both parties, or they are inefficient and unnecessarily burdensome for both parties. The PTO has apparently decided to breach its statutory obligation that its rules be "consistent with the principles of impartiality," 35 U.S.C. § 2(b)(2)(f). If the PTO is not acting in brazen defiance of the law, the PTO will need to explain carefully.

- A number of comments observed that the rules fundamentally change the examination process, from the "examiner goes first and bears the burden" model required by Federal Circuit law, to a model in which examiners have every incentive to keep positions hidden during § 131/§ 132 examination, and ambush applicants with them for the first time in Examiner's Answers, and that the rules deprive appellants of opportunity to fully respond to positions that the examiner kept hidden until the Examiner's Answer. Rather than respond to these comments, the PTO confirms that this shift of burden[45], and the PTO's asymmetric abdication of its obligations of compact prosecution while straight jacketing appellants is **exactly** the PTO's intent. 73 Fed.Reg. at 32967 Answers no. 93, 93A.

- Boundy's letter showed that much of the PTO's inefficiency flows from examiners and T.C. Directors who refuse to require their examiners to comply with the

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[42] http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf at pages 8-9

[43] http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/aipla.pdf at page 9, .../boundy.pdf at pages 10-11

[44] .../aipla.pdf at page 9.

[45] A shift of burden of proof is "substantive," and thus beyond the PTO's rulemaking authority. *Director, Office of Workers' Compensation Programs, Dept of Labor v. Greenwich Collieries*, 512 U.S. 267, 271 (1994) ("[T]he assignment of the burden of proof is a rule of substantive law."). The PTO does "NOT … have authority to issue substantive rules," 35 U.S.C. § 2(b)(2)(A); *Merck & Co. v. Kessler*, 80 F.3d 1543, 1550, 38 USPQ2d 1347, 1351 (Fed. Cir. 1996) (emphasis in *Merck*).

PTO's procedural rules[46], and the PTO's stated refusal to compel such compliance.[47] The Final Rule Notice is **dead silent** on this issue, except to note that applicants remain at the mercy of SPE's and T.C. Directors' personal decision to not enforce PTO rules, and to reiterate that senior PTO management will not require compliance. The PTO apparently refuses to even consider or evaluate the reduction of burdens on both the public and itself that could be achieved by simply implementing the President's Final Bulletin on Agency Good Guidance Practices, or supervising its employees to ensure that they produce quality rejections that comply with the law.

We note some of the omissions in this letter, others we leave for the PTO to address in its future Notice of Proposed Rulemaking. The PTO should withdraw the Appeal Rule, so that it can fully and fairly address each public comment, with an accurate statement of the issue presented in the comment.

IV. The PTO's Paperwork Estimate Violates Paperwork Regulations and E.O. 12,866 by Omitting Line Items, Giving Unrealistically Low Values, and Obscuring the Incremental Burden of the Appeal Rule

A. Many of the Estimates Appear to be Too Low Because They Fail to Reflect Organic Growth

The PTO has estimates for annual growth rates. These growth rates are not reflected in the "Estimated annual responses." Are the offered numbers merely last year's final numbers? Do they reflect one year's estimated growth? How do the estimates reflect the growth expected over the three years for which the PTO seeks approval?

This is another instance of the general failure of the PTO to disclose "objective support" or provide enough information for the Appeal ICR RFC to satisfy the requirements of 5 C.F.R. § 1320.8(d)(1), as discussed at § II.B at page 18. The PTO must start over with a new NPRM and a proper 5 C.F.R. § 1320.8(d)(1) request for comment.

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[46] http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf at page 30, examples of statements by SPE's and T.C. Director Jack Harvey attached as Attachments A and B.

[47] See Exhibit 4 footnote 63.

B. The Attorney Hourly Rate is Unsupported, and a Related PTO "Belief" is Simply Wrong

At 73 Fed.Reg. 32560 col. 2-3, the PTO states "The USPTO believes that associate attorneys will complete these briefs, petitions, and requests." The PTO discloses **no basis whatsoever** for this "belief," in violation of the Information Quality Guidelines[48] and requirements for "objective support" that we discuss in more detail at § II.A at page 16.

The Patent Office's "belief" is counterfactual. By their very nature, appeals selectively arise out of more complex and more valuable patent applications. Therefore appeal papers are selectively prepared by more senior (and therefore higher-billing-rate) attorneys. Therefore, the hourly rate applied for Paperwork purposes should be somewhat higher than the average attorney rate reported by private sector surveys. Typically, under current law, an appeal brief is prepared almost entirely by a senior attorney, with only an hour or so by a paralegal for final filing.[49]

The PTO's hourly rate also appears to be several years out of date, especially for an ICR designed to cover the years 2009 - 2011. This flaw was noted in Dr. Belzer's Paperwork letter (Exhibit 3) at page 10. The only "objectively supported" estimates, based on the most-current survey data available, are Dr. Belzer's, $366/hour for 2008, $384/hr for 2009, and $404 for 2010 for average patent attorneys. Using Belzer's data, the last year covered under the ICR (2011) will see an average hourly rate of $424. The PTO's failure to rely on "objective" or "reproducible" data is not explained in the Appeal ICR RFC.

C. The PTO's Estimates Are Biased Because they Fail to Reflect Applicants' Adaptive Response to the Appeal Rule and Other New PTO Rules' Regulatory Burden

In none of its proposed rulemakings has the PTO acknowledged, let alone provided good faith estimates for, non-paperwork regulatory burdens for the

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[48] http://www.uspto.gov/web/offices/ac/ido/infoqualityguide.html

[49] The new Appeal Rule adds many hours of burden to assemble and page-number the appendix, and to prepare a Table of Authorities, and these tasks are typically done by paralegal staff.

Continuations, Claims, IDS, Appeal, or Markush rule, such as loss of patent asset value, diversion of investment away from innovation, loss of patent term through later patent filing or abandonment of continuations or divisionals, and the like. Under OMB "ground rules," the PTO must book all paperwork burdens as if this assumption were true: the PTO must assume that applicants' adaptive responses will be sufficient to entirely avoid all non-paperwork regulatory burdens, using whatever avenues are available, without regard to paperwork costs.

It certainly appears that the PTO failed to account for burdens in an economically-sound manner: the "Estimated annual responses" appear to be simply the most-recent annual numbers with no accounting for organic growth or adaptive response.

D. The Request for Comment

The PTO's Appeal ICR RFC estimates burdens for appeals are shown in Table 1 in items 1 through 9. As noted above in § II.B starting at page 18, the Appeal ICR RFC discloses no basis whatsoever for any of these estimates (except the downward biased estimate of attorney billing rate, which we discuss at § IV.B at page 35).

1. The PTO's Hourly Rate is Wrong

Filling out certain forms such as a Notice of Appeal does require only paralegal time. However, the "total time, effort, or financial resources expended by persons to generate, maintain, retain, or disclose or provide information to or for a Federal agency," including "searching data sources," 5 C.F.R. § 1320.3(b)(1) and 1320.3(b)(1)(vii), discussed in § IV.E.1, is largely performed by an attorney. The hourly rate should reflect that. This applies to all items of the ICR and is therefore not repeated for each item below. See § IV.B at page 35.

E. Notice of Appeal

1. The "Hours Per Response" Number is Impermissibly Low

The "hours per response" for a "Notice of Appeal" is far too low, because the PTO breached 5 C.F.R. § 1320.8(d)(1) by failing to "consult with members of the public"

to sufficiently inform itself of actual public practice. The PTO has not asked the right questions, and has not asked knowledgeable sources, and therefore its answers are off by at least a factor of ten.

The PTO's estimate counts only the time spent filling out and mailing a form. The actual time spent preparing a Notice of Appeal is far larger. It typically involves reviewing information in the file, gathering information and records, analyzing them and balancing them against the client's economic position and facts in the marketplace, to evaluate whether appeal is the correct choice from among the available options. Typically, the attorney must consult with the client and obtain consent and budget authorization.

A better estimate is 3 hours per response. This is a re-estimate to correct PTO methodological oversights, not a program change.

#	Item	Est. time for response (hours)	Est. annual responses	Est. annual burden hours	Hourly Rate	Est. annual burden cost (X$1,000)	Average filing fee per unit ($)	Annual filing fee costs (X$1,000)
		A	B	C	D	E	F	G
	calculation:			A x B		C x D		B x F
	PTO's estimates in the ICR RFC:							
1	Notice of Appeal	0.2	27,630	5,526	$310	$1,713		
2	Pre-Appeal Brief Request for Review	omitted						
3	Appeal Brief	30	23,145	694,350	$310	$215,249	$457	$10,578
4	Request for Oral Hearing before BPAI	0.2	965	193	$310	$60		
5	Petition for Extension of Time for Filing Paper After Brief	15	2,298	34,470	$310	$10,686	400	$919
6	Petition to Increase page Limit	15	1,315	19,725	$310	$6,115	400	$526
7	Reply Brief	5	4,947	24,735	$310	$7,668		
8	Oral Hearing	omitted						
9	Request for Rehearing Before the BPAI	5	123	615	$310	$191		
	Totals (X$1,000)					**$241,680**		**$12,023**
	Grand Total (X$1,000)							**$253,703**
10	**ICR's 3rd year annual burdens:** Annual growth rate assumed 20%							
	Status quo: 2004 Appeal Rules							
11	Notice of Appeal	3	57,294	171,881	$424	$72,877		
12	Pre-Appeal Brief Request for Review	10	14,308	143,078	$424	$60,665		
13	Appeal Brief	20	47,993	959,869	$424	$406,985	$457	$21,934
14	Request for Oral Hearing before BPAI	0.2	2,001	400	$424	$170		
15	Petition for Extension of Time for Filing Paper After Brief	4	4,765	19,061	$424	$8,082	150	$715
16	Reply Brief	12	10,258	123,097	$424	$52,193		
17	Oral Hearing	12	2,001	24,012	$424	$10,181		
18	Request for Rehearing Before the BPAI	15	255	3,826	$424	$1,622		
	Totals (X$1,000)					**$612,775**		**$22,649**
	Grand Total (X$1,000)							**$635,424**
	2007-08 0651-AC12 Appeal Rule:							
19	Notice of Appeal	3	57,294	171,881	$424	$72,877		
20	Pre-Appeal Brief Request for Review	10	14,308	143,078	$424	$60,665		
21	Appeal Brief	31	47,993	1,487,798	$424	$630,826	$457	$21,934
22	Request for Oral Hearing before BPAI	0.2	2,001	400	$424	$170		
23	Petition for Extension of Time for Filing Paper After Brief	15	4,765	71,477	$424	$30,306	400	$1,906
24	Petition to Increase page Limit	15	2,727	40,902	$424	$17,342	400	$1,091
25	Reply Brief	15	10,258	153,871	$424	$65,242		
26	Oral Hearing	12	2,001	24,012	$424	$10,181		
27	Request for Rehearing Before the BPAI	15	255	3,826	$424	$1,622		
	Totals (X$1,000)					**$889,232**		**$24,931**
	Grand Total (X$1,000)							**$914,163**
	incremental burden of 0651-AC12 Appeal Rule (x$1,000)							**$278,739**

Table 1 Paperwork burden estimates associated with Appeal Rules**.** See Exhibit 1 for sources and notes.

2. The "Estimated Annual Responses" Numbers Reflects The PTO's Unacceptable Information Quality

No objective support for the PTO's "Estimated annual responses" number is provided. The PTO's estimate of 27,630 is somewhat suspect.

The PTO's estimates are so erratic as to raise questions as to the PTO's information quality. The PTO estimated 16,500 Notices of Appeal in the ICR it submitted to OMB in September 2007[50], and now estimates 27,630. What is the basis for **67% growth in nine months**? What assumptions did the PTO use? What would be the estimate under other likely assumptions, for example the different possible outcomes of the *Tafas v. Dudas* litigation?

The PTO should provide "objective support" for all its estimates, including all its assumptions.

F. Without Explanation, the ICR Omits "Pre-Appeal Brief Request for Review," Even Though This Line Item was Included in Previous ICR's

A line item for "Pre-Appeal Brief Request for Review" was included in ICR 200707-0651-005 (September 27, 2007)[51]. Inexplicably, this line item is omitted from this ICR RFC.

A Pre-Appeal Request for Review is a request by an applicant to invoke PTO's internal procedure to correct the most glaring examiner errors and avoid the need for a more-elaborate appeal.[52] Submitting a Pre-Appeal Request for Review requires writing a highly persuasive, yet detailed mini-brief, with the entire argument condensed to no more than five pages. Neither the applicant nor the applicant's counsel may participate

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[50] http://www.reginfo.gov/public/do/DownloadDocument?documentID=44055& version=0 at page 20.

[51] http://www.reginfo.gov/public/do/DownloadDocument?documentID=44055&version=0, Table 3 Row 44.

[52] *See* New Pre-Appeal Brief Conference Program, 1296 Off. Gaz. Pat. Office 67 (July 12, 2005), and Extension of the Pilot Pre-Appeal Brief Conference Program, 1303 Off. Gaz. Pat. Office 21 (Feb. 7, 2006).

in any oral hearing during the pre-appeal review, thus the document must be entirely self-contained. Under these conditions, these documents require at least 2 hours per page to prepare, and more if the material that must be distilled is complex. The attorney must sort through all examiner rejections; identify which ones he believes were procedurally improper or substantively wrong; and narrowly focus on the issues that are both simple to state in a tight page limit and that, if won, result in allowance.

Dr. Belzer's Paperwork letter of January 2008 (Exhibit 3) estimated the burden at 10 hours, for 60,000 responses per year.[53] The PTO has not replied to this estimate in over six months, and apparently accepts it as accurate. Unless the PTO fully and fairly provides objective alternatives with disclosed assumptions and analysis, the PTO should book something over $200 million of incremental burden.

G. The PTO's Estimates for Appeal Briefs are Materially Misleading Because of Failure to Identify the Effects of Program Changes and Other Concurrent PTO Rulemaking Activity

1. The "Hours Per Response" Estimate of the PTO Conceals the Effects of its Rulemaking by Failing to Provide Frank and Accurate Submissions to OMB

The PTO provided an estimate of 30 hours for the average time to prepare an appeal brief under the new appeal rules in the Appeal Final Rule Notice.[54]

However, the PTO fails to inform OMB that under the old appeal rules, the burden was lower. One comment letter estimated a ten hour difference entirely due to program changes in the Appeal Final Rule Notice. Dr. Belzer's letter (Exhibit 3) at page 86, notes (ii)(a) and (ii)(b), explains the derivation of this 30 hour total, 10 hour incremental, estimate. Katznelson (Exhibit 2) at page 23 gives a line-item-by-line item inventory of incremental burden per response, and estimates the incremental burden of the Appeal Rule at 10.6 hours. Both of these estimates were developed after

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[53] http://www.reginfo.gov/public/do/DownloadDocument?documentID=57744&version=1 (January 17, 2008)

[54] We note that this number appears to have been taken from Dr. Belzer's letter (Exhibit 3) at page 86, as a correction to the PTO's earlier estimates that were far too low.

consultation with practicing patent attorneys, an objective, informed, and reproducible source of information, regarding per-claim and per-drawing burdens. However the average burdens in these comments were estimated based only on illustrative and unreliable statistical analysis of the numerical attributes of a few appeals. We cannot comment on the validity of the 30-hour burden until the PTO conducts its own statistically valid analysis and discloses it. Because the PTO accepts the 30-hour total estimate, at least 10 hours of incremental burden of the Appeal Rule appears to be a number that the PTO does not contest.

However, the PTO has apparently never provided OMB with any document that identifies this incremental burden to OMB. The PTO designated the Appeal Rule as "not significant," 72 Fed.Reg. at 41484 col. 1, 73 Fed.Reg. at 32972, col. 3, and expressly declined to submit any ICR "Associated with Rulemaking" for the Appeal Rule. 72 Fed.Reg. at 41484, col. 1-2. The PTO deprived OMB of every opportunity to review the Appeal Rule.

The PTO's own estimates now put the mere paperwork burden of the Appeal Rule at more than $100 million per year, and as seen in Table 1, objectively supported estimates place the paperwork burden significantly higher. Non-paperwork regulatory burden estimates have never been disclosed by the PTO – if the PTO ever estimated them at all – but are almost surely in the hundreds of millions. The PTO's continued designation of the Appeal Rule as "not significant" raises significant concerns for the truthfulness or analytical rigor of the PTO's rulemaking personnel.

2. The PTO's "Estimated Annual Responses" is Far Too Low Because it Ignores the PTO's Own Internal Growth Projections

The PTO estimates 23,145 appeal briefs per year. The basis for this estimate is not disclosed although it appears to be FY 2007 data. This is a 25% increase over FY 2006 receipts of 18,500 appeal briefs (72 Fed.Reg. 41484, Col. 1.). In the September 2007 ICR 0651-0031-005[55], the PTO forecast 16,500 Notices of Appeal per year. In

[55] http://www.reginfo.gov/public/do/DownloadDocument?documentID=44055& version=0 at page 20.

less than a year, the instant ICR RFC states this number to have increased to 27,630, 73 Fed.Reg. 32560, a **67% increase.** .Clearly, the PTO expects and plans for a large annual increase in appeal activity.

Indeed, the PTO's stated rationale for the Appeal Rule ("increasing **number** of ex parte appeals," 72 Fed.Reg. 41472, first paragraph of preamble to NPRM; 73 Fed.Reg. 32938, first paragraph of preamble to Final Rule Notice) shows that the PTO had generated working projections for significant increases in the number of appeals. Even the PTO's own budget documents indicate that it projects substantial growth in the number of appeals. [56]

Yet, none of these growth projections found their way into this Appeal ICR RFC as burden increases to the public or burden increases to the Federal Government (for which PTO expressly requested additional funds). The PTO must include in this ICR its true expectations for the number of responses in ***each of the years*** covered by this ICR, and disclose its objective support so that the public has a fair opportunity to "evaluate" as required by 5 C.F.R. § 1320.8(d)(1). Moreover, OMB must resist any potential PTO efforts to limit this ICR to a period of less than the three years prescribed

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[56] The PTO has its own internal projections of substantial increases in the number of appeals, and burdens on both the public and on the government expenditures, yet those internal projections are not included in this Paperwork estimate. USPTO, 2007 Budget at http://www.uspto.gov/web/offices/ac/comp/budg/fy07pbr.pdf at page 32 ("[D]uring fiscal year 2007, the Board of Patent Appeals and Interferences (BPAI) anticipates it will begin to receive an increased level of appeals… [T]he office anticipates BPAI's appeal workload to increase by approximately one-third.")

Belzer's paperwork letter (Exhibit 3) at page 86, note (iii)(a) and (iii)(b) explains that program changes likely induce **incremental** 40,000 responses per year:

> (iii) Number of responses:
>
> (a) Under the final Continuations Rule, appeal is the most attractive option in the absence of additional continuations available by right.
>
> (b) … 60,000 of the RCE's prevented by the Continuations Rule [75% of the displacement, Belzer page 15] will convert to Pre-Appeals. In 1/3 of Pre-Appeals, the examiner will concede error and drop the rejection, leaving 2/3 (40,000) to mature into Appeal Briefs. …

Belzer's estimates the number of responses total is 34,000 to 56,000 for FY 2008 increasing to 44,000 to 77,000 in FY 2010, as the effects of all rule changes phase in.

by 5 C.F.R. § 1320. PTO's reluctance to adequately book year-over-year burden growth for the next three years suggests that the PTO is aware of the rapid increase in burden of its various rulemakings, and is trying to conceal them from OMB. OMB should require PTO to fairly estimate the burdens of the PTO's policy initiatives over the next three years.

Because the PTO failed to provide any "objective support" for its estimates, no diagnosis of the PTO's analytical error is possible.

H. Reply Brief

1. The Hours Per Response Lacks Objective Support and Appears Far Too Low

The PTO offers no objective support for its estimate of five hours for a Reply Brief. Because of the way the PTO structures its compensation structures and oversight lines of authority, examiners effectively have no obligation to comply with the PTO's significant guidance document during regular examination. Thus, an Appeal Brief must often be framed as a set of questions to "smoke out" the examiner's views on dispositive issues. The Examiner's Answer is often the first time that the PTO fully discloses its position, and the Reply Brief is often at least as large as the initial Appeal Brief. We believe that the estimate of 15 hours is conservative, and likely understates existing burden. The PTO has a rich database from which it could establish the average length and scope of reply briefs, , the number of claims and the number of prior art references they address, but it concealed all its data. Until the PTO makes its data available, it is impossible to estimate the related average burden.

2. The PTO's Hourly Rate Estimate is Wrong

The PTO's hourly rate assumption is wrong, as discussed in § IV.B at page 35.

3. The "Estimated Annual Responses" is Too Low Because it Ignores Other Agency Rules

The PTO estimates 4,947 Reply Briefs. No objective support for this number is provided, and it appears that this is only a fraction of the number of actual Reply Briefs the PTO itself expects. The entire rationale for the Appeal Rule is that the number of

appeals is rapidly increasing. How much? What are the causes, and what alternatives are there to address these causes to address them at lower burden? The PTO provides no estimate for this effect, and no objective support for the number in the Appeal ICR RFC, so no diagnosis of the PTO's error is possible.

I. Petitions for Extensions of Time for Filing Paper After Brief, and to Increase Page Limit

1. The PTO's Estimates of "Burden Hours Per Response" Are Confessions that The Two Relevant Rules are Impermissibly Far More Burdensome Than the Minimum Necessary

These two line items reflect a fundamental change in PTO policy, from a lessening of burdens that the PTO instituted in 1997. Under current law, patent applicants have procedural options either as of right, or by simple payment of a fee. The PTO now proposes to condition these two options on grant of a petition that, the PTO estimates, will take two full work days to prepare.

Under current law, there is no page limit for a brief – the patent attorney exercises good judgment, and keeps the brief as tight as it can be. Because of the relationship of agency adjudications to court review, agency briefs are typically longer than court briefs, because courts almost always decide a case in several stages, and individual issues are briefed and decided separately, where agencies (at least the Patent Office in ex parte appeals) decides all issues in a case at one time.

Under current law, extensions of time are obtained by filing a purely formal petition (which the PTO estimates at 12 minutes) with a fee. The Petition for extension of Time is added in the Appeal Rule. The policy that is now revived, that there will be no extensions of time for filing certain briefs without a showing of exceptionally good cause, was the rule for some years, until the PTO in 1997 realized that this policy imposed burdens on parties for no good reason. In 1997, the PTO adopted the current rule, which permits parties to obtain extensions of time essentially by paying a fee, with no showing.

The analogous motions in federal district court almost never take more than an hour or two: a party requiring an extension of time or enlargement of page limit has a

two-minute telephone call to opposing counsel, then prepares a two-page memorandum giving some non-frivolous explanation for why the motion should be granted, and files electronically. The reason these motions are so unburdensome is that courts routinely grant these motions, so long as counsel are reasonable.

The PTO's estimates of 15 hours for each of these are essentially *per se* confessions that the PTO intends to make these petitions excessively burdensome.

The estimates of 15 hours appear to be confessions by the PTO that it intends to grant very few of these petitions, and will impose very high thresholds that require very careful briefing if they are to be granted.

2. The PTO's Estimates fro Numbers of Responses are Unsupported

The PTO gave no rationale whatsoever for its estimates of 2,298 and 1,314 petitions. We cannot comment on the accuracy of the PTO's estimates, only the methodological inadequacy.

J. Oral Hearing

The PTO included no estimate whatsoever for oral hearings. The Appeal ICR RFC is incomplete.

The PTO was on notice that this was an essential element of the total paperwork burden of appeals (Belzer paperwork letter (Exhibit 3) at page 85) – the PTO's failure to include this in its estimate is not explained.

The PTO is required to "consult with the public" to obtain reliable information and publish a new estimate that can be "evaluated." 5 C.F.R. § 1320.8(d)(1).

K. Request for Rehearing

The estimate of 5 hours for a "Request for Rehearing" is not credible. A request for rehearing is a substantial brief. The PTO is required to "consult with the public" to obtain reliable information and publish a reliable estimate that can be "evaluated." 5 C.F.R. § 1320.8(d)(1).

V. The PTO Should Not Evade Review of the Appeal Rule under Executive Order 12,866 and the Paperwork Reduction Act

One familiar with the PTO's rulemaking activities and submissions to Office of Management and Budget over the last 2 ½ years could easily conclude that the proposal to separate appeals from ICR 0651-0031, "Patent Processing," is an attempt to subvert oversight by the Office of Information and Regulatory Affairs.[57]

This proposal to separate appeals out from 0651-0031 conceals burdens from OMB. In the Notices of Proposed and Final Rulemaking and its budget documents, the PTO stated that the **dominant** driver for the Appeal Rule is the increasing **number** of appeals that were expected to arise **because of the Continuations and Claims rules**[56], which can only be true if the PTO's appeal to the Court of Appeals for the Federal Circuit is successful, and those rules **will** go into effect. Now, in this Paperwork ICR, the PTO gives "responses per year" numbers that assume that the Continuations and Claims rules **will not** go into effect. These cannot both be true, and thus the PTO's burden estimates cannot possibly be accurate.

Separating the Appeal Rule into its own ICR hides from OIRA the synergistic paperwork compounding that will be caused by the interactions between the various PTO rules, or else conceals from OIRA the fact that the Appeal Rule is either unnecessary, or needed only to correct the PTO's failures to consider economic effects of its other rulemaking processes. If this was not the intent, skewing the books is the effect. Honest books can only be kept if OIRA requires that appeals be kept in 0651-0031, so that the PTO will be forced to accurately account for the paperwork interactions between the rules, and accurately describe to OIRA the "specific market failure … or other specific problem"[58] underlying each rule.

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[57] The PTO used a very similar trick, separating 0651-AB93, the "Claims" Rule, from 0651-AB94, the "Continuations" Rule, in order to get the total estimated economic impact below the $100 million threshold for an "economically significant" rule, and avoid preparing a Regulatory Impact Analysis. Once these two rules were past the E.O. 12,866 stage, the PTO combined them and promulgated them as a single final rule.

[58] Executive Order 12,866 (as amended) § 1(b)(1).

VI. The Final Rule Notice Violates a Number of Administrative Law Principles

These violations of law are discussed in Exhibit 4.

VII. Conclusion

The Patent Office has once again demonstrated the point made in a number of the public comment letters on the Continuations, Claims, Appeal and Markush rules: the dominant factors in the PTO's inefficiency and backlog is careless work by PTO employees, the PTO's pervasive neglect of procedural law, avoidance of case-dispositive issues by diverting its own attention onto strawmen that do not relate to any material issue, and willingness to rely on personal intuitions and "beliefs" unsupported by substantial evidence. The PTO should put its own house in order before imposing regulatory burdens on the public.

The available data, impressions of practitioners, and confessions of various PTO supervisory personnel suggest that the vast bulk of the Board's workload arises from those pervasive defects on the examining side of the Office, and the PTO's Continuations and Claims rules. The PTO has never denied or even investigated these impressions, even though required to do so when the PTO's own statistics were cited in public comments. If the Office will not observe the President's Good Guidance Practices directive to impose procedural regularity on examination, and will not observe the regulatory philosophy of Executive Order 12,866, and will not follow Administrative Procedure Act standards for rulemaking, then OMB should not approve this ICR, and should instead send the Appeal Rule back to PTO, with a requirement fro a Regulatory

Impact Analysis under Circular A-4, and a procedurally-proper Notice of Proposed Rulemaking, with a timely and complete paperwork submission, and accurate and complete replies to public comments.

Sincerely,

/s/ David E. Boundy

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Exhibit 1

Sources for Paperwork Burden Estimates of Table 1.

The hourly rate of $424 is that projected for the 3rd ICR year (2011) based on the 5% annual increase and billing rate data compiled by Belzer (Exhibit 3, at page 10). . Except where specifically noted, all items have values based on the PTO data in Items 1-9.

Item No.	Sources and Notes
10	**B.** Annual growth rate assumed is 20%. This illustrative rate is taken as an intermediate value between the 17% historical appeal growth rate reported by Katznelson (Exhibit 2 at page 15) and more recent growth rate of 25% reported by the PTO and cited in Section IV.G.2 at page 41. The number of responses per year is projected based on FY 2007 data. Because the 3rd year covered by the ICR is FY 2011 (4 years later), except where noted otherwise, all projected responses are scaled up by a factor of $(1.2)^4$ from their corresponding values provided by PTO in Items 1-9.
	Based on current Appeal Rules**:**
11	**A.** Notice of Appeal hourly burden of 3 hours is assumed, as explained in Section IV.E.1 at page 36.
12	**A.** Pre-Appeal Brief Request for Review average burden of 10 hours is assumed based on Belzer's letter (Exhibit 3), as explained in Section IV.F at page 39. **B.** The number of projected responses is $(1.2)^4$ times the 6,900 Pre-Appeal Conference requests received in FY 2006 by the PTO as reported in imbedded chart of the presentation by John Love, *Present and Future Perspectives of the USPTO*, San Diego Intellectual Property Law Association, (June 6, 2007), available at http://sdipla.org/resources/SanDiego071.ppt.
13	**A.** Appeal Brief hourly burden of 20 hours is detailed in Section IV.G.1 at page 40.
14	**A.** Request for Oral Hearing before BPAI with burden as in PTO Item 4 A.
15	**A.** Petition for Extension of Time for Filing Paper After Brief with burden as in PTO Item 5 A.
16	**A.** Reply Briefs burden of 12 hours is 3 hours less than that under the new Appeal Rules, as explained in IV.H.1. See also Item 25 A below.
17	**A.** Oral Hearing preparation burden of 12 hours is a blend of preparation time and travel discussed in Belzer's letter (Exhibit 3), as referenced in Section IV.J.
18	Requests for Rehearing Before the BPAI with a 5-hour burden from the PTO estimate in Item 9 A. But see Section IV.K indicating this to be too low.
	Based on new Appeal Rules:
19	Notice of Appeal. Same as item 11.
20	Pre-Appeal Brief Request for Review. Same as Item 12.
21	**A.** Appeal Brief includes incremental burden over the 20 hour in Item 13 A as explained in Section IV.G.1 at page 40. The increment is estimated by Katznelson (Exhibit 2) in Table 4 at page 23..
22	Request for Oral Hearing before BPAI. Same as Item 14.
23	Petition for Extension of Time for Filing Paper After Brief. Increase from Item 15 due to added complexity
24	**A.** Petition to Increase page Limit with 15-hour burden from the PTO estimate in Item 6 A.
25	**A.** Reply Briefs burden as in Item 16 A with an increment of 3 hours, as estimated by Katznelson (Exhibit 2) in Table 5 at page 24.
26	Oral Hearing. Same as Item 17.
27	Requests for Rehearing Before the BPAI. Same as Item 18.

Exhibit 2

Dr. Ron Katznelson, letter of October 15, 2007 to BPAI.Rules, and Robert Clarke of PTO, regarding paperwork implications of the Appeal Rule, from http://www.reginfo.gov/public/do/DownloadDocument?documentID=51959&version=1

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

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

Ex parte Appeal Rules

October 15, 2007

RE: RIN: 0651-AC12
TITLE*: Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals.* (*"Appeal Rules"*)

Dear Sirs:

I am an inventor and an entrepreneur who has used the US patent system for a quarter of a century. I am writing to express my deep concerns about the proposed Appeal Rules standing alone, and also as being part of a more comprehensive rules package that will have an unprecedented adverse effect on inventors' ability to prosecute and obtain patent claims for their inventions. The rules were published in a Notices of Proposed Rulemaking for public comment on July 30, 2007[1], (the "Appeal NPRM"). My comments are timely, as shown in Appendix A.

In the following sections, I show why the proposed USPTO rules are economically significant under Executive Order 12,866 and why the USPTO failed to adhere to rulemaking procedural requirements. I also show the inextricable link between the proposed Appeal Rules and the continuation rules as recently adopted[2] by the USPTO ("Continuation Rules"). I explain why both must be considered together as a package. Whether intended or accidental, the effect of several aspects of the rulemaking process has been to deprive the public and the Office of Information and Regulatory Affairs ("OIRA") in the Office of Management and Budget of a meaningful or fair opportunity to comment on or evaluate the full implications of the Continuation Rules. Because the interactions between these USPTO's rulemakings were not made visible to the public or to OIRA until after proceedings on the Continuation Rules were completed, the economic rationale and compliance of that latter rulemaking with E.O. 12,866 are now suspect as well.

[1] USPTO, *Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals,* **72** *Fed. Reg.* 41472, (July 30, 2007).
[2] USPTO, *Changes to Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications, Final rule,* **72** *Fed. Reg.* 46716**,** (Aug 21, 2007).

1 HISTORY OF APPEALS WORKLOAD AND THE RULEMAKING

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

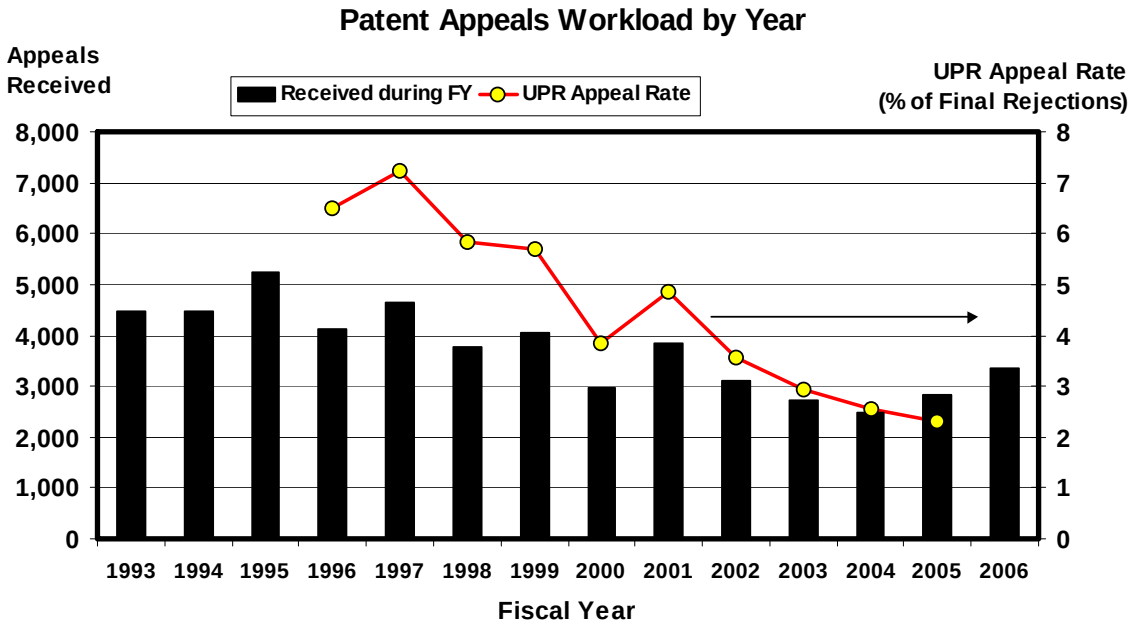

Figure 1. USPTO Board of Patent Appeals and Interference appeal workload by fiscal year. Received appeal rates were obtained by dividing the number of appeals received in the fiscal year by the number of final rejections issued in that year. *Source*: USPTO data as reported in Appendix B.

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

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

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

[3] *See* MPEP §1201.

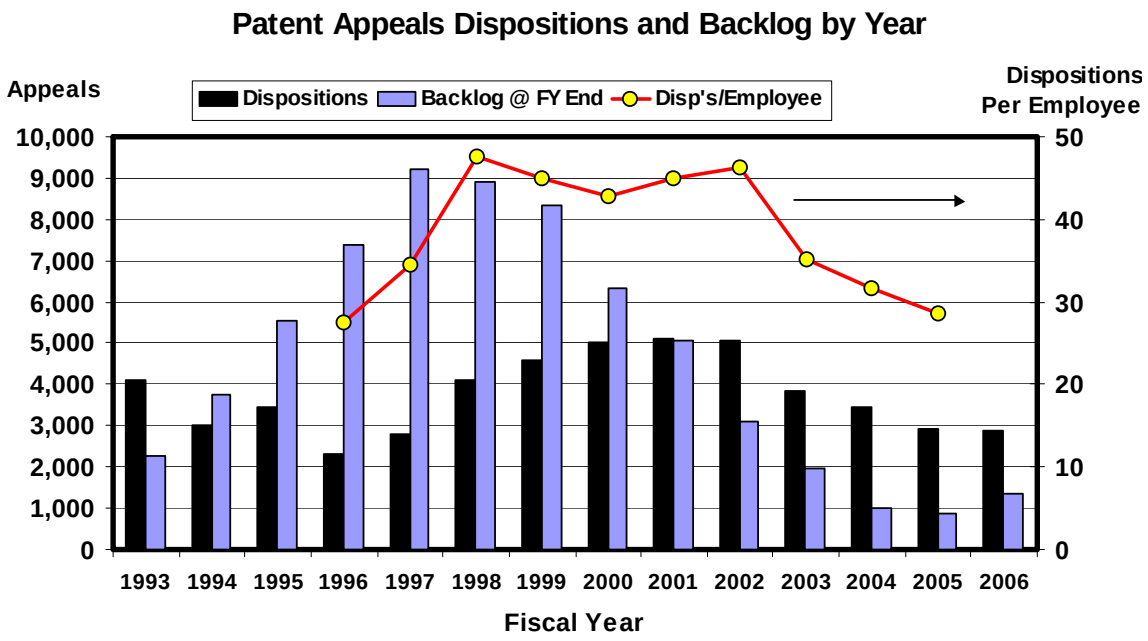

Figure 2. USPTO Board of Patent Appeals dispositions and backlog by fiscal year. Note that despite historic increases in received appeals, the Board was able to process more appeals and reduce its backlog. The number of appeal dispositions in a fiscal year was obtained by adding the appeal backlog at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

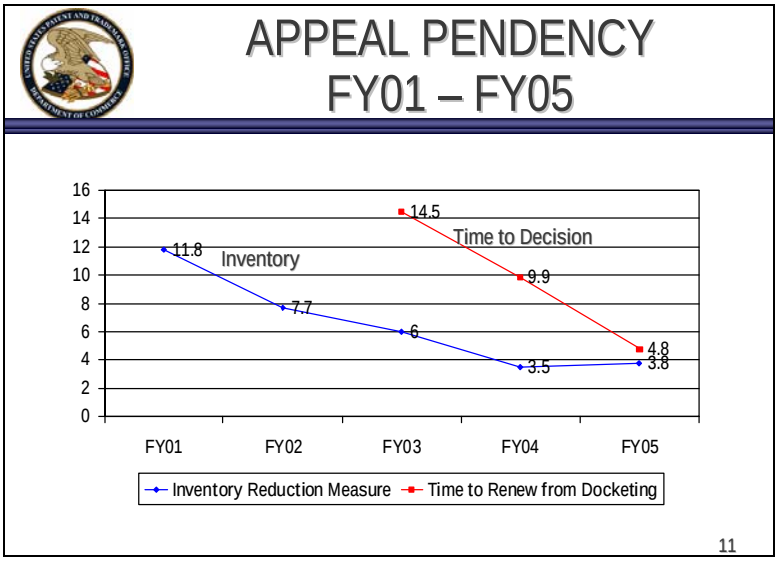

Figure 3. Senior USPTO officials proudly showed the remarkable success in reducing appeal backlog and pendencies in their presentations on the proposed continuation rules, suggesting that applicants should use the appeal process rather than file requests for continued examinations. *Source*: USPTO slide presentations[4].

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

USPTO described several reasons for these very promising declines. For example, USPTO instituted several intermediate steps in the appeal process, including appeal conference 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 (see the appeal rate plot for Utility, Plant and Reissue ("UPR") applications in Figure 1). Therefore, the available record to date shows that the underlying factors affecting demand for appeals are in check and have been moving in the right direction and that measures already adopted by the USPTO have been effective.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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[8] Appeal NPRM at 41472, col. 2.

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

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

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

Executive Order 12,866[11] (the "EO"), Section 1, requires agencies to promulgate only regulations "made necessary by compelling public need." The agency must identify in writing the "specific problem that it intends to address". Most relevant to this Appeal Rules, §1(b)(2) of the EO requires that "Each agency shall examine whether existing regulations (or other law) have created, or contributed to, the problem that a new regulation is intended to correct and whether those regulations (or other law) should be modified to achieve the intended goal of regulation more effectively." Only after an agency has determined that regulation "is the best available method of achieving the regulatory objective" may it regulate at all, and then "it shall design its regulations in the most cost-effective manner to achieve the regulatory objective." I am very concerned that USPTO has failed all.

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

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

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

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

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

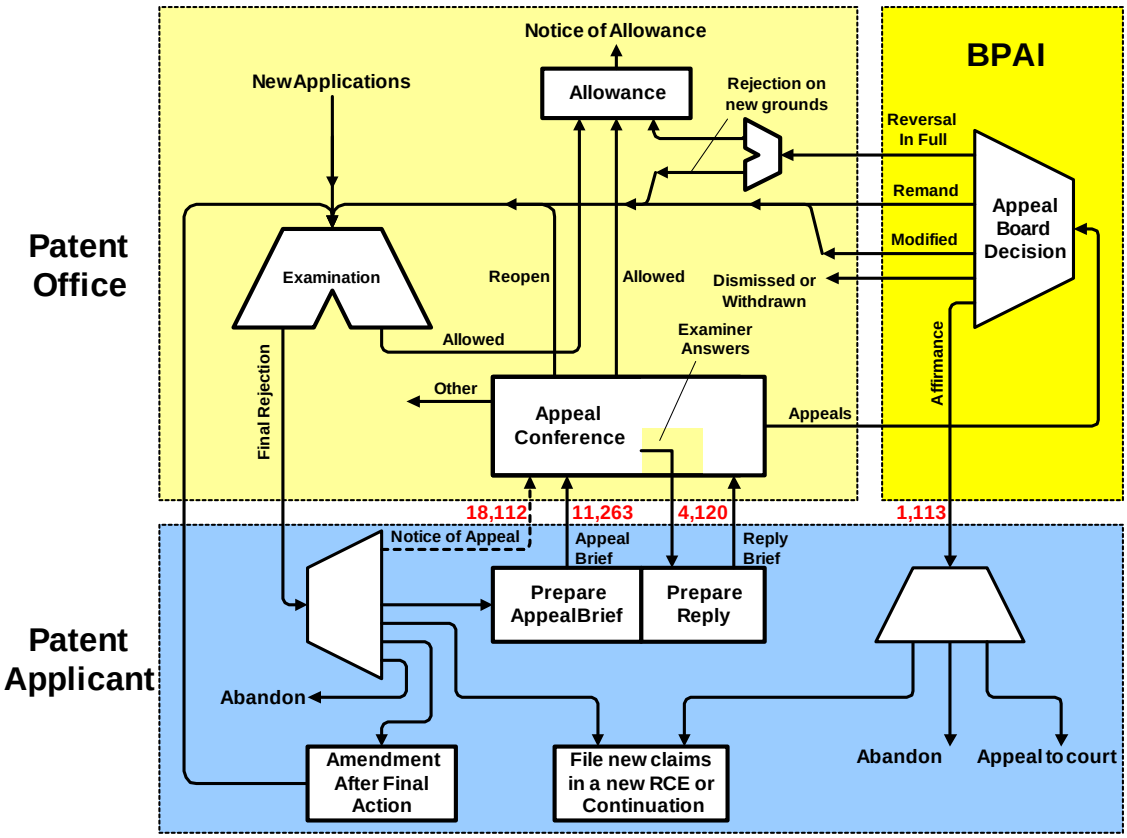

Figure 4. Ex Parte Appeal Process flow at the USPTO. The unit flow numbers in red indicate the number of cases in each flow category during FY 2005 and are not necessarily the same cases, due to accumulation and delays. The cases that the BPAI affirmed-in-part or reversed-in-part are aggregated under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

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

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

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

These rules rest merely on USPTO's unsupported ***forecast of future*** workload. No support for this forecast is provided – for all the record reveals, this forecast is either the raving of a "chicken little," or deliberate data hiding by the agency. Neither of these is a legally permissible basis for rulemaking. A reviewing court will not be permitted to assume agency rationality where the agency failed to make a record of rational decision making during notice-and-comment.[13] Promulgating these rules in reliance on internal undisclosed USPTO predictive models for future appeal workload denies the public an opportunity to challenge the assumptions and the models' details during the comment period[14], and is therefore illegal under the Administrative Procedure Act[15], the Information Quality Act[16], and OMB's[17] and USPTO's information quality guidelines[18]. I assume that this is a mere oversight, and that the BPAI, being "persons of competent legal knowledge" would wish to fully comply with the law. The entire rule package, along with all supporting data and models should be republished for meaningful notice and comment.

The most striking aspect of the historical record of appeals is that these Appeal Rules are proposed at a time when even the most aggressive realistic projections for appeal numbers would place the backlog at several factors below that experienced at the USPTO in the latter half of the 1990s. Yet, throughout that time, the USPTO had opportunities to amend its patent appeal rules, to address the "workload problem". When the USPTO last proposed to overhaul its appeal rules in 2003[19], it had an appeal backlog that significantly exceeded recent levels. Subsequently, it had "significantly overhauled its operations to ***address concerns about the duration of***

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

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

[15] 5 U.S.C. § 500 et seq.

[16] Pub. L. 106-554, Section 515.

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

[18] USPTO, "Information Quality Guidelines," online at http://www.uspto.gov/web/offices/ac/ido/infoqualityguide.html .

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

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

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

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

As shown above, none of the reasons given in the Appeal NPRM for adopting the Appeals Rules appear supportable by the record. It turns out that the most relevant fact has not been disclosed in the Appeal NPRM, although it is evident from USPTO statements and its senior officials' pronouncements made elsewhere. Evidently, most relevant to the reason for the proposed Appeal Rules is the USPTO's anticipation of a future surge in appeals ***due to a problem of its own making***. It is the adoption of the Continuation Rules scheduled to become effective on November 1, 2007[24], and the USPTO's efforts that appear directed at erecting new barriers and burdens, substantially curtailing applicants' use of alternatives to the continued examination practice. Because the use of such continuation practice would be severely limited by the USPTO under its newly adopted Continuation Rules, some applicants have planned to challenge final

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[20] **69** *Fed. Reg.* 49960, Col. 1.

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

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

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

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

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

As early as 2005, the USPTO knew and expected that in reaction to the planned limits set in its Continuation Rules, applicants would have no choice but to use the appeal channel more heavily. In fact, in its January 3, 2006 publication of the Notices of Proposed Rulemaking for the Continuation Rules [25] ("Continuation NPRM"), the USPTO suggested as much:

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

In offering these appeal alternatives to continued examination, the USPTO neglected to disclose that it would foreclose on the appeal practice with which applicants were familiar with, by erecting new barriers for appellants, as in the instant Appeal NPRM. Apparently, this "invitation" to use the appeal channel that was about to be severely constricted appears disingenuous at best. At that time, the USPTO had expected that the Continuation Rules would be in place in FY 2007 and that it would cause major systemic shifts in applicants' behavior, flooding the BPAI with appeals. That information was formulated by the USPTO as early as February 22, 2006, and quietly inserted in the USPTO budget request document[27] (posted on the USPTO Budget Plans & Reports web site[28]). However, no specific news alert about its availability appeared on the USPTO news page, and at no time did the USPTO provide any indication in the context of its relevant rulemaking proceedings that the public should read its proposed budget document to gleam information about its appeal projections due to the Continuation Rules. The USPTO budget request document stated (Emphasis added):

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

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

[26] **71** *Fed. Reg.* 51, col 1-2.

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

[28] USPTO, Budgets, Plans & Reports. (February 22, 2006). At http://web.archive.org/web/20060619145310/http://www.uspto.gov/web/offices/ac/comp/budg/index.html.

[29] USPTO 2007 Budget, note 27 at 32.

The "existing assumptions" and the conclusive projections they led to were concealed from OMB/OIRA and from the public during Continuation Rules and the Appeal Rules proceedings. The matter-of-fact workload reasons stated in the Appeal NPRM for the Appeal Rules appear as mere obfuscation in an attempt to avoid stating the actual reasons for these rules and reveal the plan the USPTO had all along to suppress the appeal surge due to the Continuation Rules - a problem of its own making. There is evidence that USPTO management believed it should adopt policies that suppress actions of applicants who use multiple continuations and RCEs because they are held by the USPTO as "***outliers***" who do not use "***best practices***". A senior official[30] at the USPTO said so and has indicated that the Office intends to exert "***leverage***" on such "outliers" not only by limiting their right to multiple continuations, but also by "***surrounding***" them with other rules and suppressive measures to keep their alternatives in check.[31] The content and timing of the proposed Appeal Rules are in fact consistent with such efforts by the USPTO to exert "leverage" and "surround" applicants who would otherwise file continuation applications.

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

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

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[30] John M. Whealan, USPTO's Deputy General Counsel for IP Law and Solicitor, *5th Annual Hot Topics In Intellectual Property Law Symposium*, Duke University School of Law, (Feb 17, 2006), http://realserver.law.duke.edu/ramgen/spring06/students/ 02172006a.rm, at time mark 53:38-54:55.

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

[32] This fact has been conveniently left out from the USPTO discussion of future BPAI workload projections in the Appeal Rules proceeding. In addition to its FY 2007 budget request discussed above, USPTO's FY 2008 budget request states: "The Patent Examining Corps will implement a number of initiatives in FY2008 that will significantly expand its workload. This will result in a significant increase in the workload of appeals to the Board. This projected workload increase at the Board results in the need for 27 additional Administrative Patent Judges (APJs) and 10 paralegals and one Legal Instruments Examiner to perform the associated activities of processing and reviewing appeals to maintain current pendency goals". The requested amount for FY 2008 was $5.25M, projected to be $9.97M, $11.05M, $11,3M and $11.54M in FY 2009, FY 2010, FY 2011 and FY 2012 respectively. *See* USPTO, FY2008 President's Budget Request, (February 2007), p. 21.

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

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

As the text of the USPTO budget request quoted above[29] establishes, the USPTO had projected that the Continuation Rules will cause a collateral rise in appeals to the BPAI in magnitudes that had not been experienced by the BPAI for years. The BPAI collateral workload concerns were therefore fully developed by February 2006 to merit a budget request and therefore must have been a consideration early in formulating the Continuation Rules. Yet, the USPTO kept silent about this significant collateral effect in any of its relevant rulemaking proceedings. Evidently, if there were any BPAI workload concerns purported to form the underlying basis for the Appeals Rules, they were fully developed and did not have to wait for a year and a half to be raised in such rulemaking. With only a modest increase in appeals in FY 2006 and very little data from FY 2007, no new information more significant than the 33% projected collateral increase in BPAI workload has been developed by the time the USPTO had began the official process of the Appeals Rules.[33] Therefore, as explained above, the USPTO was actually only operating on its February 2006 projection predicting 33% surge in appeals but it delayed its publication of the smaller package Appeal Rules until after the Continuation Rules were completed, including their OMB review.

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

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

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

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

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

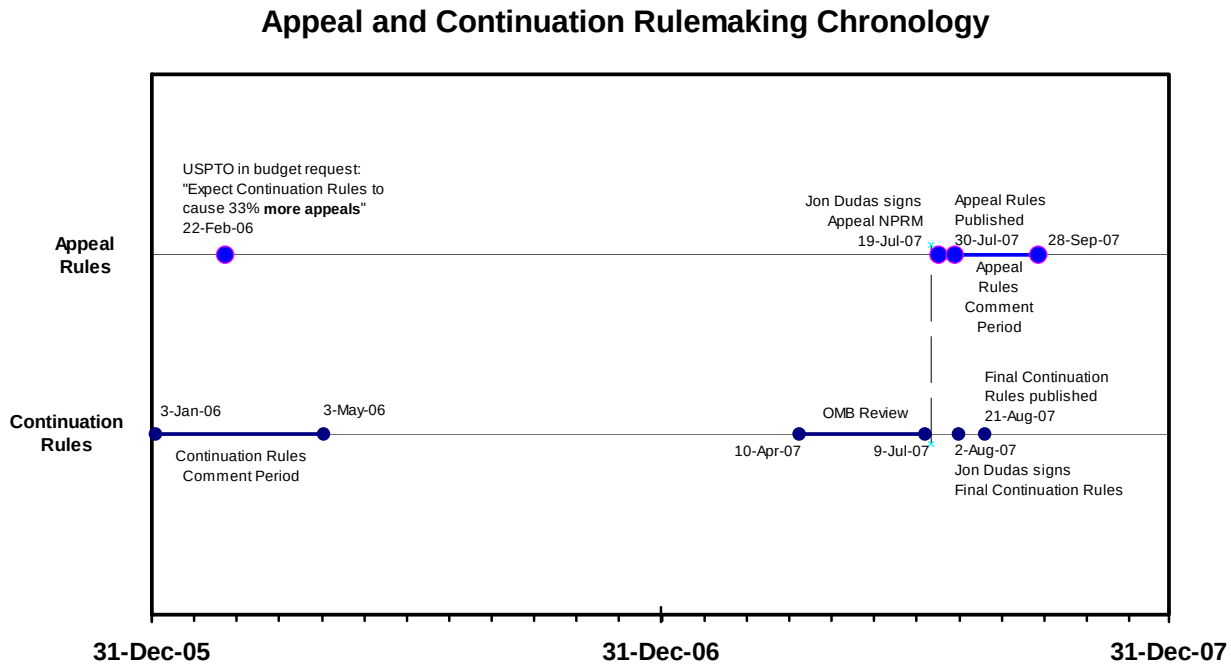

Figure 5. The temporal coordination of USPTO's Appeal and Continuation rulemaking. It is argued that while the USPTO was apparently acting on its February 2006 fully developed projections of appeals surge, the Appeal Rules' publication was delayed until OMB had completed its review and modification of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

Despite the fact that the proposed Appeal Rules require substantial incremental expenditures (as shown in Section 3 below), and despite USPTO's admission that it would cost more for appellants to comply with the rules, the USPTO has been silent on its own assessment of the incremental costs. It merely made the unsupported assertion that the rules relate solely to procedures and that the changes involve interpretive rules[37] that would not significantly increase the cost of filing or prosecuting an appeal.[38] By such unsubstantiated assertion and by characterizing the proposed rule changes as non-substantive, the USPTO evaded its responsibility to submit these economically significant rules for OMB review. Further, by the sequential promulgation of these Continuation Rules and Appeal Rules, the USPTO has separated the gross economic impact of the packages of rules, intended or not, to misrepresent the true effect of its packages of rules. This has deprived the public and OMB from properly addressing the additional effects of the Appeal Rules on the Continuation Rules in combination, and by doing so has circumvented OMB and the Regulatory Flexibility Act for both packages of rules.

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

[37] Appeal NPRM at 41483, col. 3.

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

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

Section 3(f) of Executive Order 12,866[39], (the "EO"), defines in pertinent part ''*Significant Regulatory Action*'' as "any regulatory action that is likely to result in a regulation that may [h]ave an annual effect on the economy of $100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities". I show below that the proposed Appeal Rules meet the test for being economically Significant Regulatory Action because they may have an annual effect on the economy of $100 million or more and because they may adversely affect in a material way the economy, and in particular, those sectors of the economy that develop and rely on technical innovation and intellectual property.

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

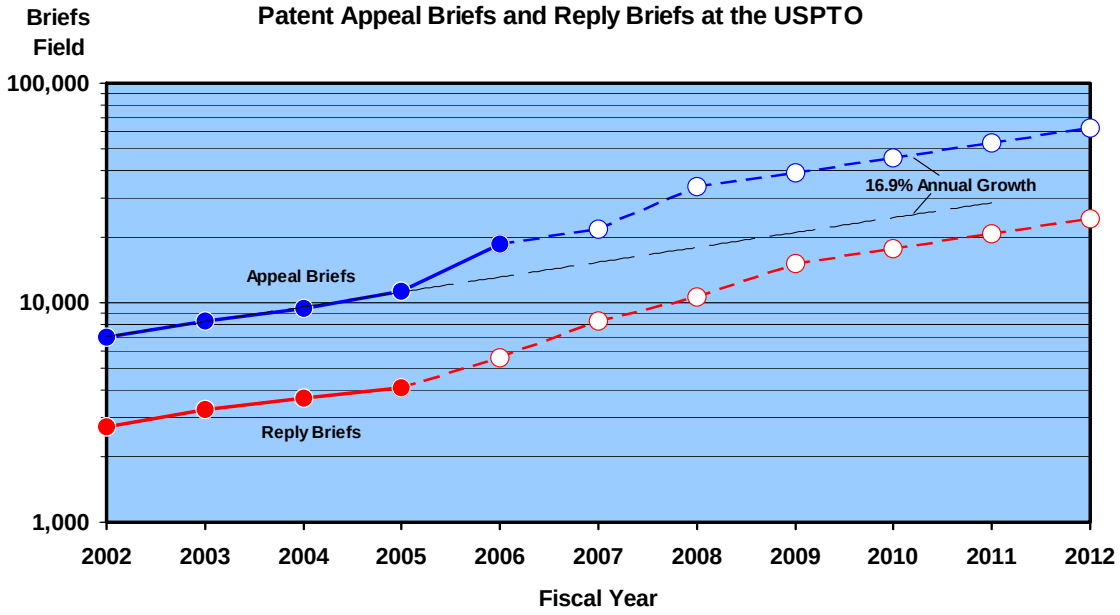

Figure 6. Actual (solid) and projected (broken lines, open circles) number of Appeal Briefs and Reply Briefs filed with the USPTO. The upward 'bump' projected in 2008 is based on USPTO's own projections of a 33% collateral increase in patent appeals when the continuation rules are in effect. *Sources*: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

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

3.1 Appeal Briefs and their paperwork burdens

As Figure 4 shows, appeals that reach the BPAI are but a small fraction of cases for which an Appeal Brief is submitted. However, the economic impact of the proposed Appeal Rules would have broad effect on all appellants filing Appeal Briefs and Reply Briefs. Evidently, the number of Appeal Briefs grew more rapidly than the number of cases reaching the BPAI in recent years. To estimate the total number of Appeal Briefs filed, the USPTO historical data on the number of such appeals as provided in a recent answer to a Freedom Of Information Act ("FOIA") Request[40] was used for determining the growth trends in recent years. The numerical values are tabulated under the "Actual" segment of Table 1. The actual number of Appeal Briefs in FY 2006 was provided by the USPTO in the Appeal NPRM.[41] It reflects an upward deviation from prior trend that is in part likely due to USPTO's institution of pre-appeal conference proceedings, elevating demand for the appeal process. The projected number of Appeal Briefs relies on the growth trend over the four fiscal years ending in FY 2005. As shown in Figure 6, the exponential regression analysis for these years results in an annual growth rate of 16.88%. A model of future Appeal Briefs filings assumes this 16.88% growth rate after FY 2006 and includes a step increase of 33% in FY 2008. The relative magnitude of this upward step is based on the USPTO's own projection of a collateral appeal surge due to the continuation rules taking effect[42]. Because these continuation rules are expected to take effect after the first month of FY 2008, the model assumes the collateral "bump" in Appeal Briefs to be in FY 2008. Because the continuation rules are expected to continue to have their effect on appeals every year thereafter, there is no projected decline in appeals and the historic growth rate was applied for projecting the Appeal Brief load in later years.

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

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

[41] Appeal NPRM at 41484, col. 1.

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

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

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

3.2 Reply Briefs and their paperwork burdens

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

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

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

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

3.3 Economic significance under Executive Order 12,866

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

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

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

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

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

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

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

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

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

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

[43] Appeal NPRM at 41484, col. 1. ("This rule making has been determined to be not significant for purposes of Executive Order 12866").
[44] Appeal NPRM at 41484, col. 1.
[45] Appeal NPRM at 41479, col. 3.

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

4 THE PROPOSED RULES CONTRAVENE THE PAPERWORK REDUCTION ACT

The proposed Appeal Rules include information collection that is illegal under the Paperwork Reduction Act[46] ("PRA"). Proposed rules 41.37(t) and (u) and 41.41(h)(2) and (3) would require appellants to repackage and re-submit documents that are already in USPTO's records. (See the relevant column in Table 4 and Table 5). Under the PRA, the Office of Management and Budget cannot approve Information Collection Requests that are duplicative[47]: For example, proposed rule 41.37(t) ("The 'evidence section' shall contain only papers which have been entered by the examiner.") demands information collection that is unambiguously duplicative. Not only is the requested information accessible to the BPAI, it is maintained electronically by the USPTO in a form and format that the USPTO itself prescribed. These requirements contravene the PRA.

5 CONCLUSION

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

In developing new regulations, USPTO must immediately examine powerful alternative regulatory solutions to its workload problem such as Examination on Request, a workload savings program[48] that it has failed to seriously and publicly consider, despite specific congressional authorization under the Consolidated Appropriations Act of 2004.[49] It may also consider an entire new package, covering continuations, numbers of claims, and appeals in a new Notice of Proposed Rulemaking, with adequate factual support and analysis of the economic effect and interactions. USPTO should make very clear how the newly-proposed rules allow applicants to obtain the full patent protection granted by Congress, and how USPTO has guaranteed that it has not usurped the substantive rights granted to inventors.

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[46] 44 U.S.C. § 3501 et seq.

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

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

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

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

Respectfully submitted by

/s/Ron Katznelson/

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Appendix A These comments are timely

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

From: McKelvey, Fred [mailto:Fred.McKelvey@USPTO.GOV]**On Behalf Of** BPAI Rules
Sent: Monday, October 01, 2007 11:53 AM
To: Ron Katznelson
Subject: RE: Extension of time for Comment on proposed RIN 0651-AC12 including its Paperwork Reduction Act analysis. Your request for a formal extension of time to comment on the Notice of Proposed Rulemaking, 71 Fed. Reg. 41472 (July 30, 2007) (Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals) has been received. The process of reviewing comments and determining a final rule has begun today, October 1, 2007. While a formal extension of time will not be granted, any comments received before comment review is complete will be considered. Please feel free to submit any comments as soon as possible.

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

-----Original Message-----
From: Ron Katznelson [mailto:rkatznelson@roadrunner.com]
Sent: Wednesday, September 26, 2007 7:44 PM
To: bpai.comments@uspto.gov; Robert.Clarke@USPTO.GOV
Subject: Extension of time for Comment on proposed RIN 0651-AC12 including its Paperwork Reduction Act analysis.

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

Sincerely,

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

Appendix B Numerical Data

	Fiscal Year	Appeals received in FY			Appeals backlog at FY end	Appeal dispositions	Examiner's final rejections	UPR appeal rate (%)	BPAI staff members	Dispositions/Staff member
		All	Design	UPR						
Source		1	1	2	1	3	4	5	4	6
Item	*Y*	*A*	*B*	*C*	*D*	*E*	*F*	*G*	*H*	*J*
	1992				1,871					
	1993	4,487			2,273	4,085				
	1994	4,481			3,754	3,000				
	1995	5,225			5,533	3,446				
	1996	4,139			7,364	2,308	63,754	6.49	84	27.5
	1997	4,639			9,201	2,802	64,095	7.24	81	34.6
	1998	3,779			8,889	4,091	64,868	5.83	86	47.6
	1999	4,040	70	3,970	8,344	4,585	69,759	5.69	102	45.0
	2000	2,981	39	2,942	6,322	5,003	76,611	3.84	117	42.8
	2001	3,855	26	3,829	5,050	5,127	78,807	4.86	114	45.0
	2002	3,125	18	3,107	3,090	5,085	87,126	3.57	110	46.2
	2003	2,721	25	2,696	1,968	3,843	91,981	2.93	109	35.3
	2004	2,469	18	2,451	985	3,452	96,442	2.54	109	31.7
	2005	2,834	29	2,805	882	2,937	*121,957*	*2.30*	103	28.5
	2006	3,349	6	3,343	1,357	2,874				

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

Sources:

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

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

In order to estimate the amount of work in excess of what is done under current practice for the same Appeal Briefs and Reply Briefs, I obtained the relevant characteristics of a small sample of cases in appeals that were before the BPAI. These were examined based on BPAI final decisions as reported most recently on its final decision database.[50] The prosecution histories available on the USPTO's PAIR system[51] were then consulted and for each case, an estimate was made of the incremental time required for each proposed rule element based on the number of figures in the application on appeal, number of independent claims on appeal, dependent claims on appeal and, where available, the number of claims argued separately. For each proposed rule element, the basis for the calculation and the average incremental time burden across the sample of appeals was entered in Table 4 and Table 5 for the Appeal Brief and Reply Brief respectively. The general statistical characteristics of the appeals sample are provided in Table 3. It should be noted, however, that because the sample is small, no reliable inference can be made on the variance or 'tail' of the probability distribution for each of the attributes identified in Table 3. While the resulting ***average*** burdens supplied in Table 4 and Table 5 may be within reasonable confidence limits for the purpose of these comments, the USPTO must provide statistical information on a much larger sample in order to properly establish these burdens and their tail distributions.

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

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

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

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

[51] Available at http://portal.uspto.gov/external/portal/pair .

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

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

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

Total Incremental Hours **10.6**

Hourly Rate **$300**

Total Incremental Cost **$3,180**

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

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

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

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

Total Incremental Hours **3.1**

Hourly Rate **$300**

Total Incremental Cost **$930**

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

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

Exhibit 3

Dr. Richard Belzer, letter to Susan Dudley re Information Collection Request 0651-0031 (January 16, 2008) http://www.reginfo.gov/public/do/DownloadDocument?documentID=57744&version=1

RICHARD B. BELZER
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January 16, 2008

Honorable Susan E. Dudley
Administrator
Office of Information and Regulatory Affairs
Office of Management and Budget
Washington, DC 20503

RE: ICR 0651-0031

Dear Administrator Dudley,

On September 26, 2007, the U.S. Patent and Trademark Office (PTO) submitted ICR 0651-0031 to the Office of Management and Budget (OMB) for review, as required by the Paperwork Reduction Act (PRA) and OMB's Information Collection Rule. Since then, I have provided limited comments to OMB suggesting that just one economically significant regulatory action intended by PTO,[1] and covered by this ICR, is likely to result in several billion dollars per year in new paperwork burdens.[2] In addition, I have met with your staff to discuss these and other paperwork burdens associated with one recently promulgated[3] and a pair of recently proposed economically significant rules[4] that PTO did not submit to OMB for review, all of which are covered by this ICR. I have responded via e-mail to requests for more information and clarification. OMB has extended its review of the ICR several times, but there is no public evidence that PTO has

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[1] "Changes To Information Disclosure Statement Requirements and Other Related Matters," 71 Fed. Reg. 38808. OMB recently reviewed the draft final rule under Executive Order 12,866, but it has not been promulgated. We estimate paperwork burdens of the proposed rule at $2.6 billion per year. PTO deemed this proposed rule "not significant" under Executive Order 12,866.

[2] See "Cost of Complying with the Proposed IDS Rule," October 18, 2007, at http://www.whitehouse.gov/omb/oira/0651/meetings/663.pdf.

[3] "Changes To Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications", 72 Fed. Reg. 46835 (August 21, 2007). We estimate paperwork burdens for this regulation range from $12.5 billion to $24.5 billion per year. PTO deemed each rule "significant" under EO 12.866.

[4] See "Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals," 72 Fed. Reg. 41472 (July 30, 2007); "Examination of Patent Applications That Include Claims Containing Alternative Language," 72 Fed. Reg. 44992 (August 10, 2007). We estimate paperwork burdens for the first of these proposed rules range from $820 million to $860 million per year, but have not yet been able to estimate burdens for the second proposed rule. PTO deemed both rules "not significant" under EO 12.866.

resolved these questions so that burden estimates can be finalized that adhere to both OMB's Information Collection Rule and OMB's Information Quality Guidelines.[5]

With the assistance of experts in patent prosecution, I have prepared an extensive review of the paperwork burdens in ICR 0651-0031. In this letter, I want to summarize the results of this review. These results are illustrated graphically on page 3 of this letter; the complete review document is enclosed.

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.

Patent attorneys and agents are scarce because patent prosecution is a highly specialized activity requiring both legal and technical education, and there are no substitutes. This training takes years, so their supply grows slowly. For these reasons, they are also expensive. Average billing rates for 2008 are expected to exceed $350 per hour. The total cost to the U.S, economy just from these additional paperwork burden is estimated to range from $13 billion to $34 billion per year. For perspective, note that the total paperwork budget for the Department of Commerce – PTO's parent – is $1.7 billion.[6]

The estimates of paperwork burden provided by PTO in its Supporting Statement are, in almost every instance, unsupported by any publicly disclosed data, models, or any other factual basis, even though the Office claims to adhere to applicable information quality guidelines. Indeed, as we show in our review, PTO also has failed to provide adequate opportunity for public participation in the development of its paperwork burden estimates. (Despite PTO's legal responsibility to consult, and its claim in the Supporting Statement to have done so, it has become clear during this review that knowledge about the Paperwork Reduction Act is quite limited in the patent prosecution community.)

Whereas PTO has provided no support at all for its burden estimates, in our review we have explained – sometimes in pedantic detail – the basis for our alternative estimates. Our estimates are transparent and reproducible, but PTO's figures are not. Our

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[5] The Information Collection Rule requires PTO to develop and disseminate "an objectively supported estimate of burden"; see 5 C.F.R. § 1320.9(a)(4). OMB's Information Quality Guidelines require that agencies disseminate information that is ""accurate, reliable, and unbiased," or "presented in an accurate, clear, complete, and unbiased manner"; see 67 Fed. Reg. 8452.

[6] Information Collection Budget: FY 2006, Table 4. Commerce reported a 27% increase in department-wide burden in FY 2006 due to non-statutory program changes (Table 1). USPTO is responsible for most of this increase.

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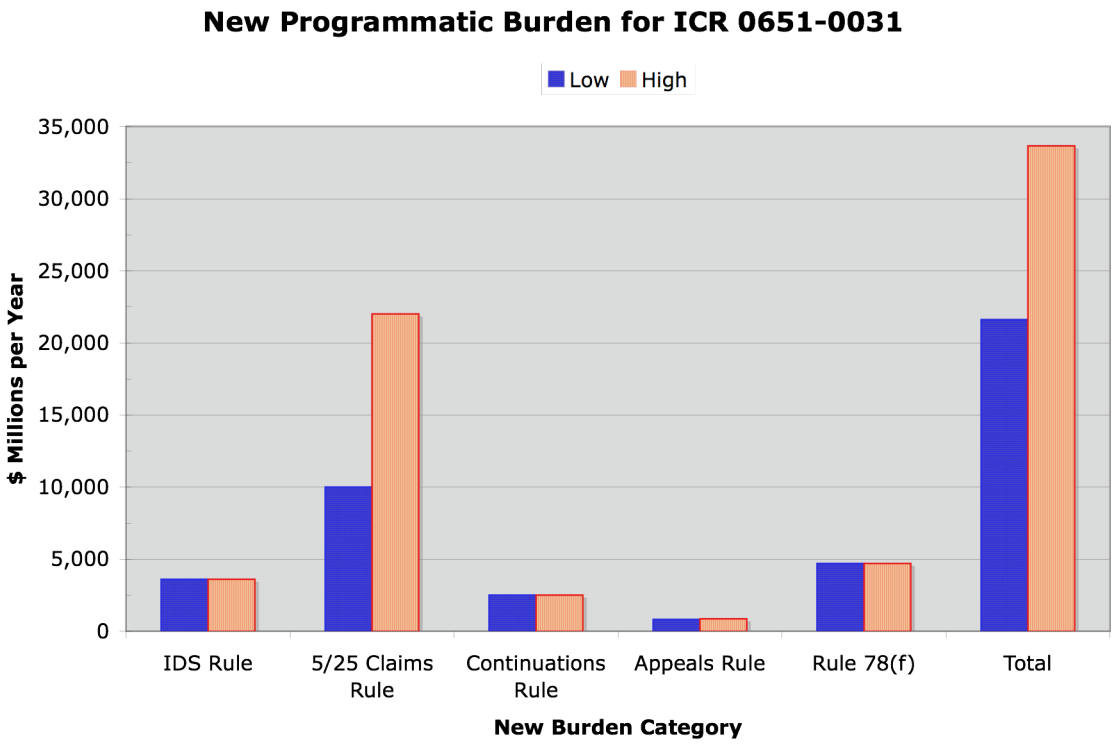

estimates adhere to the requirements of OMB's Information Collection Rule and Information Quality Guidelines, but PTO's do not.

Valid and reliable paperwork burden estimates are essential for the public to be able to understand the consequences of government actions, especially regulatory decisions. The burden estimates provided herein are new, but PTO has had our earlier submission for three months but chosen not to respond. Instead of issuing yet another short-term extension that appears highly unlikely to advance the process toward a conclusion, OMB should approve this ICR now for one year while booking the burden estimates we have derived for 2008. This would provide an excellent incentive for PTO to develop a new and properly documented ICR for 2009 and beyond. PTO should be directed to collaborate with experts in patent prosecution who, unlike PTO staff, have actual real-world experience performing these tasks.

Sincerely,

Richard Belzer, Ph.D.
Enclosure (1)

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U.S. Patent and Trademark Office

OMB CONTROL NUMBER: 0651-0031
ICR REFERENCE NUMBER: 200707-0651-005

Submitted to OMB September 26, 2007

Alternative Burden Estimates
Revised January 17, 2008

Richard B. Belzer, Ph.D.
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January 17, 2008

QUICK REFERENCE GUIDE

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ALTERNATIVE ESTIMATES FOR SUPPORTING STATEMENT TABLE 3

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ALTERNATIVE BURDEN ESTIMATES FOR PTO SUPPORTING STATEMENT TABLE 3

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PAPERWORK BURDENS OMITTED FROM PTO SUPPORTING STATEWMENT TABLE 3

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January 17, 2008

APPENDICES

A. Love, J. 2007. "Notice to Examiners Regarding Claims and Continuations Final Rule: Transitional practice for restriction requirements from October 14, 2007 until November 10. 2007." Memorandum to Center Directors (October 11, 2007); Focarino, MA. 2007. "Notice to Examiners Regarding Claims and Continuations Final Rule." Memorandum to Patent Examining Corps (October 11, 2007).

B. Katznelson, RD. 2007. "Defects in the economic impact analysis provided by the USPTO for its new claims and continuation rules."

C. USPTO Internal Memos.

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January 17, 2008

SUMMARY OF NEW BURDENS

Several items from the final Continuations and 5/25 Claims Rules, the proposed (draft final) IDS Rule, and the proposed Appeal Rule have burdens that exceed $1 billion. We have not yet attempted to derive burden estimates for the proposed Markush Practice Rule. We summarize in **Error! Reference source not found.** only those new burden elements with costs exceeding $100 million. They entail 85 million burden hours and $25 billion in aggregate costs. There are approximately 15,000 patent attorneys and agents in the U.S. with 30 million theoretically billable hours per year; these new items alone consume more then two times the entire U.S. capacity of requisite private sector expertise.

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January 17, 2008

Table 1: Major New Programmatic Burdens Not Accounted for in ICR

Rulemaking	ICR Supporting Statement Table 3, Row No.	Burden Hours (2 significant figures)	FTE Patent Counsel/Agent Person-Years (2,000 hours/year)	Total Cost of New Burden (2 significant figures)
IDS Rule [2008 only]	3	6.5 million	3,300.	$2,400 million
	4	3.0 million	1,500.	$1,100 million
	5	0.12 million	60.	$35 million
	6	0.030 million	20.	$9 million
	Omitted	0.23 million	120.	$85 million
	Subtotal	***9.9 million***	***8,300.***	***$3,600 million***
5/25 Claims Rule (i)	9	2.9 million	1,500.	$980 million
	48-49 [element 1]	NA	NA	$4,100 million
	48-49 [element 2]	1.7 – 4.9 million	850. – 2,400.	$610 -- $2,400 million
	48-49 [element 3]	7.0 – 31 million	3,500. – 15,000.	$2,600 -- $12,000 million
	48-49 [element 4]	3.4 – 4.5 million	1,700. – 2,300.	$1.300 – 1,700 million
	48-49 [element 6]	1.7 – 2.1 million	850. – 1,100.	$620 – 780 million
	Subtotal	***17 – 45 million***	***8,400. – 23,000.***	***$10,000 – 22,000 million***
Continuations Rule	44	0.6 million	300.	$220 million
	Omitted from ICR	2.9 million	1,500.	$2,300 million
	Subtotal	***3.5 million***	***1,800.***	***$2,500 million***
Appeals Rule	2008 duplicative burden appeal briefs	0.10 – 0.17 million	50. – 85.	$27 -- $62 million
	2008 duplicative burden reply briefs	0.032 – 0.05 million	16. – 27.	$12 – $19 million
	Omitted appeal brief burdens	1.2 million	600.	$600 million
	Omitted reply brief burdens	0.50 million	250.	$180 million
	Subtotal	***1.8 – 1.9 million***	***920. – 960.***	***$820 – 860 million***
Rebutting Presumption that Claims Are Patently Indistinct	Omitted from ICR	12 million	6,000.	$4,400 million
	Subtotal	***12 million***	***6,000.***	***$4,400 million***
Totals		**44 – 72 million**	**26,000. – 40,000.**	**$13,000 – 34,000 million**

Notes:

(i) Range of estimates from Alternatives #1 and #2.

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Supporting Statement Generally:
PTO's BURDEN ESTIMATES ARE FUNDAMENTALLY FLAWED AND/OR UNSUPPORTED BY EVIDENCE

The Supporting Statement § 15 identifies certain regulatory actions that are included in the estimates. Most pertinently, this list includes the February 2006 ICR change accounting for the proposed Limits on Continuations Rule and Limits on Claims Rule, and the July 2006 proposed IDS Rule. It does not include the July 2007 proposed Appeals Rule, changes due to the August 2007 final combined Continuations/5-25 Claims Rule, or the August 2007 proposed Markush Practice Rule. Thus, the Supporting Statement is seriously outdated.

Hourly Rates. For patent attorneys, the Supporting Statement uses hourly wage figures obtained from the 2005 edition of a biennial survey conducted by the American Intellectual Property Law Association (AIPLA).[1] PTO is entitled, and should be encouraged, to rely on valid and reliable estimates produced by third parties. However, PTO the 2005 edition of the survey contains data from 2004, which is 4-7 years out of date given the 2008-2010 period for the ICR. At a minimum, PTO should start with the 2007 edition of the survey,[2] which contains data from 2005. Clearly, if this survey is to be relied upon the later edition should be preferred. A figure of $90 per hour is used for paralegals, but its source is not disclosed.[3]

Although the AIPLA survey appears to provide the best available data, there are important limitations on its utility for burden estimation purposes. AIPLA reports that its 2007 survey (actually a census) yielded a 75% improvement from the 2005 edition in response rate, to 2,733 responses out of 14,132 AIPLA members and non-members to whom the instrument was delivered by web-based email connect (19%). The sample (i.e., census) used in 2005 is not reported, but if it is the same as the 2007 sample (i.e., census), the response rate for 2005 was about 13%. We reserve for a later discussion the question whether the AIPLA survey yielded representative data or used appropriate statistical methods. Both response rates are well below the 70% figure generally expected under OMB statistical policy guidelines for surveys conducted or sponsored by an agency, and OMB would not have approved it. It is PTO's responsibility under OMB's and its own information quality guidelines to demonstrate that the information it disseminates and relies upon for influential purposes satisfies information quality standards.

We use the following hourly rates from AIPLA (2007):

- Patent Attorney (mean): $332 in 2006, increasing at 5% per year (2008: $366; 2009: $384; 2010: $404) [4]
- Partner (mean): $390 in 2006, increasing at 5% per year (2008: $430; 2009: $451; 2010: $474) [5]

AIPLA (2007) does not include hourly rates for paralegals. We use fully-loaded 2007 billing rates described as "typical" obtained from New York- and Washington DC-based law firms specializing in IP:

- Paralegal $150 in 2007, increasing at 5% per year (2008: $158; 2009: $165; 2010: $174)

[1] AIPLA, Report of the Economic Survey, 2005 (at I-6). Available from the American Intellectual Property Law Association, www.aipla.org.
[2] AIPLA, Report of the Economic Survey, 2007. Available from the American Intellectual Property Law Association, www.aipla.org.
[3] "The paraprofessional rate is $90 per hour." See Supporting Statement at 13.
[4] AIPLA (2007) at I-5. Average billed hours = 1,655.
[5] AIPLA (2007) at I-5. Average billed hours = 1,800.

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Estimates of Burden Hours per Response and Numbers of Respondents. Except for the hourly rate for attorneys (see above), § 12 of the Supporting Statement does not report how PTO obtained any of its estimates. Thus, we cannot reproduce PTO's figures. Because of this lack of minimal transparency, OMB should presume that PTO's burden estimates do not adhere to applicable information quality standards issued by OMB and PTO in 2002.[6]

Alternative Estimates of Burden. We provide alternative burden estimates beginning on page 20 and explain how we derived them. Burden estimates consist of two parts: (a) the average number of hours required to fulfill the set of tasks identified by the item; and (b) the number of responses per year that PTO should expect to receive. We obtained estimates of unit burden from experienced patent attorneys and agents who actually perform tasks identical or closely analogous to those described in Table 3 of the Supporting Statement. We expressly instructed them to provide *unbiased* estimates (i.e., estimates equally likely to under- or overstate the true value). We generally found that PTO's burden estimates for longstanding tasks to be reasonable. PTO's errors are largely (but not exclusively) confined to matters related to the final Continuations Rule and 5/25 Claims Rule, the proposed (and draft final) IDS Rule, and the proposed Appeals Rule. We have not yet attempted to estimate paperwork burden for the proposed Markush Practice Rule.[7]

Greater discrepancies were noted with respect to the number of responses PTO should expect to receive, and PTO's estimates in several critical places are especially problematic. As indicated above, PTO does not disclose the basis for any of its estimates. For the burdens added by the new rules, PTO's estimates do not comport with the requirements of the proposed and final rules.

We generally use the following assumptions:

- Retroactive Effects: The final 5/25 Claims Rule is retroactive.[8] There were approximately 761,000 applications in PTO's backlog at the end of FY 2007, a 9% average annual increase since FY 2001.[9] Based on PTO estimates,[10] approximately 30% are affected under the 5/25 Claims Rule, with smaller percentages under

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[6] OMB, "Guidelines for Ensuring and Maximizing the Quality, Objectivity, Utility, and Integrity of Information Disseminated by Federal Agencies; Notice; Republication," 67 Fed. Reg. 8452 (http://www.whitehouse.gov/omb/fedreg/reproducible2.pdf); PTO, Information Quality Guidelines, available at http://www.uspto.gov/web/offices/ac/ido/infoqualityguide.html (objectivity standard: "In those situations involving influential scientific or statistical information, the results must be capable of being substantially reproduced, if the original or supporting data are independently analyzed using the same models").

[7] PTO, "Examination of Patent Applications That Include Claims Containing Alternative Language," 72 Fed. Reg. 44992 (http://www.uspto.gov/web/offices/com/sol/notices/72fr44992.pdf).

[8] See Memorandum from John Love, Deputy Commissioner for Patent Policy, to Technology Center Directors (October 11, 2007):

> Effective November 1, 2007, if any applicant presents more than 5 independent claims or more than 25 total claims in an application, applicant will be required under 37 CFR 175(b) to file an examination support document (ESD) in compliance with 37 CFR 1.265 before the first Office action on the merits (hereafter "5/25 claim threshold"). The changes to 37 CFR 1.75(b) apply to all pending applications[1] in which a first Office action on the merits (FAOM) has not been mailed before November 1, 2007.
>
> [1] The changes to 37 CFR 1.75(b) also apply to any pending reissue applications that seek to change the patent claims.

(Emphasis added.) Attached as Appendix A.

[9] PTO, Performance and Accountability Report, FY 2007, Table 3. PDF available at http://www.uspto.gov/web/offices/com/annual/2006/2006annualreport.pdf.

[10] PTO internal memorandum (August 6, 2006): " As of 2/28/07, 708,321 UPR cases in the backlog. 29% of the non-small entity cases were over 5 or 25, and 30% of the small entity cases were over 5 and 25." Attached as Appendix C.

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the other rules. Because of deadlines PTO established in the recent final rules, we assume that the entire burden imposed on the backlog will be borne in 2008. We use 250,000 as an approximate number of prior applications affected.

- Prospective Effects: There are about 450,000 applications filed per year, growing at a rate of 8% per year according to PTO (2008: 486k; 2009: 525k; 2010: 567k). In FY 2006, 74,793 RCEs were filed (FY 2008 estimate = $75k \times 1.08^8 \sim 88k$), leaving an annual flow of (486k – 88k) = 398k (2008), $411k \times 1.08^1$ = 430k (2009) and $398k \times 1.08^2 = 464k$ (2010). Approximately one-third of non-RCE applications would be affected by the final Continuations Rule and 5/25 Claims Rule (2008: 398k ÷ 3 = 133k; 2009: 430k ÷ 3 = 143k; 2010: 464k ÷ 3 = 155k.

In any case where we use different figures, we explain their basis.

Typically, burden hour estimates are assumed to be constant over the three-year period of an approval. In this case, however. it is certain that burden hours will differ during the period. First, the burden on respondents from retroactive effects will be borne during the first year because of mandatory deadlines in the final Continuation and 5/25 Claims Rules, then vanish. Second, the number of applications covered by the ICR is rising at about 8% per year.

Missing Burdens. Table 3 of the Supporting Statement does not include several new paperwork burdens created by the final Continuations/5-25 Claims Rule. Because PTO asserted that the proposed Appeals Rule and proposed Markush Practice Rule have no change in burden, the Supporting Statement does not include their burdens. We have inserted new row numbers at the end to account for some of the burdens that would be imposed if the Appeals Rule is finalized.

We have not yet been able to estimate the paperwork burdens likely imposed by the proposed Markush Practice Rule. We expect that these burdens will be very large. To comply with the Paperwork Reduction Act, PTO must revise ICR 0651-0031 to account for these burdens and publish a new 60-day notice seeking public comment on the revision.

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Supporting Statement § A(5):
PTO's ESTIMATES OF IMPACTS ON SMALL ENTITIES ARE KNOWINGLY FALSE

In lieu of any analysis of burdens on small entities, the Supporting Statement simply asserts that there are no significant impacts on small entities because the law requires PTO to provide them fee reductions of 50%.

> No significant impact is placed on small entities. Small entities simply need to identify themselves as such to obtain the benefits of small entity status (p. 10).

This is analysis by non sequitur. The existence of a differential statutory fee is not proof of no significant impact, even if fees are the only costs small entities must bear. In fact, fees paid to PTO are a small fraction of paperwork burden. Absent credible information to the contrary, PTO must assume that impacts are proportional irrespective of entity size and re-estimate impacts on small entities.[11] At page 69ff, we present credible evidence, based on PTO data not disclosed in the Supporting Statement or the Office's Certification of No Significant Impact,[12] that the effects on small entities are greater that proportional to entity size.
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PTO's Reg Flex Act certification is dated June 29, 2007, but apparently was not published until August 28, 2007. There are fatal analytic errors in this document; it grossly understates small entity impacts. Nevertheless, it provides burden estimates that vastly exceed those in the Supporting Statement for ICR 0651-0031. Either the Supporting Statement or the Reg Flex certification, or both, are wrong.

Katznelson has shown that PTO's Reg Flex Certification of no significant impacts on a substantial number of small entities has no analytic merit.[13] First, the Certification is based on the unsubstantiated and counterfactual assertion that the number of applications affected by the final Continuations and Claims Rule is the same as if PTO had instead promulgated a different rule permitting five independent and 75 total claims ("5/75") and no continuations for a patent family. PTO claims in the Certification that a 5/75 rule would affect perhaps 1-3% of the application base, but elsewhere has admitted that the promulgated final rule affects 24-30% of applications.[14] Moreover, the existence of data that directly contradict assertions made by PTO in the Certification strongly suggest that PTO staff disseminated, both to the public and the Small Business Administration's Office of Advocacy, influential information they knew to be false.

Second, these regulatory alternatives cannot be equivalent because a separate provision of the final rule – new rule 78(f) – establishes regulatory presumptions that are burdensome for applicants to rebut. But PTO does not account for this additional paperwork burden, either in the Certification (where their revelation would have destroyed the basis for PTO's no-effect determination) or in the ICR (where paperwork burdens must be accounted for independent of differential effects on applicants of applicants by entity size).

Third, PTO has elsewhere admitted that the predicted applicant behavior change upon which the no-effect certification is premised is already standard applicant practice. Without the ability to adapt as predicted, a no-effect certification cannot be justified. Thus, PTO based its certification on a second premise it knew was invalid.

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[11] In the proposed Appeals Rule, PTO asserts that it will not have a significant impact on a substantial n umber of small entities. The Office provides no supporting evidence. See 73 Fed. Reg. 41484.
[12] PTO, "Certification Analysis Under the Regulatory Flexibility Act: Changes to Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications" (prepared by ICF International; online at: http://www.uspto.gov/web/offices/pac/dapp/opla/presentation/ccfrcertificationanalysis.pdf).
[13] Ron D. Katznelson, *Defects In The Economic Impact Analysis Provided By The USPTO For Its New Claims And Continuation Rules*. See section 3.4. Attached as Appendix B.
[14] The 24-30% figure explains why the final rule is so widely controversial; the 10-3% figure does not.

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Supporting Statement § A(4):
THE PROPOSED APPEAL RULE CONTAINS MILLIONS OF DOLLARS WORTH OF DUPLICATIVE BURDEN

In its PRA notice for the proposed Appeal Rule, PTO claims that it imposes no change in paperwork burden. In fact, the proposed Appeal Rule consists of economically significant changes in appeals practice because it increases cost to appellants and reducing the likelihood of success. The rule also imposes significant new paperwork burdens and exacts punishing losses on appellants who violate even the most trivial of these new requirements. We itemize these new burdens on page 83.

In addition, several specific regulatory provisions would require patentees to submit, in different format, the same information applicants have already provided to PTO in the PTO-specified format and retained electronically by PTO in its own database. No rationale is provided to justify this duplication. In Table 2 at page 15 and Table 3 at page 16, we list these duplicative requirements and provide estimates of their burden hours developed by Dr. Ron Katznelson and submitted as a public comment to PTO on October 22 and to OMB in this proceeding.[15] with hourly rates updated by AIPLA (2007) as set forth on page 10ff.

We believe that Katznelson's estimates are roughly correct in terms of hourly burden per response. However, he extrapolated from historical trends in PTO data and he adopted the PTO's projection of changes in applicant behavior leading to only 33% increase in appeal flow, because of the loss of procedural options under the final Continuations Rule. We believe this understates the likely increase in appeals. Because continuations are now sharply limited, applicants can be expected to conserve them for use when no other administrative procedure is available. We expect appeals will become a default, near-universal adaptive response to the new constraint on continuation practice. For this reason, we use Katznelson's estimates of the number of appeals as a reasonable lower bound (the "LOW" estimates in Table 2 and Table 3). For a reasonable upper bound, we assume that applicants will do as PTO recommends in the preamble to the final Continuations Rule: exercise the right of appeal earlier in the process than under today's practice (the "HIGH" estimates in Table 2 and Table 3). We assume 56,094 (75% of the 74,793 RCEs filed in FY 2006) will shift to appeals in FY 2008; the actual figure could be higher.

We follow Katznelson and assume that the current, stable ratio of Appeal Briefs to Reply Briefs will be maintained. Historically, the Office concedes error in well over 50% of Appeal Briefs, eliminating the need for a Reply Brief.[16] Note that this is only duplicative paperwork burden; new paperwork burdens caused by PTO's programmatic shift from the $1,000 per response RCE procedure to the $15,000 to $20,000 per response appeal procedure are discussed on pages **Error! Bookmark not defined.** to **Error! Bookmark not defined.**

We report costs in millions of dollars and round to two significant figures. For 2008, duplicate burdens range from $27 million to $62 million for appeal briefs, and $12 million to $19 million for reply briefs.

[15] Ron D. Katznelson public comments at http://www.reginfo.gov/public/do/DownloadDocument?documentID=51959&version=1 .
[16] See PTO statistics at http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf at 52-63.

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Table 2: Duplicative Paperwork Burdens In Proposed Appeals Rule: Appeal Brief Requirements

Proposed Rule	Requirement	Hours (a)	Number of Responses (b)		Burden Hours (a) × (b)		Hourly Rate (c)	Total Burden (a) × (b) × (c)	
41.37(i), 41.37(j), 41.37(t), 41.37(v)(1)	Contain papers that have been entered by the examiner and the applicant during prosecution and a table of contents setting forth the contents of the Evidence Section.	3.0*	**LOW***					**LOW**	
			2008	33,612	2008	100,836	$366	2008	$27 million
			2009	39,285	2009	135,216	$384	2009	$52 million
			2010	45,915	2010	137,745	$404	2010	$56 million
			HIGH**					**HIGH**	
41.37(u), 41.37(v)(1)	Provide copies of orders and opinions required to be cited pursuant to 41.37(g).		2008	56,500	2008	169.500	$366	2008	$62 million
			2009	66,100	2009	198,300	$384	2009	$76 million
			2010	77,337	2010	232,011	$404	2010	$94 million

Notes:

- Burden hour estimation logic, rows 1 & 2 combined: The Evidence appendix, its table of contents and pagination requirements of Proposed 41.37(v)(1) as stated are far more precise than the Federal Circuit's, and are circularly dependent so that they will require multiple iterations.
- Assembling and page-numbering the Appendix, and then back-substituting Appendix page numbers into the body of the brief cannot be done electronically. Based on Federal Circuit brief preparation experience of several practitioners, the attorney time shown is a very conservative cost estimate for actual attorney and paralegal costs.

Table footnotes:

* Estimated by Katznelson (2007) from PTO data; see accompanying text.

** Assumes number of appeals in FY 2008 = 75% of FY 2006 RCEs.

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Table 3: Duplicative Paperwork Burdens In Proposed Appeals Rule: Reply Brief Requirements

Proposed Rule	Requirement	Hours (a)	Number of Responses (b)	Burden Hours (a) × (b)		Hourly Rate** (c)	Total Burden (a) × (b) × (c)	
41.37(I), 41.41(h)(2)	Include a copy of the Examiner Answer to which the Reply Brief is directed.				**LOW***			**LOW**
			2008	10,559	2008 31,677	$366	2008	$12 million
			2009	15,024	2009 45,072	$384	2009	$17 million
			2010	17,560	2010 52,680	$404	2010	$22 million
41.37(I), 41.37(v)(1), 41.41(h)(3)	All evidence upon which the examiner's answer relied in support of the new rejection that does not already appear in the evidence section accompanying the appeal brief, except the specification, any drawings, U.S. patents and U.S. published applications.	3.0*			**HIGH****			**HIGH**
			2008	17,515	2008 52,545	$366	2008	$19 million
			2009	25,118	2009 75,354	$384	2009	$29 million
			2010	29,399	2010 88,197	$404	2010	$36 million

Notes:

- Burden hour estimation logic, row 1: Reformatting and manual pagination required for inclusion.
- Burden hour estimation logic, row 2: To meet Applicant's new burden of reproducing and documenting the Examiner's Answer's evidentiary record including reformatting and manual pagination.

* Estimated by Katznelson (2007) from PTO data; see accompanying text.
** Estimated by Katznelson (2007) from PTO data; see accompanying text. Ratio of reply briefs to appeal briefs: 31% (2008), 38% (2009), 38% (2010).

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Supporting Statement § A(8):
PTO's PUBLIC NOTICE AND CONSULATION WITH AFFECTED PARTIES WERE DEFECTIVE

PTO was required to follow specified procedures to seek OMB approval of 0651-0031 related to at least five regulatory actions. The table below maps (a) the regulation, (b) the date of public notice via FR publication,[17] (c) the date of ICR submission, (d) the date of OMB action, and (e) a summary of public participation opportunities provided by PTO. In only one case did the public have ample *time* to comment on the ICR, and in that case PTO *did not submit a Supporting Statement* enabling the public to comment on the specific items set forth in 5 CFR 1320.8(d)(1)(i)-(iv).

In the Supporting Statement PTO claims to have consulted extensively and regularly with affected regulated parties. The nature of this consultation is expressed in vague terms that cannot be verified. Moreover, the claim itself is contradicted by extensive public comments provided to PTO by these affected parties in response to proposed rulemakings. The absence of public comments on the ICRs themselves reflects PTO's limited effort to educate its constituencies regarding paperwork matters, the absence of supporting statements with its ICR submissions, the timing of its ICR submissions, and its denial that proposed rules even impose any paperwork burden.

As Table **4** demonstrates, PTO did not follow required PRA procedures necessary to ensure informed public comment:

- ICR #1 (proposed Limits on Continuations and Limits on Claims Rules): Submitted to OMB on December 22, 2005, but public notice was not issued until January 3, 2006.[18] The submission lacked a Supporting Statement, so the public did not have information essential for informed public comment.[19]
- ICR #2 (proposed IDS Rule): Submitted to OMB on June 5, 2006, but public notice was not issued until July 10, 2006.[20] This submission also lacked a Supporting Statement, so the public did not have information essential for informed public comment.[21] OMB approved the ICR on July 12, 2006 -- two days after public notice was issued.
- ICR #3 (final Continuations and 5/25 Claims Rules): Submitted to OMB on September 26, 2007, but public notice was issued on August 21, 2007.[22] This ICR included a Supporting Statement,[23] and is highlighted in yellow.
- PTO submitted no ICRs for the Appeals and Markush Practice Rules, and thus issued no public notices.

[17] All public notices on paperwork matters were contained within the preambles to the relevant proposed or final rule..
[18] http://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=200512-0651-002#section0_anchor.
[19] http://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=200512-0651-002.
[20] http://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=200606-0651-001.
[21] http://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=200606-0651-001.
[22] http://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=200707-0651-005.
[23] http://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=200707-0651-005.

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Table 4: Public Participation Opportunities in ICR 0651-0031, 2006 to date

(a) Rule Nickname	(b) Fed Reg Pub Date	(c) ICR Submission Date	(d) OMB Action Date	(e) Public Participation Opportunities
Proposed Continuations Rule[24]	01/03/06	12/22/05 200512-0651-002)	02/22/06	No supporting statement; boilerplate FR notice; nothing on which to comment.
Proposed Limits on Claims Rule[25]	01/03/06			
Petition to Make Special under Accelerated Examination Program[26]	06/26/06	Unknown; not recorded in ICR database		Change Worksheet only, not publicly disclosed. Method for deriving burden estimates not disclosed.
Proposed IDS Rule[27]	07/10/06	06/05/06 (200606-0651-001)	07/12/06	No supporting statement; boilerplate FR notice; nothing on which to comment; OMB approval on Day 2 after publication of notice with request for comment.
Proposed Appeals Rule[28]	07/30/07	N/A	N/A	No ICR submitted.
Final Continuations Rule Final 5/25 Claims Rule	08/21/07	09/26/07 (200707-0651-005)	Pending	Supporting Statement. Comments submitted to PTO and OMB on IDS Rule component only (10/18/07). Comments submitted to PTO and OMB
Proposed Markush Practice Rule[29] x0031 x0032	08/10/07 08/10/07	N/A	N/A	No ICR submitted.

[24] "The USPTO is submitting this collection in support of a notice of proposed rulemaking, 'Changes to Practice for the Examination'".
[25] Since at least 01/01/04, no ICR abstracts reference this proposed rulemaking.
[26] 71 Fed. Reg. 36323.
[27] "The USPTO is submitting this collection in support of a notice of proposed rulemaking. 'Changes to information Disclosure profit'".
[28] "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" (72 FR 41484).
[29] "The United States Patent and Trademark Office is not resubmitting the other information collections listed above to OMB for its review and approval because the changes in this notice do not affect the information collection requirements associated with the information collections under these OMB control numbers" (72 FR 44999).

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Section A(2):
PTO's FAILURE TO PERFORM ADEQUATE INTERNAL AGENCY REVIEW AS REQUIRED BY THE PRA AND APPLICABLE INFORMATION QUALITY GUIDELINES

PTO is required under the PRA to conduct several steps of internal agency review before submitting an ICR to OMB. See 5 CFR 1320.7(d). These planning tasks include, among other things, scheduling paperwork reviews in accordance with the timing of regulatory actions that are expected to increase paperwork burden. As Table 4 demonstrates, PTO has failed to fulfill these statutory responsibilities.

An early and fundamental internal agency review task is to determine whether a proposed regulatory action is expected to have substantive effect on paperwork requirements and burdens. PTO asserts that the Appeals and Markush Practice Rules will have no effect on paperwork requirements and burdens. However, the public comment submitted by Dr. Ron Katznelson on the proposed Appeals Rule shows that its change in burden is highly significant. Moreover, several of the proposed rule's paperwork requirements are unjustifiably duplicative. Proper internal review would have flagged these problems and led PTO to avoid proposing regulations triggering duplicative paperwork burdens, and either submit a revised ICR or specifically include paperwork burdens from the proposed Appeals Rule in the September 26th submission.

In only the most recent of these three ICR packages is there a Supporting Statement in OMB's electronic record of PTO's submission. The Supporting Statement is a crucial and essential element of the ICR submission. Without one, the public has nothing on which to comment and the public participation purposes of the PRA are completely undermined.

The final internal agency review task we highlight is the requirement to produce a specific, objectively supported estimate of burden. See 5 CFR 1320.8(a)(4). The Supporting Statement for the September 26th submission contains very specific estimates for dozens of individual items of information. None of these estimates is reproducible, and all are downwardly biased because they rely on outdated wages rates.

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Supporting Statement § 12: Alternative Burden Estimates for Items Acknowledged by PTO

PTO's burden estimates for each component of ICR 0651-0031 is provided in Table 3 of the Supporting Statement. The analytic basis for these estimates is not disclosed. In this section, we provide alternative estimates in each case where we have credible information that PTO's estimate is incorrect, based on the experience of patent professionals who have complied with the ICR for many years. Where we do not have an alternative estimate, we have updated PTO's estimate with wage rates for 2008. PTO reports burden estimates in dollars, which implies up to nine significant figures. We report burdens in millions of dollars and round to two significant figures.

There are at least three reasons to believe that wage rates for 2009 and 2010 will be much higher:

(1) AIPLA (2007) shows a steady increase of about 5% or more per year over the past several years. We are aware of no information suggesting that this trend will suddenly stop.

(2) The final Continuations Rule and 5/25 Rule, the proposed (now draft final) IDS Rule, and the proposed Appeals and Markush Practice Rules, all impose hundreds of thousands of additional burden hours on a fixed supply of registered patent agents and patent counsel. In the short run, this will cause a substantial upward shift in the demand for their services. Hourly rates will rise accordingly to allocate these scarce resources to their most productive use, as measured by inventors' willingness to pay. In the long run, higher wages will cause more new lawyers to enter patent practice rather than other legal fields, and that will cause hourly rates to attenuate somewhat.[30] However, because patent law is a highly inelastic labor market – open only to those with *both* a technical degree and a law degree -- it will take many years for the market to adjust. For the foreseeable future, hourly rates for patent agents and counsel will be much higher that they are today.

(3) Certain provisions in the final Continuations Rule and 5/25 Claims Rule require patent applicants and their counsel to immediately review all their pending applications and make certain filings in the next several months. Fulfilling these tasks will cause a further upward shift in market demand for patent agents and attorneys in 2008, which will put additional upward pressure on wages.

We recommend that OMB use our 2008 wage rates, but approve the ICR for only one year and direct PTO to obtain valid and reliable data for re-estimating burden. This also would provide an opportunity for PTO to obtain its own estimates of burden for each of the items in 0651-0031 (and perhaps other ICRs). A good vehicle for this task may be the survey now under review (ICR 0561-0052), submitted to OMB on October 18, 2007, provided that it is substantially revised in both content and methodology. [31] If, however, OMB wishes to issue a standard 3-year approval, then the factors known to increase burden over the term of the approval should be accounted for in the burden estimates.

[30] Higher wage rates in private practice also will cause the "best and the brightest" in PTO's examination corps to resign from government service.

[31] See http://www.reginfo.gov/public/do/PRAViewICR?ref_nbr=200710-0651-002. The Supporting Statement for the survey does not include critical documents necessary for informing public comment, such as the actual survey instrument. Nevertheless, PTO projects a 21% response rate, which alone is sufficient ground for disapproval under OMB survey response guidance.

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IDS RULE BURDENS

Supporting Statement Table 3 Rows 1 and 2 concern IDS burdens that appear not to be affected by the IDS Rule. Our alternative estimates capture only updated hourly rates.

Rows 3 through 6 concern new burdens associated with the proposed (draft final) IDS Rule. Because the number of responses rises during the 2008-10 period, different burden estimates are appropriate for each year. For 2008, PTO's aggregate burden estimate is $175 million, all due to programmatic changes. PTO does not document the basis for its estimates.

PTO's estimates understate likely burden by a nearly 30-fold. For 2008, we estimate approximately $2.5 billion in new burden. The October 5 Declaration previously supplied[32] estimated that the proposed IDS Rule would cost approximately $7 billion. However, some of these costs were not paperwork burdens.

[32] See http://www.whitehouse.gov/omb/oira/0651/meetings/663.pdf.

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Table 3, Row 1

Item	Source	Hours (a)	Responses Per Year (b)		Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Information Disclosure Statements with no additional disclosure requirements	PTO	2.00		273,300	546,600	$304	$166,166,400	NA	$0
	Alt	2.00	2008	273,300	546,600	$366	$200 million	$34 million	$0
			2009	273,300	546,600	$384	$210 million	$44 million	$0
			2010	273,300	546,600	$404	$221 million	$55 million	$0

Assumes 2008 hourly rates.

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Table 3, Row 2

Item	Source	Hours (a)	Responses Per Year (b)		Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
eIDS (Information Disclosure Statements) filed with no additional disclosure requirements	PTO	2.00		68,450	136,900	$304	$41,617,600	$0	$0
	Alt	2.00	2008	68,450	136,900	$366	$50 million	$8.4 million	$0
			2009	68,450	136,900	$384	$53 million	$12 million	$0
			2010	68,450	136,900	$404	$55 million	$14 million	$0

Assumes 2008 hourly rates.

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Table 3, Row 3

Item	Source	Hours (a)	Responses Per Year (b)		Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Information Disclosure Statements filed during the first time period that require the explanation and non-cumulative description	PTO	4.00	71,150		284,600	$304	$86,518,400	NA	$86,518,400
	Alt	89.0	2008	72,900	6,488,100	$366	$2,400 million	($366-$304) × 285k = $18 million	$2,400 million
			2009	78,750	7,008,750	$384	$2,700 million	($384-$304) × 285k = $23 million	$2,700 million
			2010	85,050	7,609,500	$404	$3,100 million	($404-$304) × 285k = $29 million	$3,100 million

PTO estimate:

(i) Fundamental information quality defect: Derivation of responses per year is not disclosed by PTO.

(ii) New burden, row 3 only: $87 million.

Our estimate:

(iii) Assumes 2008 hourly rates.

(iv) Burden hours per response = $/application ÷ rate per hour = hours per response:

a. $26.700 per application [% (October 5 Declaration ¶ 45]; calculation described as based on "conservative assumption that there are only 3 independent and 20 total claims on average in those applications in which applicants cited more than 20 references" and "assumed conservative average of 30 references."

b. $300/hour [from % (October 5 Declaration ¶ 36: partner rate ($600/hour) and patent agent rate ($150/hour)].

c. Yields 89 hours per response.

(v) Responses per year = applications in which more than 20 references are cited = 15% of annual applications (October 5 Declaration. ¶¶ 33ff.): 2008: 486,000 × 15% = 72,900; 2009: 525,000 × 15% = 78,750; 2010: 567,000 × 15% = 85,050.

(vi) Excludes reasonably foreseeable increase in litigation cost due to inequitable conduct allegations [pr(litigation) × average cost to defend]:

d. Pr(litigation) = 3% (October 5 Declaration. ¶ 58).

e. Average cost to defend = $250,000 per patent (October 5 Declaration. ¶ 59).

f. Estimated costs: 2008: $550 million; 2009: $590 million; 2010: $640 million.

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Table 3, Row 4

Item	Source	Hours (a)	Responses Per Year (b)		Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Information Disclosure Statements filed during the second time period that require the explanation and non-cumulative description	PTO	5.00	52,250		261,250	$304	$79,420,000	NA	$79,420,000
	Alt	19.8	2008	72,900 76,100	1,443,420 1,506,780	$366	$530 million $551 million	(19.8-5.0) × (366-304) = $0.92 million	$1,100 million
			2009	78,750	1,559,250	$384	$600 million	$0.92 million	$600 million
			2010	82,050	1,624,590	$404	$660 million	$0.92 million	$600 million

PTO estimate:

(i) Assumes unit burden is 125% of Row 3. Fundamental information quality defects:
   a. Basis for this assumption is not disclosed by PTO.
   b. Derivation of responses per year is not disclosed by PTO.

(ii) New burden, row 4 only: $79.4 million.

(iii) Cumulative new burden, rows 3 & 4: $166 million. This is sufficient for classification as a major rule.

Our estimate:

(vii) Burden hours per application = $/application ÷ rate per hour = hours per response:
   a. $5,950 per application [October 5 Declaration ¶ 108], assuming five new references. Also see note (v) Row 3 above describing the extent to which these estimates may be low.
   b. $300/hour [from October 5 Declaration ¶ 36: partner rate ($600/hour) and patent agent rate ($150/hour)].
   c. Yields 19.8 hours per response.

(viii) Responses per year:
   a. *McKesson Information Solutions Inc. v. Bridge Medical Inc.*, 487 F3d 897, 82 USPQ2d 1865 (Fed. Cir. 2007), substantially increases an applicant's duty of disclosure. *McKesson* affects, at a minimum, every application that has any sibling application, whether U.S. or foreign, and will require a "second time period" IDS (or 3rd or 4th) in at least 2/3 of such applications.
   b. PTO's estimated number of responses = 73.4% × Row 3; we expect *McKesson* will increase it. Increases in burden due to changes in case law should be booked as a re-estimate, not a programmatic change, but we have no data on which to estimate the effects of *McKesson*.
   c. We estimate *McKesson* also affects 10% of PTO's backlog (761,000 × 10% = 76,100); all burden is booked in 2008.
   d. The fraction of cases subject to the "second time period" will be significantly higher than under current practice (the 50% fraction assumed in the October 5 Declaration ¶ 107), because of interactions with the final Continuations Rule.
   e. GFWAG: Row 4 = Row 3, plus backlog from (b).

(ix) Excludes reasonably foreseeable increase in litigation cost. See note (vi) for Row 3.

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Table 3, Row 5

Item	Source	Hours (a)	Responses Per Year (b)		Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Information Disclosure Statements filed during the third time period that require the first patentability justification	PTO	6.00		3,850	23,100	$304	$7,022,400	NA	$7,022,400
	Alt	30	2008	3,850	115,500	$366	$42 million	$0	$35 million
			2009	3,850	115,500	$384	$44 million	$0	$37 million
			2010	3,850	115,500	$404	$47 million	$0	$40 million

PTO estimate:

(i) Assumes unit burden is 150% of Row 3. Fundamental information quality defects:
   a. Basis for this assumption is not disclosed by PTO.
   b. Derivation of responses per year is not disclosed by PTO

(i) New burden, row 5 only: $7.0 million.

(ii) Cumulative new burden, rows 3 to 5 inclusive: $173 million. This is sufficient for classification as a major rule.

Our estimate:

(iii) Burden hours per application: GFWAG = 1.5 × Row 4 = 19.8 hours × 1.5 = 29.7 hours per response, rounded up to 30.

(iv) Responses per year: The "third time period" applies when prior art comes to the applicant's attention very late in the process; it arises fairly rarely, perhaps 1-3% of cases. A more accurate number could be found by finding the number of RCEs that are submitted with an Information Disclosure Statement but no amendment to the claims. Because this information is coded in the checkboxes of the PTO's form (http://www.uspto.gov/web/forms/sb0030_fill.pdf) it should be reasonably easy for PTO to provide a documented estimate. The PTO's estimate of 3,850 is a reasonable starting point pending disclosure of an empirically based estimate.

(v) Excludes reasonably foreseeable increase in litigation cost. See note (vi) for Row 3.

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Table 3, Row 6

Item	Source	Hours (a)	Responses Per Year (b)		Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Information Disclosure Statements filed during the third time period that require the second patentability justification	PTO	7.00		1,000	7,000	$304	$2,128,000	NA	$2,128,000
	Alt	30	2008	1,000	30,000	$366	$11 million	$0	$8.9 million
			2009	1,000	30,000	$384	$12 million	$0	$10 million
			2010	1,000	30,000	$404	$12 million	$0	$10 million

PTO estimate:

(i) Assumes unit burden is 157% of Row 3. Fundamental information quality defect: Basis for this assumption is not disclosed by PTO.

(ii) New burden, row 6 only: $2.1 million.

(iii) Cumulative new burden, rows 3 to 6 inclusive: $175.0 million.

Our estimate:

(iv) Assumes 2008 hourly rates.

(v) Burden hours per application: GFWAG = 1.5 × Row 4 = 19.8 hours × 1.5 = 29.7 hours per response, rounded up to 30.

(vi) Responses per year: An accurate estimate could be found by finding the number of RCEs that are submitted with an Information Disclosure Statement with an amendment to the claims. The PTO's estimate of 3,850 is a reasonable starting point pending disclosure of an empirically based estimate.

(vii) Excludes reasonably foreseeable increase in litigation cost. See note (vi) for Row 3.

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Table 3, Row 7

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Transmittal Form	PTO	2.00	1,039,500	2,079,000	$90	$187,110,000	NA	$0
	Alt	2.00	1,039,500	2,079,000	$158	$330 million	$330 million	$0
		0.30	1,039,500	311,850	$366	$110 million	$110 million	$0
		Total	**1,039,500**	**2,390,850**		**$440 million**	**$440 million**	$0

Corrections:

(i) Assumes 2008 hourly rates.

(ii) An application transmittal also requires attorney review.

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Table 3, Row 8

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Petition for Extension of Time under 37 CFR 1.136(a)	PTO	0.10	189,000	18,900	$90	$1,701,000	NA	$0
	Alt	0.10	189,000	18,900	$158	$3.0 million	$3.0 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 9

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Petition for Extension of Time under 37 CFR 1.136(b)	PTO	0.50	54	27	$304	$8,208	NA	$0
	Alt	4.00	714,000	2,856,000	$366	$980 million	{(4-0.5) × 54} × ($342-304) ≈ $0.025 million	$976,752,000 - $25,137 ≈ $980 million

Corrections:

(i) Assumes 2008 hourly rates.

(ii) Changes in final 5/25 Claims Rule not incorporated in PTO estimate.

(iii) Rule 136(b) petitions require approximately 4 hours.

(iv) Rule 136(b) applies to all situations where no Rule 136(a) extension is available. The final Continuations/5-25 Rule sharply restricts Rule 136(a) extensions, thus forcing applicants to file for Rule 136(b) extensions (which previously were rare).

(v) GFWAG: We expect PTO to send notices to all applicants of all 5/25 applications between the Rule's effective date (November 1, 2007) and a 2-month implementation date published in the final rule (February 1, 2008), with four months to comply. An overwhelming majority of all applications will require extensions, and Rule 136(b) will be the only available vehicle for extension:

a. 80% of backlog due to retroactive effect, plus 20% of annual applications.

b. {(761,000 applications) × 80%} + {525k [2009 estimate] × 20%} = 609,000 + 105,000 = 714,000.

(vi) See also Row 48 for other burdens of similar scope.

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Table 3, Row 10

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Express Abandonment under 37 CFR 1.138	PTO	0.20	13,825	2,765	$90	$248,850	NA	$0
	Alt	0.20	13,825	2,765	$158	$0.4 million	$0.4 million	$0
		2.00	13,825	27,650	$366	$10 million	$10 million	$0
		0.50	13,825	6,913	$430	$3.0 million	$3.0 million	$0
		Total	**NA**	**37,328**	**NA**	**$13 million**	**$13 million**	**$0**

Corrections:

(i) Assumes 2008 hourly rates.

(ii) An express abandonment is a dramatic action. At most law firms, it requires partner-level review and approval. PTO includes only paralegal burdens.

(iii) Analysis, internal review, consultation with the client, etc. makes this a 2-hour task on average.

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Table 3, Row 11

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Petition for Express Abandonment to Avoid Publication Under 1.138(c)	PTO	0.20	500	100	$90	$9,000	NA	$0
	Alt	0.20	500	100	$158	$0.016 million	$0.016 million	$0
		2.00	500	100	$366	$0.37 million	$0.37 million	$0
		0.50	500	50	$430	$0.022 million	$0.022 million	$0
		Total	**NA**	**250**	**NA**	**$0.55 million**	$0.55 million	**$0**

Corrections:

(i) Assumes 2008 hourly rates.

(ii) An express abandonment is a dramatic action. At most law firms, it requires partner-level review and approval. PTO includes only paralegal burdens.

(iii) Analysis, internal review, consultation with the client, etc. makes this a 2-hour task on average.

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Table 3, Row 12

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Disclaimers	PTO	0.20	15,000	3,000	$304	$912,000	NA	$0
	Alt	0.20	15,000	3,000	$158	$0.5 million	$0.5 million	$0
		2.00	15,000	30,000	$366	$11 million	$10 million	$0
		Total	**15,000**	**33,000**	**NA**	**$12 million**	**$11 million**	$0

Corrections:

(i) Assumes 2008 hourly rates.

(ii) A disclaimer is a dramatic action. It requires consulting with, and approval from, the client to confirm that the client understands what is being disclaimed, and also that the two matters must remain commonly owned throughout the life of the patents. PTO includes only paralegal burdens.

(iii) Analysis, internal review, consultation with the client, etc. makes this a 2-hour task on average.

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Table 3, Row 13

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Request for Expedited Examination of a Design Application	PTO	0.10	130	13	$304	$3,952	NA	$0
	Alt	0.10	130	13	$366	$0.0048 million	$0.0048 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 14

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Notice of Appeal	PTO	0.20	16,500	3,300	$304	$1,003,200	NA	$0
	Alt	0.20	75,000	3,300	$366	$27 million	($366-$304) × (75,000-3,300) ≈ $0.2 million	$27 million – $1 million – $0.2 million ≈ $25.8 million

Corrections:

(i) Assumes 2008 hourly rates.

(ii) Includes only the burden of filing the notice. The burden of preparing appeals is not included by PTO; we count it at page 83ff. Appeals are covered burden because BPAI is an extension of the examination process under the management control of the Commissioner and is not administratively separate.

(iii) We expect a dramatic increase in the number of appeals driven by the new restriction on the number of allowable continuations. In the preamble to the final rule, PTO encouraged applicants to file appeals. In its FY 2007 budget proposal, PTO sought a significant increase in funding and staffing to handle this expected increase in appeals.

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Table 3, Row 15

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Information Disclosure Citation in a Patent	PTO	2.00	1,830	3,660	$304	$1,112,640	NA	$0
	Alt	2.00	1,830	3,660	$366	$1.3 million	$0.2 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 16

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Petition for Revival of an Application for Patent Abandoned Unavoidably	PTO	8.00	585	4,680	$304	$1,422,720	NA	$0
	Alt	40	20,000	80,000	$366	$29 million	$0.3 million	$29 million

Correction:

(i) Assumes 2008 hourly rates.

(ii) Petitions to revive are extensively researched legal documents showing that the Examiner violated rules or the MPEP, or acted in an untimely manner.. We estimate they require 40 hours to prepare.

(iii) Petitions to revive are needed when PTO fails to respond in a timely manner to time-sensitive petitions. When PTO fails to respond, the effect would be abandonment by PTO neglect. Under the previous rules, the cost-effective strategy for adapting to potential abandonment by PTO neglect was to file a continuation. The new rules terminate this option. Applicants facing abandonment by PTO neglect now must file petitions to revive subsequent to abandonment.

(iv) We expect Applicants to respond by filing petitions to revive in every case where abandonment by PTO neglect otherwise would occur. Approximately 10% of applications currently require three or more continuations (or two or more RCEs) in a family. PTO has stated in the preamble to the final rule that it will purposefully abandon these applications, We estimate that there will be 20,000 such cases.

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Table 3, Row 17

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Petition for Revival of an Application for Patent Abandoned Unintentionally	PTO	1.00	6,950	6,950	$304	$2,112,800	NA	$0
	Alt	1.00	6,950	6,950	$366	$2.5 million	$0.4 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 18

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Petition for Revival of an Application for Patent Abandoned for Failure to Notify the Office of a Foreign or International Filing	PTO	1.00	2,400	2,400	$304	$729,600	NA	$0
	Alt	3.00	2,400	7,200	$366	$2.6 million	$1.9 million	$0

Corrections:

(i) Assumes 2008 hourly rates.
(ii) Typical burden is 3 hours.

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Table 3, Row 19

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Requests to Access, Inspect and Copy	PTO	0.20	18,650	3,730	$90	$335,700	NA	$0
	Alt	0.20	18,650	3,730	$158	$0.6 million	$0.3 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 20

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Deposit Account Order Form	PTO	0.20	1,160	232	$90	$20,880	NA	$0
	Alt	0.20	1,160	232	$158	$0.037 million	$0.017 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 21

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Certificates of Mailing/ Transmission	PTO	0.03	590,000	17,700	$90	$1,593,000	NA	$0
	Alt	0.08	590,000	49,157	$158	$7.8 million	$6.2 million	$0

Corrections:

(i) Assumes 2008 hourly rates.

(ii) 5 minutes; nothing takes 1.8 minutes.

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Table 3, Row 22

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Statement Under 37 CFR 3.73(b)	PTO	0.20	19,450	3,890	$304	$1,182,560	NA	$0
	Alt	0.20	19,450	3,890	$158	$0.6 million	$0.6 million	$0
		2.00		38,900	$366	$14 million	$13 million	$0
		Total		**42,790**	**NA**	**$15 million**	**$14 million**	**$0**

Corrections:

(i) Assumes 2008 hourly rates.

(ii) Tasks include: researching chain of title; identifying a corporate officer who will sign the 3.73 statement, or obtaining an "authorization of agent" in which the assignee agrees to be bound by the attorney's signature on the 3.73(b) form; preparing a paper for signature by that corporate officer or attorney; explaining the statement to the satisfaction of that officer so he is comfortable that he is not certifying a falsehood; following up with that officer to obtain his signature, etc.

(iii) GFWAG: ~ 2 hours' patent counsel time.

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Table 3, Row 23

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Non-publication Request	PTO	0.10	31,500	3,150	$304	$957,600	NA	$0
	Alt	0.10	31,500	3,150	$366	$1.1 million	$0.2 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 24

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Rescission of Previous Non-publication Request (35 U.S.C. § 122(b)(2)(B)(ii)) and, if applicable, Notice of Foreign Filing (35 U.S.C. § 122(b)(2)(B)(iii))	PTO	0.10	525	53	$304	$16,112	NA	$0
	Alt	0.10	525	53	$366	$0.019 million	$0.003 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 25

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Electronic Filing System (EFS) Copy of Application for Publication	PTO	2.50	1,000	2,500	$90	$225,000	NA	$0
	Alt	2.50	1,000	2,500	$158	$0.4 million	$0.2 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 26

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Copy of File Content Showing Redactions	PTO	4.00	12	48	$304	$14,592	NA	$0
	Alt	4.00	12	48	$366	$0.018 million	$0.004 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 27

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Copy of the Applicant or Patentee's Record of the Application (including copies of the correspondence, list of the correspondence, and statements verifying whether the record is complete or not)	PTO	1.00	235	235	$90	$21,150	NA	$0
	Alt	1.00	235	235	$158	$0.037 million	$0.016 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 28

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Request for Continued Examination (RCE) Transmittal	PTO	0.20	54,300	10,860	$304	$3,301,440	NA	$0
	Revised	0.20	54,300	10,860	$366	$4.0 million	$0.7 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 29

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Request for Continued Examination (RCE) Transmittal EFS-Web	PTO	0.20	1,700	340	$304	$103,360	$NA	$NA
	Alt	0.20	1,700	340	$366	$0.12 million	$0.021 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 30

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Request for Oral Hearing Before the Board of Patent Appeals and Interferences	PTO	0.20	750	150	$304	$45,600	NA	$0
	Alt	0.20	750	150	$366	$0.55 million	$0.01 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 31

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Request for Deferral of Examination 37 CFR 1.103(d)	PTO	0.20	53	11	$304	$3,344	NA	$0
	Alt	4.00	1,000	4,000	$366	$1.5 million	($366-$304) × (4,000-53) ≈ $0.2 million	$1.5 million – $0.2 million = $1.3 million

Corrections:

(i) Assumes 2008 hourly rates.

(ii) In the preamble to the final Continuations Rule, PTO recommends suspension or deferral under 37 C.F.R. § 1.103 at least 16 times as a remedy for the loss of continuations. We assume that applicants will avail themselves of the PTO's advice.

(iii) GFWAG: 1,000 responses based on previous bullet.

(iv) Task requires consulting with the client so that the client understands that this may detract from patent term adjustment.

(v) The decision to file a request to defer examination must be made by an attorney after consultation with the client.

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Table 3, Row 32

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Request for Voluntary Publication or Republication EFS-Web	PTO	0.20	1,400	280	$90	$25,200	NA	$0
	Alt	0.20	1,400	280	$158	$0.046 million	$0.021 million	$0
		2.00		2,800	$366	$1.0 million	$1.0 million	$0
		Total		3,080		$1.1 million	$1.1 million	$0

Correction:

(i) Assumes 2008 hourly rates.

(ii) Refiling for publication involves essentially the same paperwork management as filing a new application. All application parts must be drafted, double-checked, and assembled in the PTO's preferred form.

(iii) If republication is being requested is due to PTO error, an accompanying explanation of this error is required.

(iv) Significant attorney time is required because publication gives rise to certain rights, and the attorney needs to ensure that the application text for voluntary publication or republication and other information is correct.

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Table 3, Row 33

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Applicant Initiated Interview Request Form	PTO	0.35	1,600	560	$304	$170,240	NA	$0
	Alt	0.35	1,600	560	$366	$0.2 million	$0.035 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 34

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Petition for Request for Documents in a Form Other Than That Provided by 1.19	PTO	1.00	50	50	$90	$4,500	NA	$0
	Revised	1.00	50	50	$158	$0.008 million	$0.008 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 35

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Petitions under 37 CFR 1.17(f) include: • Petition to Accord a Filing Date under 1.57(a) • Petition to Accord a Filing Date under 1.153(d) • Petition for Decision on a Question Not Specifically Provided For • Petition to Suspend the Rules	PTO	4.00	3,300	13,200	$304	$4,012,800	NA	$0
	Alt	4.00	3,300	13,200	$366	$4.8 million	$0.8 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 36

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Petitions under 37 CFR 1.17(g) include: • Petition to Access an Assignment Record • Petition for Access to an Application • Petition for Expungement and Return of Information • Petition to Suspend Action in an Application	PTO	2.00	3,600	7,200	$304	$2,188,800	NA	$0
	Revised	2.00	3,600	7,200	$366	$2.6 million	$0.52 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 37

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Petitions under 37 CFR 1.17(h) include: • Petition for Accepting Color Drawings or Photographs • Petition for Entry of a Model or Exhibit • Petition to Withdraw an Application from Issue • Petition to Defer Issuance of a Patent	PTO	1.00	10,400	10,400	$304	$3,161,600	NA	$0
	Revised	1.00	10,400	10,400	$366	$3.8 million	$0.6 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 38

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Request for Processing of Replacement Drawings to Include the Drawings in Any Patent Application Publication	PTO	1.00	50	50	$90	$4,500	NA	$0
	Revised	1.00	50	50	$158	$0.0079 million	$0.0034 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 39

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Processing Fee Under 37 CFR 1.17(i) Transmittal	PTO	0.08	500	40	$304	$12,160	NA	$0
	Revised	0.08	500	40	$366	$0.015 million	$0.003 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 40

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Petition Fee Under 37 CFR 1.17(f), (g) and (h) Transmittal	PTO	0.08	17,300	1,384	$304	$420,736	NA	$0
	Alt	0.08	17,300	1,384	$366	$0.51 million	$0.086 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 41

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
41 Request to Retrieve Electronic Priority Application(s) Under 37 CFR 1.55(d)	PTO	0.13	36,800	4,784	$304	$1,454,336	NA	$0
	Revised	0.13	36,800	4,784	$366	$1.8 million	$0.3 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 42

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
42 Authorization to Permit Access to Application by Participating Offices Under 37 CFR 1.14(h)	PTO	0.10	21,000	2,100	$304	$638,400	NA	$0
	Revised	0.10	21,000	2,100	$366	$0.77 million	$0.13 million	$0

Correction:

(i) Assumes 2008 hourly rates.

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Table 3, Row 43

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
43 Petition for Express Abandonment to Obtain a Refund	PTO	0.20	3,000	600	$304	$182,400	NA	$0
	Alt	2.00	3,000	6,000	$366	$2.2 million	$2.0 million	$0
		0.50	1,500	1,500	$430	$0.65 million	$0.65 million	$0
		Total	**1,500**	**7,500**	**NA**	**$2.9 million**	**$2.7 million**	$0

Correction:

- Assumes 2008 hourly rates.
- An express abandonment is a dramatic action. At most law firms, it requires partner-level review and approval.
- The analysis, internal review, consultation with the client, etc. makes this a 2-hour task on average.

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Table 3, Row 44

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
44 Pre-Appeal Brief Request for Review	PTO	0.50	3,200	1,600	$304	$486,400	NA	$0
	Alt	10.0	60,000	600,000	366	$220 million	$1.4 million	$219 million

Corrections:

(i) Assumes 2008 hourly rates.

(ii) Burden hours per response:

a. PTO estimate is not credible because it excludes the burden of preparing the appeal behind the required request. (IRS burden estimates include the cost of preparing tax returns, not just filing them,)

b. A Pre-Appeal Request for Review is the request by an applicant that PTO invoke an internal procedure the purpose of which is to avoid the need for appeals. Submitting a Pre-Appeal Request for Review requires writing a highly persuasive, detailed 5-page brief. Neither the applicant nor the applicant's counsel may participate in the pre-appeal review, thus the document must be entirely self-contained. Under these conditions, these documents require on average about 2 hours per page to prepare, and more if the material that must be distilled is complex.

c. The attorney must sort through all Examiner rejections; identify which ones he believes were improper; identify rejections with a clear absence of a prima facie case; and narrow focus to the issues that are both simple and that, if won, result in allowance

d. GFWAG re-estimate of burden prior to final Continuations Rule: 10 hours.

e. Appeals will be more burdensome to prepare because the stakes are commensurately greater. Thus, cost estimates in AIPLA (2007) are no longer applicable even if the sample is representative. Because of the limits on continuations, there will be no opportunity to sift and refine issues; appeals will have to be taken on very sparse statements of examiners' positions. GFWAG: 200% × re-estimate (20 hours – 10 hours = 10 hours).

(iii) Number of responses:

a. Historically, Examiners have lost 80% of appeals to the Board on Patent Appeals and Interferences (BPAI), when all layers of review are considered. PTO publicly discloses only the rate of reversal at the final stage, final decisions of the Board of Patent Appeals and Interferences. More than 2/3 of appeals result in the examiner's position being reversed or vacated before the appeal reaches the Board. PTO has previously said that over half of the appeal conferences result in allowance or reopening of prosecution. Therefore, we believe the number of pre-appeal requests for review will be the majority of first final rejections, the vast majority of all second final rejections, and all 3rd final rejections. GFWAG: 60,000 responses.

b. RCEs: The final Continuations Rule is expected by practitioners to dramatically increase the number of pre-appeal reviews and appeals. In the preamble to the final rule, PTO responded to commenters objecting to the limit on continuations practice by reminding them that they were still entitled to appeal and strongly recommended that applicants do so. Therefore, we estimate at least half of all final rejections will be appealed, including: There were 74,793 (~75,000) RCEs filed in FY 2006; the final Continuations Rule shuts down RCEs, and this is where we believe that about 80% will go.

c. PTO also expects a dramatic increase in appeals. In its FY 2007 budget submission, PTO asked for a substantial increase in FTEs to handle the increased appeal workload. The basis for PTO's estimate of 3,200 appeals is not disclosed.

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(iv) See **Error! Reference source not found.** at page **Error! Bookmark not defined.** for estimates of the burden of preparing appeal briefs and reply briefs.

Table 3, Row 45

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
45 Request for Corrected Filing Receipt	PTO	0.08	25,000	2,000	$90	$180,000	NA	$0
	Alt	0.08	25,000	2,000	$158	$0.32 million	$0.32 million	$0

Correction:

(i) Assumes 2008 hourly rates.

Table 3, Row 46

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
46 Request for Corrected Filing Receipt (electronic)	PTO	0.08	2,050	164	$90	$14,760	NA	$0
	Alt	0.20	500,000	100,000	$158	$16 million	($158-$90) × (0.20 – 0.08) × 2,050 = $0.017 million	$0
		0.50	27,050	13,750	$366	$5.0 million	$0	$16 million

Correction:

(i) Assumes 2008 hourly rates.

(ii) Review of the entire online file in PAIR Database for accuracy as the electronic file is now required. It cannot be done in 4 minutes.

(iii) The attorney is required to review the online PAIR information for accuracy as to applicant's benefit claim, and other questions, for example:

a. Is the application properly classified as a 371 national phase entry application?
b. Did all applicant's documents get scanned in and properly indexed?
c. Are any documents from other applications improperly scanned into applicant's file history and need to be expunged?
d. Is the attorney of record accurate?
e. Etc.

(iv) Normally, the voluntary filing of an error correction petition might not be considered paperwork burden. However, it qualifies as burden in this case because the rules make it mandatory for the applicant's counsel to review the record and file a request for correction if errors are discovered.

(v) The final Continuations and 5/25 Claims Rules significantly increase these burdens

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Table 3, Row 47

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
47 Petition to Make Special Under Accelerated Examination Program	PTO	12.0	500	6,000	$304	$1,824,000	NA	$0
	Alt	40	500	20,000	$366	$7.3 million	$5.5 million	$0

Corrections:

(i) Assumes 2008 billing rates.

(ii) The tasks involved are commensurate with an Examination Support Document (ESD), which we discuss in Rows 48-49.

(iii) Nevertheless, this task can typically be abbreviated if "accelerated examination" applications are continuations off existing applications that have already been examined. GFWAG: 40 hours.

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EXAMINATION SUPPORT DOCUMENTS (ESDs) (Rows 48-49)

The single greatest paperwork burden in the final 5/25 Claims Rule is the preparation of Examination Support Documents (ESDs) for all applications containing more than five independent or 25 dependent claims. Approximately 30% of all applications filed exceed one or both of these thresholds, and the same ratio applies to the backlog of applications covered by the rule. PTO assumes that only 5,000 applications will require ESDs and that each will require 22 hours to prepare and submit, but the Supporting Statement provides no evidentiary basis for either of these figures – a fundamental information quality defect.

Number of Applications

An estimated 396,000 applications will be filed in 2008 (rising at 8% per year), and there are about 761,000 pending applications covered by the rule. Therefore, we assume that the ESD requirement applies to:

396,000 × 30% = 118,800 applications filed in 2008
761,000 × 30% = 228,300 applications filed in previous years
= 347,100 applications requiring ESDs.

Burden Hours per Application

The preparation of an ESD is a complex and detailed task. It is similar in scale and scope to the information disclosure requirements in the proposed (draft final) IDS Rule. These burdens have been independently estimated in the October 5 Declaration and Katznelson October 22 public comment (which uses some data in the Declaration as inputs). A de novo estimate also has been prepared by experienced patent prosecutors with similar training and experience as the Affiant of the October 5 Declaration. They reviewed the October 5 Declaration prior to preparing their estimate. Instead of relying on the expert judgment of the Affiant, they used the framework for estimating ESD burden found in PTO's RFA Certification of No Significant Impact on a Substantial Number of Small Entities.

Below we present both alternative burden-hour estimates and explain how they were derived so that PTO and others can reproduce our work. In contrast, PTO's figure of 22 hours per response is not documented in the Supporting Statement. It also excludes at least one critical requirement of the rule – a comprehensive search, by class and subclass, of all U.S. and foreign patent and non-patent art.

Other evidence that ESDs are more burdensome to prepare can be found in PTO data. First, the Supporting Statement conflicts with the estimates in the RFA Certification. Second, in a recent voluntary program for accelerated examination where ESDs play a prominent role, the Office rejected ~ 2/3 of filings. 40% of all filings were rejected for nonsubstantive reasons such as format.[33] PTO submitted only a change worksheet to OMB to account for these burdens; see Table 4, Row 3. Third, Harry I. Moatz, PTO Director of Enrollment and Discipline, has publicly warned practitioners that they are expected to "read each paper submitted to the Office before it is submitted" and that each such paper "must be read in its entirety (emphasis in original).[34] Practitioners who do less will be subject to disciplinary action by PTO.

[33] See http://www.uspto.gov/web/patents/accelerated/ae_stat_charts.pdf.
[34] See, "Monitoring Practitioner Compliance with Disciplinary Rules and Inequitable Conduct," September 11, 2007, at http://www.patentlyo.com/patent/MoatzHarry_presentation.pdf, slide 9.

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Alternatives #1 and #2 rely on the same PTO data concerning:

i. The numbers of applications affected
ii. The proportion of affected applications that belong to small entities
iii. The average numbers of independent and dependent claims per affected application
iv. The average numbers of references per affected application

They differ primarily because of variation in professional judgment concerning the number of burden hours necessary to complete an ESD task – particularly for tasks not required of small entities. These differences result in aggregate variation of approximately 2x for small entities and 3x for large entities.

Both alternatives differ from the figures in the Supporting Statement with respect to the number of affected applications because they rely on PTO data, whereas the basis for PTO's figure is not disclosed.

PTO's omission of search costs – the first element in the preparation of an ESD – understates aggregate paperwork burden by more than $4 billion per year.

Table 5: Applications Affected by the New ESD Requirement, and Burden-Hours per Application Affected

	PTO Supporting Statement	*Alternative #1*	*Alternative #2*
Affected Applications	5,000	104,130 small entity applications 242,970 large entity applications	104,130 small entity applications 242,970 large entity applications
Task Element 1	Omitted from ICR $1,000--$2,500 in Reg Flex Cert based on PTO staff judgment	 $12,000 per application based on market data	 $12,000 per application based on market data
Task Element 2	22 hours	4.8 hours	14 hours
Task Element 3		29 hours (large entities only)	127 hours
Task Element 4		9.9 hours	13 hours
Task Element 5		0.0 hours (not in final rule)	0.0 hours (not in final rule)
Task Element 6		4.9 hours	9 hours
Total Burden-Hours Total Non-labor Costs	22 hours (small entity) + $0 22 hours (large entity) + $0	20 hours (small entity) + $12,000 49 hours (large entity) + $12,000	36 hours (small entity) $12,000 163 hours (large entity) $12,000

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Table 3, Row 48

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
48 ESD Transmittal (examination support document filed in certain nonprovisional applications covering the independent claims and the designated dependent claims) **SB/216**	PTO	22.0	5,000	110,000	$304	$33,440,000	NA	$33,400,000
	Alt #1	See Table 6: ESD Burden Estimates for Small Entities Derived from PTO Data and Expert Judgment See Table 7: ESD Burden Estimates for Large Entities Derived from PTO Data and Expert Judgment See Table 9: ESD Burden Estimation Framework from PTO's "Certification of No Significant Impact on a Substantial Number of Small Entities" See Table 10: ESD Burden Estimates Derived from Framework in PTO's RFA Certification; Element 1 See Table 11: ESD Burden Estimates Derived from Framework in PTO's RFA Certification; Element 2 See Table 12: ESD Burden Estimates Derived from Framework in PTO's RFA Certification; Element 3 See Table 13: ESD Burden Estimates Derived from Framework in PTO's RFA Certification; Element 4 See Table 14: ESD Burden Estimates Derived from Framework in PTO's RFA Certification; Element 6						
	Alt #2							

Table 3, Row 49

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
49 ESD Listing of References 37 CFR 1.265(c) (examination support document filed in certain nonprovisional applications covering the independent claims and the designated dependent claims) **SB/211**	PTO	2.00	5,000	10,000	$304	$3,040,000	NA	$3,040,000
	Alt	See Tables referenced in Row 48 above for combined burden estimates.						

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Table 6: ESD Burden Estimates for Small Entities Derived from PTO Data and Expert Judgment

Item	Source	ESD Element	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
48 ESD Transmittal (examination support document filed in certain nonprovisional applications covering the independent claims and the designated dependent claims) **SB/216** 49 ESD Listing of References 37 CFR 1.265(c) (examination support document filed in certain nonprovisional applications covering the independent claims and the designated dependent claims) **SB/211**	PTO ICR	NA	22.0 2.0	5,000 5,000	110,000 10,000	$304 $304	$33,440,000 $3.040,000	NA NA	$33,400,000 $3,040,000
	Alt #1	1	$12,000 (ii)	104,130 (iii)	NA	N A	$1,200 million	$0	$1,200 million
		2	4.8 (iv)	104,130 (ii)	0.5 0illion	$366	$180 million	$0	$180 million
		3	0 (v)	104,130 (ii)	0	$366	$0	$0	$0 \
		4	9.9 (vi)	104,130 (ii)	1.0 million	$366	$380 million	$0	$380 million
		5	0.0 (vii)	104,130 (ii)	0	$366	$0	$0	$0
		6	4.9 (viii)	104,130 (ii)	0.5 million	$366	$190 million	$0	$190 million
		Total			**2.0million**		**$2,000 million**	**$0**	**$2,000 million**

Notes:

(i) Sources: October 5 Declaration and Katznelson October 22 public comment.
(ii) Search costs are based on market bids; see Katznelson at Table 2 (page 7).
(iii) Number of affected applications in year one: 30% of backlog + 30% of newly-filed non-RCE applications per year = 761,000 × 30% + (396,000 per year × 30%) = 347,100.
(iv) Katznelson estimate: $1,429 at $300/hour = 4.8 hours.
(v) Small entities are exempt.
(vi) Katznelson estimate: $2,967 at $300/hour = 9.9 hours.
(vii) This provision in the RFA is not in the final rule.
(viii) Katznelson estimate: $1,458 at $300/hour = 4.9 hours.

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Table 7: ESD Burden Estimates for Large Entities Derived from PTO Data and Expert Judgment

Item	Source	ESD Element	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
48 ESD Transmittal (examination support document filed in certain nonprovisional applications covering the independent claims and the designated dependent claims) **SB/216** 49 ESD Listing of References 37 CFR 1.265(c) (examination support document filed in certain nonprovisional applications covering the independent claims and the designated dependent claims) **SB/211**	PTO ICR	NA	22.0 2.0	5,000 5,000	110,000 10,000	$304 $304	$33,440,000 $3.040,000	NA NA	$33,400,000 $3,040,000
	Alt #1	1	$12,000 (ii)	242,970 (iii)	NA	N A	$2,900 million	$0	$2,900 million
		2	4.8 (iv)	242,970 (ii)	1.2 million	$366	$430 million	$0	$430 million
		3	29 (v)	242,970 (ii)	7.0 million	$366	$2,600 million	$0	$2,600 million
		4	9.9 (vi)	242,970 (ii)	2.4 million	$366	$880 million	$0	$880 million
		5	0.0 (vii)	242,970 (ii)	0	$366	$0	$0	$0
		6	4.9 (viii)	242,970 (ii)	1.2 million	$366	$440 million	$0	$440 million
		Total			**12 million**		**$7,300 million**	**$0**	**$7,300 million**

Notes:

(ix) Sources: October 5 Declaration and Katznelson October 22 public comment.
(x) Search costs are based on market bids; see Katznelson at Table 1 (page 6).
(xi) Total Number of affected applications in year one: 30% of backlog + 30% of newly-filed non-RCE applications per year = 761,000 × 30% + (396,000 per year × 30%) = 347,100. 70% are small entities: 347,100 × 70% = 242,970.
(xii) Katznelson estimate: $1,429 at $300/hour = 4.8 hours.
(xiii) Katznelson estimate: $8,713 at $300/hour = 29 hours.
(xiv) Katznelson estimate: $2,967 at $300/hour = 9.9 hours.
(xv) This provision in the RFA is not in the final rule.
(xvi) Katznelson estimate: $1,458 at $300/hour = 4.9 hours.

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Table 8: ESD Burden Estimates for Small and Large Entities Combined Derived from PTO Data and Expert Judgment

Item	Source	ESD Element	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
48 ESD Transmittal (examination support document filed in certain nonprovisional applications covering the independent claims and the designated dependent claims) **SB/216** 49 ESD Listing of References 37 CFR 1.265(c) (examination support document filed in certain nonprovisional applications covering the independent claims and the designated dependent claims) **SB/211**	PTO ICR	NA	22.0 2.0	5,000 5,000	110,000 10,000	$304 $304	$33,440,000 $3.040,000	NA NA	$33,400,000 $3,040,000
	Alt #1	1	$12,000	347,100	NA	NA	$4,100 million	$0	$4,100 million
		2	4.8	347,100	1.7 million	$366	$610 million	$0	$610 million
		3	29 (v)	242,970	7.0 million	$366	$2,600 million	$0	$2,600 million
		4	9.9	347,100	3.4 million	$366	$1,300 million	$0	$1,300 million
		5	0.0	347,100	0	$366	$0	$0	$0
		6	4.9	347,100	1.7 million	$366	$620 million	$0	$620 million
		Total			**14 million**		**$9,200 million**	**$0**	**$9,200 million**

0

Notes:

(i) Sum of Table 6 and Table 7.

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Table 9: ESD Burden Estimation Framework from PTO's "Certification of No Significant Impact on a Substantial Number of Small Entities"

Alternative #2 relies on this framework for deriving ESD burden estimates. See pages 76-80.)

ESD Element	Cost Basis	Estimate (pre-filing search)	Estimate (post-filing search)
Element 1 (search by class and subclass, U.S. and foreign patent and non-patent art) (see p. **Error! Bookmark not defined.**)	Application-based	$1,000 - $2,500	$1,000 - $2,500
Element 2 (citing the references deemed most pertinent to each claim, independent or dependent)	Application-based	1 hour	1 hour
Element 3 (For each reference cited, an identification of all the limitations of each of the claims (independent or dependent) disclosed)	First 2 indep't claims	30 minutes each	40 minutes each
	Remaining indep't claims	10 minutes each	10 minutes each
	First 10 dependent claims	10 minutes each	10 minutes each
	Remaining dependent claims	5 minutes each	5 minutes each
Element 4 (detailed explanation of patentability of each claim (independent or dependent) over each reference)	Independent claims	10 minutes each	15 minutes each
	Dependent claims	No additional time needed	No additional time needed
Element 5 (concise statement of utility for each indep't claim)	Application-based	30 minutes	30 minutes
Element 6 (showing of where each limitation of each claim (independent or dependent) is supported in the spec, and in all priority applications)	First two independent claims	20 minutes each	20 minutes each
	Remaining independent claims	10 minutes each	10 minutes each
	Dependent claims	5 minutes each	5 minutes each

Notes:

(i) The specific values above are unsupported; the RFA Certification only says they are based on the contractor's consultations with PTO staff.

(ii) Element 1 is not accounted for directly or indirectly in the ICR.

(iii) Element 3: The final rule exempts small entities from this requirement; zero burden on small entities is assume.

(iv) Element 5: The requirement for a "concise statement of utility" is not included in the final rule; zero burden on all-sized entities is assumed.

(v) Note that the units of analysis are claims and references, not applications. Thus, to estimate average burden requires information concerning the number of claims and references in the average application. PTO's figures in the Supporting Statement make no such distinction.

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Table 10: ESD Burden Estimates Derived from Framework in PTO's RFA Certification; Element 1

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
48 Element 1 (search by class and subclass, U.S. and foreign patent and non-patent art)	PTO RFA Cert	4.29 10.73	Not Disclosed	Not Calculable	$233 (ii)	Not Calculable	$0	Not Calculable
	Large Entities (i)	NA	242,970	NA	$12,000 each	$2,900 million	$0	$2,900 million
	Small Entities (i)	NA	104,130	NA	$12,000 each	$1,200 million	$0	$1,300 million
	Total							**$4,100 million**

Notes:

(i) Number of affected applications in 2008: 30% of backlog + 30% of newly-filed non-RCE applications per year = 761,000 × 30% + (396,000 per year × 30%) = 347,100.

(ii) PTO RFA Certification uses $233/hour "blended rate" (p. 15). The basis for this assumption is not stated – a fundamental information quality defect.

(iii) Tasks involve search of all U.S. and foreign patent and non-patent; obtain documents of interest. Likely to be contracted out depending on the relative price of in-house paralegal staff. Commercial estimates are $8,000 - $13,000. Assume $12,000 per search based on midpoint of market bids. For newly filed applications, cost includes searching "exotic" art in addition to the "low hanging fruit" art searched in a typical novelty search; obtain documents of interest. Requires update of search as claims are amended.

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Table 11: ESD Burden Estimates Derived from Framework in PTO's RFA Certification; Element 2

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
48 Element 2 (citing the references deemed most pertinent to each claim, independent or dependent)	PTO	1.00	Not Disclosed	Not Calculable	$233	Not Calculable	$0	Not Calculable
	Alt	14	347,100	4,859,400	$366	$1,800 million	$0	$1,800 million

Notes:

(i) Task includes reading and reviewing every reference; failing to do so risks disciplinary action by PTO. See, "Monitoring Practitioner Compliance with Disciplinary Rules and Inequitable Conduct," September 11, 2007, at http://www.patentlyo.com/patent/MoatzHarry_presentation.pdf, slide 9.

(ii) Reference review must be comprehensive enough to decide whether to submit it or to describe it as "cumulative," which depends on how many other documents there are to compare the reference against, the complexity of the claims, and the complexity of the document. This includes review of all search results by the searcher and the searcher's initial obtaining and review of references of interest in the search results; the attorney review of all documents received from the searcher; attorney deciding whether or not each such reference should be cited,

(iii) Reference review must be comprehensive enough to decide whether to deem it "most closely related to the subject matter of each of the claims" recognizing that PTO and potential infringers may disagree. Each claim requires a listing by the attorney of all the references out of the whole group that applies to it as required in item 2 of PTO/SB/16.

(iv) PTO's figure captures, at best, only the cursory review required under the old rules. We assume 14 hours per affected application (347,100).

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Table 12: ESD Burden Estimates Derived from Framework in PTO's RFA Certification; Element 3

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
48 Element 3 (For each reference cited, an identification of all the limitations of each of the claims (independent or dependent) disclosed Large entities only; small entities are exempt	PTO	Varies	Not Disclosed	Not Calculable	$233	Not Calculable	$0	Not Calculable
	(i)	NA	242,970	NA	NA	NA	NA	NA
	(iii) + (iv)	127	242,970	30,857,190	$366	$11,300 million	NA	$11,300 million
	(v)	NA	242,970	NA	$4,000 per application	$ 970 million	$0	$ 970 million
	Total			**31 million**	**NA**	**$12,200 million**	**$0**	**$12,200 million**

Notes:

(i) Derived from PTO data by Katznelson. Number of affected applications: 30% of backlog + 30% of newly-filed non-RCE applications per year = (761,000 × 30%) + (396,000 per year × 30%) = 347,100. Of the applications that exceed 5/25, average number of independent claims = 5.2; average number of dependent claims = 36.9; average number of applicant cited references is estimated at 10 for small entities, 7.1 for large entities. Source: PTO data obtained in discovery. 30% of affected applications are submitted by small entities (104,130), 70% by large entities (242,970).

(ii) Expert judgments that differ from Alternative #1 are limited to estimates of burden-hours per claim: (a) 2.0 hours per claim for independent claims; (b) 0.2 hour per claim for independent claims.

(iii) Independent claims: 2.0 hours per claim per reference × 5.2 independent claims per application × 7.1 references per application = 74 hours per application.

(iv) Dependent claims: 0.2 hours per claim per reference × 37 claims per reference × 7.1 references per application = 53 hours per application.

(v) Final rule requires *all* applications be searched for foreign references. To determine whether these searches yield relevant art, references must be translated. Outsourced at approximately $4,000 per application.

(vi) Burden is magnified because final rule requires the ESD to include analysis for all references × all claims.

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Table 13: ESD Burden Estimates Derived from Framework in PTO's RFA Certification; Element 4

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
48 Element 4 (detailed explanation of patentability of each claim (independent or dependent) over each reference)	PTO	Varies	Not Disclosed	Not Calculable	$233	Not Calculable	$0	Not Calculable
	Alt	13	347,100	4,512,300	$366	$1.700 million	$0	$1,700 million

(i) Number of affected applications: 30% of backlog + 30% of newly-filed non-RCE applications per year = (761,000 × 30%) + (396,000 per year × 30%) = 347,100.

(ii) Task requires comparing each independent claim to each reference and writing up the 265(a)(4) discussion of "how each independent claim is patentable." We assume 2 distinct and 3 indistinct independent claims; 8.4 references (weighted average of 7.1 for large [70%] and 10 for small [30%]); and 1 hour per distinct independent claim per reference: 1.0 hour × 1.5 claims × 8.4 references = 13 hours. (Indistinct independent claims ignored in burden estimate.)

Table 14: ESD Burden Estimates Derived from Framework in PTO's RFA Certification; Element 6

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
48 Element 6 (showing of where each limitation of each claim (independent or dependent) is supported in the spec, and in all priority applications)	PTO	Varies	Not Disclosed	Not Calculable	$233	Not Calculable	$0	Not Calculable
	(i)	NA	NA\	NA	NA	NA	NA	NA
	(ii)	6.0	347,100	2,082,600	$366	$760 million	$0	$760 million
	(iii)	3.0	20,000	60,000	$366	$22 million	$0	$22 million
	Total			**2,142,600**		**$780 million**	**$0**	**$780 million**

(i) Number of affected applications: 30% of backlog + 30% of newly-filed non-RCE applications per year = (761,000 × 30%) + (396,000 per year × 30%) = 347,100.
(ii) Writing up Rule 265(a)(5) "support" showing of each dependent claim. Assumes 6 hours per application.
(iii) Writing up the Rule 78(d)(3) "support" for C-I-P's. Assumes 3 hours per application. Responses per year assumed to be 20,000.

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Table 3, Row 50

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
50 Petition for a second continuation or continuation-in-part application showing why the amendment, argument, or evidence could not have been submitted prior to the close of prosecution in the prior-filed application (proposed 37 CFR 1.78(d)(1)(iv))	PTO	4.00	1,000	4,000	$304	$1,216,000	NA	$0
	(ii)	8.0	5,700 (i)	45,600	$366	$17 million	$0	$17 million
	(iii)	0.3	5.700	1,710	$158	$0.27 million	$0	$0.27 million

(i) Number of responses: 2.7% of all applications × 571,000 = 11,400) are RCEs; half are assumed to be affected. See 72 F.R. 46755, col. 1.
(ii) Attorney tasks: Prepare Petition for 3rd Continuation under Rule 78(d)(1)(vi) with reference to its accompanying "Showing."
(iii) Additional docketing to track (a) status of the petition and showing and (b) status of the application if the petition and showing are denied.

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Table 3, Row 51

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
51 Prepare Petition for 2nd RCE - Rule 114(g) with reference to its accompanying "Showing,"	(i)	8.0	5,700	45,600	$366	$17 million	$0	$17 million
	(ii)	0.3	5.700	1,710	$158	$0.27 million	$0	$0.27 million

(i) Number of responses: 2.7% of all applications × 571,000 = 11,400) are RCEs; half are assumed to be affected. See 72 F.R. 46755, col. 1.
(ii) Attorney tasks: Prepare Petition for 2nd RCE - Rule 114(g) with reference to its accompanying "Showing."
(iii) Additional docketing to track (a) status of the petition and showing and (b) status of the application if the petition and showing are denied.

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Supporting Statement § 12: Estimates of Burdens Not Acknowledged By PTO

Pages 83-90 concern paperwork burdens not acknowledged by PTO in its Supporting Statement.

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OMITTED ITEM: IDS REQUIRED FOR 4TH TIME PERIOD

Table 3, Omitted Item 1 (IDS 4th Time Period)

Item	Source	Hours (a)	Responses Per Year (b)		Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Information Disclosure Statements filed during the fourth time period	PTO	0.00	0		0	$0	$0	NA	NA
	Alt	30	2008	7,760	232,800	$366	$85 million	$0	$85 million
			2009	7,760	232,800	$384	$89 million	$0	$89 million
			2010	7,760	232,800	$404	$94 million	$0	$94 million

PTO estimate:

(i) Not estimated.

Our estimate:

(i) Assumes 2008 hourly rates.

(ii) Burden hours per application: GFWAG = 1.5 × Row 4 = 19.8 hours × 1.5 = 29.7 hours per response, rounded up to 30.

(iii) Responses per year: The "time window" during which external events beyond an applicant's control require exercise of this rule is generally about 1½ to 2 times as long as the time window that triggers the "third time period" rule. We estimate (3,850 + 1000) × 160% = 7,760 responses per year.

(iv) Excludes reasonably foreseeable increase in litigation cost. See note (vi) for Row 3.

OMITTED ITEM: APPEAL BRIEFS AND REPLY BRIEFS TRIGGERED BY LOSS OF CONTINUATIONS)

Table 3, Omitted Item 2 (Appeal Briefs & Reply Briefs)

Item	Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
Appeal Brief	PTO	0	0	0	NA	NA	NA	NA
	Alt	30	40,000	1,200,000	$366	$440 million	$0	$440 million
Reply Brief	Alt	16	16,000	256,000	$366	$94 million	$0	$94 million
	Oral hearing prep	8	16,000	128,000	$366	$47 million	$0	$47 million
	Oral hearing travel	8	14,400 14,400	115,200 NA	$366 $1,000/trip	$42 million $14 million	$0	$42 million
Total			**Varies**	**1,699,200**	**NA**	**$640 million**	**$0**	**$640 million**

Corrections:

(i) PTO counts the burden of *filing* a request for appeal (see Row 14), but not the burden of *preparing* an appeal. Appeals are covered burdens because BPAI is an extension of the examination process under the management control of the Commissioner of Patents.

(ii) Burden hours:

a. AIPLA (2007) reports average cost of filing an appeal in 2006 ranged from $4,000 without oral argument (interquartile range: $2,500 to $5,500) to $6,500 with oral argument (interquartile range: $4,500 to $10,000). At the 2006 billing rate of $332, these equate to 12 (8 to 17) and 20 (14 to 30) burden hours, respectively. We use 20 burden hours because oral argument is now essential.

b. We believe appeals will be much more expensive under the final Continuations Rule because there will be no opportunity to sift and refine issues and appeals will have to be taken on very sparse statements of examiners' positions. GFWAG: 150% of (a), or 30 hours.

c. Oral hearing entails additional preparation costs, plus travel. We assume 90% require non-local travel at $1,000 per trip.

(iii) Number of responses:

a. Under the final Continuations Rule, appeal is the most attractive option in the absence of additional continuations available by right.

b. GFWAG: 60,000 of the RCEs prevented by the Continuations Rule will convert to Pre-Appeals. In 1/3 of Pre-Appeals, the examiner will concede error and drop the rejection, leaving 2/3 (40,000) to mature into Appeal Briefs. At Appeal Brief stage, historically, the Office has conceded error in about 60% of cases, and thus 40% of the 40,000 appeals (16,000) mature to the Reply Brief and Oral Hearing stage. See note (iii)(b) for Row 44.

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OMITTED ITEM: REBUTTING THE NEW PRESUMPTION THAT CLAIMS ACROSS RELATED APPLICATIONS ARE PATENTLY INDISTINCT (NEW RULE 78(f))

Katznelson has used PTO data to estimate the burden associated with new rule 78(f).[35] He shows that the number of pair-wise comparisons for a rebuttal of patently indistinct claims prescribed under the new rule 78(f) would be approximately equal to 25% of the number of applications, and when these explanations are required, an average burden of 40 hours would be expended. With 398,000 applications (excluding RCEs) in FY 2008, ABOUT 100,000 responses per year are estimated.

Similarly, the number of rebuttal comparisons would equal about 25% of the backlog application pool (761,000 × 25% = 190,250). Unlike new applications requiring a rebuttal comparison only with their respective parents, however, a rebuttal comparison of applications in the back file would have to include comparison with any existing descendent applications. Adding these incidents that issued as a patent, we estimate that there would be approximately 10,000 more required comparisons in the back-file, yielding a total of 200,000.

These figures are incorporated into the estimate below:

Table 3, Omitted Item 3 (Rebutting the New Presumption that Claims Across Applications Are Patently Indistinct)

Item Rebutting the presumption of patently indistinct claims per §1.78(f).		Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
(i)	New applications.	40	100,000	4,000,000	$366	$1,500 million	$0	$1,500 million
(ii)	Pending applications.	40	200,000	8,000,000	$366	$2,900 million	$0	$2,900 million
Totals				**11,960.000**		**$4,400 million**		**$4,400 million**

[35] Ron D. Katznelson, *Defects In The Economic Impact Analysis Provided By The USPTO For Its New Claims And Continuation Rules*. See section 3.4. Attached as Appendix B.

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OMITTED ITEM: BURDENS RELATED TO THE NON-EQUIVALENCE OF THE FINAL CONTINUATIONS AND CLAIMS RULE WITH A HYPOTHETICAL REGULATORY ALTERNATIVE RULE PERMITTING A SINGLE APPLICATION OF 15/75 CLAIMS AND NO CONTINUATIONS

PTO's RFA Certification assumes, among other things, that the number of applications affected by the combination of the 5/25 claims limits and the 2 continuations limit is the same as if PTO had promulgated a rule allowing 15/75 claims and no continuations. This assumption, for which no supporting evidence if provided except for the "belief" of PTO staff, is essential for the Office's determination that the fin al Continuation and Claims Rules will not have a significant impact on a substantial number of small entities.

In fact, these alternatives are equivalent only if (at least) the following extraordinary conditions hold true:

(i) The invention must serendipitously group into "buckets" such that there is exactly a 5:1 ratio between dependent and independent claims, and the package of 15/75 is divisible exactly by 3;
(ii) The shorter patent terms for the second and third 5/25 sets must entail no reduction in PV compared to prosecution as 15/75;
(iii) The later patent grant date for the second 5/25 set (~three years after the original application) and the third 5/25 set (~six years after the original application) must entail no reduction in PV compared to prosecution as an original application of 15/75;
(iv) Families of related patents must have composite claim sums that are no different from parent applications; and
(v) At the date of original application, an applicant must have perfect knowledge about: (a) all attributes of his invention that are patentable, which is necessary to know which 15/25 claims at the outset to decide how to prosecute them sequentially without loss of claims or economic value; (b) all prior art relevant to patentability, because the discovery of prior art subsequent to application would change the final form of the patent, undermining equivalence; (c) future market conditions during the life of the prospective patent, including which claims are worth protecting and which are not; (d) infringers' plans to import or export components of the invention, sell kits for later assembly, or otherwise engage in "incomplete" infringement that can only be protected through use of multiple legally-distinct claims directed to "patentably indistinct" aspects of the same conceptual invention; and (e) all responses from one or more examiners, pre-appeal review conferences, and BPAI appeals (the simple act of re-designating a dependent claim as independent would undermine 15/75 equivalence), and where the "hang ups" will arise so that they can be moved to the last application in the chain so that they will not affect other applications.

Each of these conditions is a rare special case for which examples cannot be readily identified. Locating the combined special case is multiplicatively more difficult.

To estimate burden we can stipulate arguendo that these conditions in fact apply. That means 2.5 million claims must be shifted elsewhere.[36] Because the 5/25 Claims Rule limits the number of claims in each application, 100,000 is the theoretical bare minimum number of additional continuations, each containing (no more than) 5/25 claims, that would be filed to account for these forced shifts. However, PTO has not accounted for the additional burdens associated with at least 100,000 – and quite likely, many more than 100,000 -- from "forced claim shifting."

Also, because these 2.5 million shifted claims go into continuations, each has a parent application with claims associated thereto. Under new rule 78(f),[37] each claim must be shown not to be patently indistinct from each claim in the relevant parent. PTO has not accounted for these paperwork burdens, either.

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[36] Ron D. Katznelson, *Defects In The Economic Impact Analysis Provided By The USPTO For Its New Claims And Continuation Rules*): "Calculations based on USPTO claim distribution data in the record (A03554-A03620), show that about 2.35 million claims per year were submitted in excess of 5/25. An estimate of 2.5 million claims for FY 2008 is obtained after applying the appropriate annual changes and growth trends." See fn. 6 and section 3. Attached as Appendix B.
[37] See Table 3, Omitted Item 5 (Uncounted Burdens Related to Continuations Rule) on page 91.

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January 17, 2008

OMITTED ITEMS: ADDITIONAL TASKS RELATED TO THE 5/25 CLAIMS RULES

Table 3, Omitted Item 4 (Additional Tasks Related to the 5/25 Claims Rules)

Item		Source	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
(i)	Suggested Restriction Requirements (SSR)		4.0	228,000 119,000	912,000 47,600	$366	$330 million $17 million	$0 $0	$330 million $17 million
(ii)	Analysis of claims with regard to proper groups in light of current US restriction or lack of unity practice		2.0	228,000 119,000	456,000 238,000	$366	$170 million $87 million	$) $0	$170 million $87 million
(iii)	Petition Examiner's denial of SRR		8.0	68,400 35,700	547,200 285,600	$366	$200 million $100 million	$0 $0	$200 million $100 million
(iv)	Transition tasks		2.0	114,000 59,500	228,000 119,000	$366	$83 million $44 million	$0 $0	$83 million $44 million
(v)	Petitions of examiner's decision that a dependent claim should be counted as an independent claim for the purposes of 5/25		8.0	10,000	80,000	$366	$29 million	$0	$29 million
	Totals				**2,913,400**		**$1,300 million**		**$2,300 million**

(i) Probably required for every initial application as the claim set for every initial application filed under the new rules would likely be over 5/25 due to the need to have at least one claim from every possible restrictable group in the family of the initial application and would take the claim set well over 5/25. Applies to 30% of backlog + 30% of newly-filed non-RCE applications per year = (761,000 × 30%) + (396,000 per year × 30%) = 228,000 backlog applications + 119,000 applications per year.

(ii) Applies to 30% of backlog + 30% of newly-filed non-RCE applications per year = (761,000 × 30%) + (396,000 per year × 30%) = 228,000 backlog applications + 119,000 applications per year.

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(iii) Applies to 30% × (228,000 backlog applications + 119,000 applications per year).

(iv) Required either because of transition from old rules to new rules, or because of interactions between the Continuations, 5/25 and Appeal Rules. Applies to 50% × (228,000 backlog applications + 119,000 applications per year).

a. Reviewing currently pending applications and their priority documents for restriction requirements that were given late in prosecution after the claims were examined in that or an earlier filed application, or because Examiner B divides the claims differently than Examiner A. This involves review of all restriction requirements and all claims, pending, canceled and withdrawn. Note: this would have to be done for every application that had received a restriction requirement]/

b. Waivers of Rule 78(d)(1)(ii) for late restrictions in applications pending on the effective date of the rules [None of the "late" restrictions that were mailed prior to the new rules contain a waiver such as that described in FAQ C7 that would allow applicant to file a divisional under the new rules - so such waivers would have to be obtained after the fact.] (this is an "after the fact" waiver based on FAQ C7 in which the PTO states that under the new rules if a late restriction was made after the claims were examined, the examiner would put such a "waiver" into the office action.)

c. Prepare request that a waiver (as mentioned in FAQ C7) of new Rule 78(d)(1)(ii) be placed on the record for an old pre-new rules late restriction, so that applicants may file the restricted claims under the new divisional practice.

(v) GFWAG: 10,000 per year.

ESTIMATES FOR BURDENS NOT ACKNOWLEDGED BY PTO; BURDENS RELATED TO CONTINUATIONS RULE

The final Continuations Rule converts a generally unconstrained resource (the right to file unlimited continuations with payment of the filing fee) into a severely constrained resource (the right to file only two continuations).

This has three predictable consequences, both of which are clearly intended by PTO:

1. Applicants must manage each submission with much greater care to detail. "The Office, in light of its backlog and anticipated continued increase in application filings, is making every effort to become more efficient. Achieving greater efficiency requires the cooperation of those who provide the input into the examination process, the applicants and their representatives" (72 Fed. Reg. 456719);
2. Applicants must aggressively defend against Examiners' tactical decisions driven by perverse in internal incentives. Under the previous rules, Examiners frequently issued final rejections to "pad their counts," knowing that Applicants' least-cost strategy to overturn rejection was simply to file a continuation and pay the required filing fee. Examiners thus could earn double credit for the same work. Under the new rules, PTO is deputizing Applicants as managers of the Examination process with the expectation that Applicants will no longer tolerate Examiners' gaming of the Office's inefficient system of internal rewards: "[T]he Office expects that limiting the number of continuing applications and requests for continued examination that may be filed without justification will encourage both applicants and examiners to engage in a more thorough prosecution and examination earlier in the application process (72 Fed. Reg. 46753, emphasis added); and
3. Applicants must aggressively defend against Examiner error. Under the previous rules, Applicants' least-cost strategy for managing Examiner error was to file a continuation. Under the new rules, only two continuations are permitted by right. Additional continuations are permitted only upon "a showing that the amendment, argument, or evidence sought to be entered could not have been submitted prior to the close of prosecution in the application" (see §§ 1.78(d) (1)(vi) and 1.114(g)). Examiner error is not an allowable basis for securing an additional continuation. Thus, Applicants cannot allow Examiners to improperly consume scarce continuation rights.

These predictable consequences involve significant new paperwork burden.

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January 17, 2008

Table 3, Omitted Item 5 (Uncounted Burdens Related to Continuations Rule)

Row	Item	Hours (a)	Responses Per Year (b)	Burden Hours (a) × (b)	Rate(s) $/Hour (c)	Total Cost (a) × (b) × (c)	Burden Change: Re-estimate	Burden Change: Program Changes
1	Changes in applications to comply with and use the limited opportunities available under the continuations rules; see note (i)	8	507,000 (backlog)	4,056,000	$366	$1,500 million	$0	$1,500 million
			324,000 (annual)	2,592,000	$366	$950 million	$0	$950 million
2	Incremental work in preparing previously not required Responses to Office Actions, not including appeals (accounted for elsewhere); see note (ii)	6	507,000 (backlog)	3,042,000	$366	$1,100 million	$0	$1,100 million
			324,000 (annual)	1,944,000	$366	$710 million	$0	$710 million
3	Submissions under MPEP § 710.06 to reset a period for reply to an office action for errors that affect applicant's ability to reply to the office action; see note (iii)	10	324,000	3,240,000	$366	$1,200 million	$0	$1,200 million
4	Requests to examiner and Petitions to Director to Withdraw Premature Final Rejection as recommended by PTO in "Town Hall" slide 82; see note (iv)	3	200,000	600,000	$366	$220 million	$0	$220 million
	Total Unaccounted Paperwork Burden Related to New Constraints on Continuation Practice							

Notes:

(i) In accordance with the new limit on continuations, applications must be prepared with the expectation of having to correct Examiner error without resort to continuations practice. These changes include: (a) reviewing applications to identify every potentially patentable invention; (b) frame claims to fit into "5/25" shaped pigeon-holes; (c) identify desirable restrictions and force the claims into them, (d) add claims to create "false" restrictions that can be "cached" for later use, even though economically unwarranted under today's law. These kinds of prophylactic steps will be taken in about 2/3 of applications (761,000 × 2/3 = 507,000 pending applications; 486,000 × 2/3 = 324,000 new applications in 2008) because both continuations and claims are now scarce resources, and all claims now have to be in the application at the outset.

(ii) Under the previous rules, when an Examiner rejected an application the usual practice was to present only the single most cost-effective argument likely to overcome the Examiner's position. However, because examiners are often confused about the technical subject matter (patents are by definition at the cutting edge of what is known), and only about are lawyers, there is no predicting which single argument will be most persuasive. This process could be repeated as necessary. The preserve the value of the two continuations permitted under the new rules, Applicants must present every viable argument to every examiner every time. Thus, the hours to prepare a typical Reply to Office Action under 37 C.F.R. § 1.111 or 1.116 will roughly double. Compelling more complete replies by Applicants is an intended outcome of the new rules, but its paperwork burdens must be accounted for.

(iii) MPEP § 710.06 permits an applicant to return a defective Office Action to the Office to be corrected or completed. In some technology centers (e.g., 3620/3690 [business methods]), most Office Actions are defective. The examiner (a) omitted consideration of a specific dispositive fact; (b) omitted

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consideration of a dispositive element of the relevant legal test, or (c) invented a new test not found in law, regulation or guidance. Under the previous rules, Applicants could make reasonably well informed inferences about the nature of Examiner error and, through continuation practice, file paper that is responsive and advances prosecution. Under the new rules, this practice is no longer feasible and Applicants must exercise MPEP § 710.06. We expect that about 2/3 of all Office Actions will be returned as defective in the first year. This percentage may decline as Examiners gain experience with the new rules and reduce their error rate.

(iv) A majority of all Office Actions designated "final" are prematurely made final. Under the previous rules, the most cost-effective approach was to file a continuation (and filing fee of $400 or $800). Under the new rules, this practice is no longer permitted. Applicants must seek review of nearly every premature final rejection. Many will take multiple stages of review, because most of the PTO personnel who decide these questions at lower levels – examiners and Special Program Examiners – are not lawyers, and cannot decide these questions correctly. In "Town Hall" slide 82, the PTO specifically recommends that Applicants file these petitions (http://www.uspto.gov/web/offices/pac/dapp/opla/presentation/chicagoslides.ppt). However, PTO did not account for them in the ICR. We estimate there will be 200,000 requests to Examiners and petitions up the review chain, at an average of 10 hours each.

UNITED STATES PATENT AND TRADEMARK OFFICE

Commissioner for Patents
United States Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450
www.uspto.gov

Date: October 11, 2007

To: Technology Center Directors

From: John J. Love, Deputy Commissioner for Patent Examination Policy

Subject: Notice to Examiners Regarding Claims and Continuations Final Rule: Transitional practice for restriction requirements from October 14, 2007 until November 10, 2007

Effective November 1, 2007, if applicant presents more than 5 independent claims or more than 25 total claims in an application, applicant will be required under 37 CFR 1.75(b) to file an examination support document (ESD) in compliance with 37 CFR 1.265 before the first Office action on the merits (hereafter "5/25 claim threshold"). The changes to 37 CFR 1.75(b) apply to all pending applications[1] in which a first Office action on the merits (FAOM) has not been mailed before November 1, 2007. Withdrawn claims will not be taken into account in determining whether an application exceeds the 5/25 claim threshold. The Office will notify applicant that an ESD is required in an application that does not have a FAOM before November 1, 2007 and exceeds the 5/25 claim threshold.

In order to minimize the issues that may occur regarding restriction requirements made before November 1, 2007, the following procedures are recommended:

During the transitional period from October 14, 2007 until November 10, 2007, (1) no telephone restriction requirement may be made, and (2) the form paragraph provided at the end of this memorandum must be included in any written restriction requirement mailed without an Office action on the merits before November 1, 2007, in a new application[2].

In response to any restriction requirement mailed on or after November 1, 2007, if applicant elects an invention that is drawn to more than 5 independent claims or more than 25 total claims, such an election must be accompanied by an ESD in compliance with 37 CFR 1.265 covering each of the elected claims. In this situation, the applicant is required to file the election and ESD within two months from the mailing of the restriction requirement. If applicant elects an invention that is drawn to no more than 5/25 claims taking into account any amendment to the claims, the examiner may examine the elected invention. If the restriction requirement is mailed before November 1, 2007, however, and applicant elects an invention that is drawn to more than 5/25 claims, a notice under 37 CFR 1.75(b)(3) will be mailed to applicant to require the ESD. **New notices and form paragraphs will be provided for restriction requirements after the transitional period.**

Questions related to this memorandum may be directed to the Office of Patent Legal Administration at (571) 272-7704 or e-mailed to PatentPractice@USPTO.gov.

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[1] The changes to 37 CFR 1.75(b) also apply to any pending reissue applications that seek to change the patent claims.

[2] A new application is an application that has not had a FAOM (*e.g.*, a new application is not an application in an amended status and not an application in which a request for continued examination (RCE) has been filed).

UNITED STATES PATENT AND TRADEMARK OFFICE

Commissioner for Patents
United States Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450
www.uspto.gov

Date: October 11, 2007

To: Patent Examining Corps

From: Margaret A. Focarino, Deputy Commissioner for Patent Operations

Subject: Notice to Examiners Regarding Claims and Continuations Final Rule

Effective November 1, 2007, if applicant presents more than 5 independent claims or more than 25 total claims in an application, applicant will be required under 37 CFR 1.75(b) to file an examination support document (ESD) in compliance with 37 CFR 1.265 before the first Office action on the merits (hereafter "5/25 claim threshold"). The changes to 37 CFR 1.75(b) apply to all pending applications[1] in which a first Office action on the merits (FAOM) has not been mailed before November 1, 2007.

Since there are a number of pending new, unexamined applications with over 5/25 claims, the Office will be placing many of these applications in a pre-examination PALM status in order to process and mail notices for compliance with 37 CFR 1.75(b). This will occur on or about October 15, 2007.

In certain situations, these applications may have been in status 030 and on an examiner's docket.

Around this time period (on or about October 15, 2007), examiners should:

1. **Check any new applications they are working on to make sure they are in the proper status (030) to be examined; and**
2. **In the situation when an examiner has started examining an application when it was in status 030 but the application's status has been changed and is no longer 030 (not ready for a First Action), examiners should stop working on the application and contact their SPE.**

Some additional recommendations regarding examination before 11/1/2007:

1. **If examiners are working on new, unexamined applications with over 5/25 claims that will have restrictions, please see the previous memo regarding "Transitional practice for restriction requirements"; and**
2. **If examiners are working on new, unexamined applications with over 5/25 claims that will not be restricted, it is recommended that these Office actions be completed and mailed before 11/1/2007. If uncertain if they will be mailed before 11/1/2007, it recommended that they be held until the training is delivered on the new rules.**

Further information concerning the proper procedures to follow on/after 11/1/2007 under the new Claims and Continuations Final Rule will be forthcoming.

[1] The changes to 37 CFR 1.75(b) also apply to any pending reissue applications that seek to change the patent claims.

Form paragraph for the transitional period (10/14/07-11/10/07) (available in OACS as a custom form paragraph):

> Effective November 1, 2007, if applicant wishes to present more than 5 independent claims or more than 25 total claims in an application, applicant will be required to file an examination support document (ESD) in compliance with 37 CFR 1.265 before the first Office action on the merits (hereafter "5/25 claim threshold"). See Changes to Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications, 72 Fed. Reg. 46715 (Aug. 21, 2007), 1322 Off. Gaz. Pat. Office 76 (Sept. 11, 2007) (final rule). The changes to 37 CFR 1.75(b) apply to any pending applications in which a first Office action on the merits (FAOM) has not been mailed before November 1, 2007. Withdrawn claims will not be taken into account in determining whether an application exceeds the 5/25 claim threshold. For more information on the final rule, please see http://www.uspto.gov/web/offices/pac/dapp/opla/presentation/clmcontfinalrule.html.
>
> In response to the restriction requirement set forth in this Office action, applicant is required to file an election responsive to the restriction requirement. Applicant may not file a suggested restriction requirement (SRR) in lieu of an election responsive to the restriction requirement as a reply. A SRR alone will not be considered a *bona-fide* reply to this Office action.
>
> If applicant elects an invention that is drawn to no more than 5 independent claims and no more than 25 total claims, applicant will not be required to file an ESD in compliance with 37 CFR 1.265 that covers each of the elected claims. If the elected invention is drawn to more than 5 independent claims or more than 25 total claims, applicant may file an amendment canceling a number of elected claims so that the elected invention would be drawn to no more than 5 independent claims and no more than 25 total claims.
>
> If the restriction requirement is mailed on or after November 1, 2007, applicant is also required to file an ESD in compliance with 37 CFR 1.265 that covers each of the elected claims, unless the elected invention is drawn to no more than 5 independent claims and no more than 25 total claims taking into account any amendment to the claims. To avoid the abandonment of the application, the ESD (if required) and the election must be filed within **TWO MONTHS** from the mailing date of this Office action. The two-month time period for reply is extendable under 37 CFR 1.136.
>
> If the restriction requirement is mailed before November 1, 2007, the election must be filed within **ONE MONTH** or THIRTY DAYS, whichever is longer, from the mailing date of this Office action. The time period for reply is extendable under 37 CFR 1.136. Furthermore, if the elected invention is drawn to more than 5 independent claims or more than 25 total claims taking into account any amendment to the claims, the Office will notify applicant and provide a time period in which applicant is required to file an ESD in compliance with 37 CFR 1.265 covering each of the elected claims or amend the application to contain no more than 5 independent elected claims and no more than 25 total elected claims.

DEFECTS IN THE ECONOMIC IMPACT ANALYSIS PROVIDED BY THE USPTO FOR ITS NEW CLAIMS AND CONTINUATION RULES

By Ron D. Katznelson, Ph.D.

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Exhibit 21 January 29, 2007, USPTO e-mail from Peter Toby Brown to Robert Bahr, Terminal Disclaimers in FY 1999-2001 Filings, (A04784 - A04785).

Exhibit 22 April 25, 2005, USPTO e-mail from Peter Toby Brown to Robert Bahr, Terminal Disclaimers by Entity (A03624 - A03625).

Exhibit 23 June 29, 2005, USPTO e-mail from Peter Toby Brown to Robert Bahr, Independent Claims Filed by Large Entities, Small Entities and All Entities, (A03770 - A03771).

Exhibit 24 June 19, 2007, USPTO e-mail from Gregory Morse to Robert Bahr, Independent and Total Claims in Application at Filing for FY 1998-2007, (A05619 - A05620).

Exhibit 25 May 15, 2007, USPTO e-mail from Peter Toby Brown to Robert Bahr, Independent and Total Claims Breakdown by Entity for U-R Applications FY 2006, (A05042 - A05052).

Exhibit 26 January 11, 2007, USPTO e-mail from Peter Toby Brown, Claims Analysis by Entity for FY 05 – FY 06, (A04757 - A04760).

Exhibit 27 USPTO, FY 2006 Filings by Tech Center and 2006 Serialized Filings with Claim Data, (A07090).

1 INTRODUCTION

This document sets forth some factual elements related to the U.S. Patent and Trademark Office's ("USPTO") new rules limiting continuations and claims[1] (the "New Rules"). This document describes the USPTO deficient economic impact analysis of the New Rules as described in the New Rules' supporting text and in a Regulatory Flexibility Act certification study. It shows that in virtually every aspect, the USPTO's analysis is fundamentally wrong and lacks support. Reference is made in certain sections to exhibits and appendices provided in this author's Amicus Curiae Memorandum and companion declaration (Exhibit 1, Declaration of Dr. Ron D. Katznelson), hereinafter called "Dr. Katznelson Decl.", to which this report is appended.

2 USPTO'S ASSERTION OF EQUIVALENCE BETWEEN THE 5/25-CLAIM LIMIT AND A 15/75-CLAIM LIMIT LACKS SUPPORT

The USPTO explained its rule limiting applications to 5 independent claims or to a total of 25 claims (the "5/25 threshold") by resorting to "analytical" methods that lack rational support. It argued that applicants would adaptively have three opportunities in a chain or family of applications to file up to 5/25 claims without having to submit an Examination Support Document ("ESD"), resulting in a total of 15 independent or 75 total claims (the "15/75 threshold").[2] The USPTO then concluded that the impact of the 5/25 limit rule after the New Rules go into effect can be predicted by counting the number of applications that were filed with more than 15/75 claims in FY 2006, a time during which applicants could not have reacted to the New Rules. In the USPTO's Regulatory Flexibility Act Study it published after the New Rules were issued, (the "RFA Study")[3], this was further explained as follows:

> "USPTO ***staff believe*** that once the final rule is adopted, applicants with more than five but less than 15 independent claims, or more than 25 but less than 75 total claims, ***will choose*** to prosecute their application in a manner that does not trigger the claims requirements. They will be able to do this under the final rule by submitting an initial application containing up to five independent claims and up to 25 total claims, and then adding a similar number of claims in each of two continuation applications (or two continuation-in-part applications, or one continuation application and one continuation-in-part application) as permitted without a petition".[4] (Emphasis added).

As a threshold matter, the New Rules do ***not*** set a limit of ***15/75 to a family of applications,*** but rather a limit of 5/25 for a single application***.*** The rule would have been much less drastic had it merely set limits of 15/75 for the aggregate number of claims in a family of three applications.

While admitting that 24-30% of applications would be affected by the New Rules because they have more than 5/25 claims[5], the USPTO asserts that applicants of substantially all but a few percent of those applications affected could avoid adversity by changing their claiming practice.

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[1] **72** *Fed. Reg*. 46716**,** (Aug 21, 2007).

[2] *C.f.* New Rules at 46795, col. 2.

[3] USPTO, *Certification Analysis Under The Regulatory Flexibility Act*, by ICF International, Published no earlier than August 28, 2007 at http://www.uspto.gov/web/offices/pac/dapp/opla/presentation/ccfrcertificationanalysis.pdf. (Exhibit 2).

[4] RFA Study, note 3, at 12.

[5] Exhibit 10, at A05025, (indicating that 30% of the applications in the back-file which had no first office action exceed the 5/25 threshold). The New Rules' text (at 46788, Col. 2) indicates that only 24% of the applications filed in FY 2006 exceed the 5/25 threshold. It ignores, however, that due to the long pendency, the back-file applications being examined first, would dominate triggering possible ESD submissions for FY 2008 and FY 2009, thereby affecting approximately 30% of applications.

It asserts so based merely on "***USPTO staff's belief***" as to how ***affected*** applicants would ***adapt*** in response to the New Rules' claim limits. There is nothing in the record to substantiate or support such ***belief***. The USPTO has conducted no study, modeling or analysis of adaptive response of applicants to the New Rules. It did not derive any model scenario of claim number distributions in patent applications ***subsequent*** to the New Rules' adoption based on applicants' purported adaptive response. By necessity, however, its quantitative conclusions cited above require having such a post-rule claim distribution model. Thus, there is no basis or support for the USPTO's assertions based on its FY 2006 15/75 claim number distribution.

Consequently, in an "analysis" that directly contradicts its assertion that applicants would transfer excess claims to other applications, the USPTO assumed that such claim distribution and the number of underlying applications would somehow remain ***unchanged*** under the New Rules. The USPTO then used the ***existing*** claim distributions prior to the New Rules to derive the number of incidences that would exceed the 15/75-claim count threshold ***after adoption*** of the New Rules. The results obtained that way grossly underestimate the adverse effect of the New Rules.

Stated in another way, according to USPTO's data on claim distribution in applications, some 2.5 Million claims[6] would be filed in applications during FY 2008 in excess of the 5/25 threshold if the New Rules were not in effect. According to USPTO's assertion, under its New Rules, applicants would somehow transfer these excess claims to subsequent continuation applications. Because such subsequent continuation applications could not contain more than 25 claims each, the excess claims would have to be distributed across at least 100,000 (2,500,000/25) ***new*** continuation applications every year, nearly doubling the number of continuations filed annually. This outcome clearly contradicts the outcome stated and planned by the USPTO. The Administrative Record does not permit a resolution of this contradiction because the USPTO failed to supply any post-rule model including the estimated number of claims that would be cancelled and never filed for want of compliance with the New Rules, or the number of additional continuation applications required to salvage other claims in excess of 5/25. In this regard, the USPTO also neglected to assess the private value of cancelled claims that would be lost by applicants every year. Other contradictions indicating that the USPTO's 15/75 "claim transfer" proposition lacked reasoned consideration are abundant, as shown below:

First, by suggesting the "solution" of excess claim transfer to a subsequent continuation to avoid having to file an ESD, the USPTO ignored its own rule that would prevent applicants from actually doing so in any reasonable period of time so as to provide patent protection for their new products. This is because §1.75(b)(4) precludes the combination of more than 5/25 claims in ***any*** number of related applications due to the presumption established by §1.78(f)(2) that the claims in such applications are patently indistinct. In contrast, no requirement that claims be patently distinct exists for any number of claims filed in a single application. Thus, the USPTO suggests that applicants could engage in application bifurcation practices that it expressly sought to prevent by adopting its New Rules.[7] Alternatively, USPTO's suggestion that excess claims

[6] Calculations based on USPTO claim distribution data in the record (A03554-A03620), show that about 2.35 million claims per year were submitted in excess of 5/25. An estimate of 2.5 million claims for FY 2008 is obtained after applying the appropriate annual changes and growth trends.

[7] New Rules, at 46722, Col. 1, ("applicants are cautioned against intentionally filing related applications outside of this two-month window in an attempt to avoid the requirement to identify other [related] applications… This final rule provides that if multiple applications, including applications having a continuity relationship, contain patentably indistinct claims, the Office will treat the multiple applications as a single application for purposes of determining whether each of the multiple applications exceeds the [5/25-claim] threshold. This provision is to ***preclude*** an

could be submitted (years later) in applications prosecuted serially (each at the conclusion and allowance of the preceding application) contradicts its own admission that such delay in obtaining claims would undermine patent protection.[8]

Second, the suggestion for using continuations to "transfer" excess claims from initial applications indicates that the USPTO ignored the vast body of evidence supplied during public comments. The public comment record is replete with explanations as to the reasons and purposes of continuations and why one cannot allocate upfront specific subject matter to be claimed in such continuations.[9] As explained by the comments, continuations are typically filed years after filing the parent application and are often in response to newly discovered facts, office actions and other requirements for introduction of a number of claims that could not have been anticipated. However, the New Rules' text details many of these as circumstances under which the Office would actually ***deny*** petitions for filing a third continuation.[10]

Third, the USPTO failed to show how applicants who would ostensibly defer filing all claims in excess of 5/25 to a continuation application filed serially years later, could do so in every instance under its continuation limit of the New Rules. By deferring the filing of such claims in an initial application, applicants would forever forfeit their ability to add them after a petition for a third continuation in the application family. This is because they would be unable to truthfully show that such claims could not have been submitted previously.

Fourth, the USPTO ignores the fact that many of the applications having more than 25 total claims contain claim groups each having a large number of claims that depend from a single independent claim. Those are integral claim packages, each defined by an independent claim and cannot be "broken" into pieces across multiple applications. The USPTO failed to provide any analysis or estimates of the numbers of such claim groups and specific suggestions as to how such claim structures could be distributed among applications filed serially years apart from each other.

Finally, the USPTO knew that such "claim transfer" option does not really exist for applicants of continuations because its data show that initial applications that later become parents to subsequent continuations already have many more claims at filing than an average application.[11] USPTO's staff statement that "***applicants won't disproportionately file CONs/CIPs to get extra***

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applicant from submitting ***multiple applications*** with claims that are patentably indistinct, each with five or fewer independent claims or twenty- five or fewer total claims, for ***the purposes of avoiding the requirement to submit an examination support document*** in compliance with § 1.265"). (Emphasis added)

[8] New Rules, at 46756, Cols.1-2, ("In fiscal year 2006, the average pendency to first Office action … was much higher in certain areas (e.g., in Technology Center 2100 (computer architecture, software and information security) the average pendency to first Office action was 30.8 months, and in Technology Centers 3620 and 3690 (electronic commerce) the average pendency to first Office action was 43.9 months). … long pendency of patent applications is problematic in some industries (e.g., computer software and hardware technologies) where product life cycles are short and new improvements can quickly make the technology obsolete. … The Office has the responsibility to take appropriate action to improve efficiency, patent quality and pendency").

[9] PTO's suggestion that a CIP may be used to file excess claims which could have been filed in an initial application (but for the 5/25 limit) is counterfactual because, by definition, CIPs are filed to claim new matter that is discovered and added to the specification after the filing of the initial application.

[10] New Rules, at 46772-77, (Indicated that all the foregoing bases would be insufficient to carry the applicant's burden of showing that the argument or evidence "could not have been submitted earlier" under the New Rules).

[11] Exhibit 11, at A04993, ("Applications that later have CONs/CIPs filed from them tend to have more claims initially. This says that applicants won't disproportionately file CONs/CIPs to get extra claims if we change the rules - they're already doing that. In FY 2006, all filings averaged 20.5 claims; all cases that were the parent of a CON or CIP filed in 2006 (parent probably filed before 2006) averaged 29.0 claims").

claims if we change the rules - they're already doing that", shows that the USPTO had, but neglected to publish, evidence contradicting its "claim transfer" adaptive response assertions. As an example, the fact that applications with large number of claims are likely to be part of continuation families that also exceed the continuation limit threshold is supported by the data shown in Table **1** for the Biotechnology and Organic Chemistry technology areas.

3 FUNDUMENTALLY WRONG ANALYSIS BY THE RFA STUDY GROSSLY UNDERSTATED THE ECONOMIC IMPACT OF THE NEW RULES.

The USPTO published the RFA Study only after its New Rules had been issued. Therefore, no opportunity existed for the public to review it and comment on it. The overarching consideration of the private value of lost patent rights due to the New Rules was ignored entirely. In its Information Collection Request submission to OMB on the ESD item[12], the USPTO estimates that only 5,000 ESD submissions per year from large entities and ***none*** (**0 !**) from small entities would be filed with the USPTO. This is remarkable given that the USPTO predicts that it will receive 479,200 patent applications in FY 2008.[13] This means that the USPTO expects virtually all applicants to cancel claims in excess of 5/25 as a response to its New Rules. The USPTO provided no support for its estimate that only 5,000 ESDs would be filed per year. It only stressed that its New Rules do not put limits on the number of claims in applications[14] and that applicants would be able to file more than 5/25 claims per application if they ***consider it necessary or desirable in particular applications***.[15]

Nowhere in its rulemaking record did the USPTO establish that the consequences of its rules would be the massive cutoff of applicants' claims beyond the 5/25 claims threshold. Assume for argument's sake, that the USPTO (silently) believed that its rule would somehow foster more "focused and efficient claiming" by applicants. This belief necessarily implies that some 2.5 million claims[6] per year filed in excess of the 5/25 threshold are an ***economic private dead weight*** procured at costs of millions of dollars in prosecution and excess claim fees. The USPTO failed to meet the burden of showing what value it assigned in its economic impact analysis to those 2.5 million claims that according to the USPTO would vanish into thin air every year. Moreover, USPTO's certification with OMB that ***no*** small entity would exceed the 5/25 threshold would imply that small entity applications are disproportionately heavy in economic dead weight.

In regards to continuations, the USPTO represented to OMB, that only 1,000 petitions for filing a second RCE would be filed per year by large entity applicants and ***none*** (**0 !**) by small entities.[16] In addition, the USPTO represented to OMB, that only 1000 petitions for filing a third

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[12] Exhibit 12, at 1. Examination Support Document Transmittal, PTO/SB/216. Available online at http://www.reginfo.gov/public/do/PRAViewIC?ref_nbr=200707-0651-005&icID=178966

[13] *See* USPTO, FY2008 President's Budget Request, (February 2007), p. 20. at http://www.uspto.gov/web/offices/ac/comp/budg/fy08pbr.pdf

[14] New Rules at 46825, col. 3. ("The Office is ***not seeking to limit the number of claims*** in an application. Instead, the Office ***aims to improve the quality of examination***. … Thus, the changes being adopted in this final rule ***are not placing a limit*** on the number of claims.") (Emphasis added).

[15] New Rules at 46795, col. 2. ("[t]his final rule does not preclude an applicant from presenting more than five independent claims or more than twenty-five total claims. Rather, an applicant may present more than five independent claims or more than twenty-five total claims in an application with an examination support document in compliance with § 1.265 if the applicant ***considers it necessary or desirable in the particular application.***") (Emphasis added).

[16] Exhibit 12, at 2. Petition for a second request for continued examination. Available at http://www.reginfo.gov/public/do/PRAViewIC?ref_nbr=200707-0651-005&icID=178969

continuation or continuation-in-part application would be filed per year by large entity applicants and ***none*** (**0 !**) by small entities.[17] Thus, the USPTO expects only 2,000 petitions for filing continuations in excess of its New Rules' threshold, even though its own data shows that in FY 2006 there were 11,326 (2.7%) such applications.[18] Thus, the USPTO failed to account for the value of patents issued from at least 9,326 applications that would not be filed due to the continuation limit in the New Rules. The RFA Study actually compiled studies that estimate the average value of patents. Based on USPTO application grant rate, it concluded that the value per application in the 1976 – 1992 period was about $220,000.[19] Yet, the RFA Study failed to apply this value to evaluate applicants' loss of patent rights due to the New Rules. Even if one assumes the 1992-dollar loss of $220,000 per application, the USPTO failed to account for at least $2 Billion ($220,000 × 9,326) in patent value that would be lost each year due to its continuation limit alone.

3.1 The RFA Study grossly understated the number of small entities affected by the New Rules' claim limit

Invoking the USPTO unsupported assertion for the equivalence between the 5/25-claim limit in a single application and the 15/75-claims limit in a family of applications as explained in Section 2 above, the RFA Study arrives at the following result:

> "As a result, this analysis anticipates that the claims requirements, if they had been applied to applications during FY 2006, would have affected only those initial patent applications having more than 15 independent claims or more than 75 total claims. Based on analysis of PALM data on total claims in initial patent applications, approximately 1,105 filings, or 1.0 percent, submitted by small entities and 3,742 filings, or 0.9 percent, submitted by all entities in FY 2006 would incur costs under the claims requirements.[20]

This conclusion is incrementally erroneous over the previously discussed baseless assertion of the 15/75-Claims limit equivalence to 5/25-Claims limit in that it applies the 15/75 threshold to a ***single*** application. This ignores the simple fact that the distribution of the composite claim numbers made up of the ***sum*** of claim numbers from ***three different applications*** within the ensemble exceed the 15/75-Claim limit in ***many more instances*** than those found to exceed this limit in a single application. Thus, the finding that only 1% of applications would be affected contradicts even USPTO's own "minimal impact" (previously discredited) assertion that applications affected are those within continuation families having ***sums*** of claim numbers that exceed the 15/75 threshold.[21] Indeed, USPTO's own analysis found that the fraction of applications filed by small entities and by large entities in fiscal year 2006 that were in an application family that contained more than 15/75 claims were 6.3% and 4.4% respectively.[22] Thus, the RFA Study compounds the fundamental baseless analysis, asserting an impact on small entities that is six times smaller than that which USPTO later admitted and 24 to 30 times

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[17] Exhibit 12, at 3. Petition for a second continuation or continuation-in-part application. Available at http://www.reginfo.gov/public/do/PRAViewIC?ref_nbr=200707-0651-005&icID=178967

[18] New Rules, at 46755, Col. 1. *See also* Exhibit 13, (FY 2006 data shows that of the 11,326 applications exceeding the continuation limit rule's threshold, 3,320 were applications of small entities and 8,006 were from large entities).

[19] RFA Study, note 3, at Appendix B.

[20] RFA Study, note 3, at 12.

[21] New Rules at 46795, Col. 2. ("Only about five percent of the applications filed in fiscal year 2006 were in an application family that contained more than fifteen independent claims or more than seventy-five total claims").

[22] Exhibit 14, at A08242, (claims by application family spreadsheet shows that of the 94,613 applications filed by small entities, 5,948 (6.3%) were in families with more than 15/75 claims and that of the 232,461 applications filed by large entities, 10,239 (4.4%) were in families with more than 15/75 claims).

smaller than the true impact plainly evident from the record.

3.2 The RFA Study failed to identify fundamental factors that govern the costs of preparing the ESD and grossly underestimated these costs

Section 4.1 of the RFA Study purports to derive small entities' costs for preparing an ESD for applications having more than 5/25 claims. As shown below, the RFA Study overlooked major drivers for these costs including the number of prior art references and the per-claim costs of the patentability search. Moreover, the Administrative Record reveals that rather than being objective, the authors were guided by an attempt to minimize estimated unit costs and the estimated burdens their study would project. Despite the fact that an ESD would be prepared only for applications having more than 5/25 claims - the top end of the complexity scale, the authors were provided with samples of examination support briefs for the bottom end of that scale in order to formulate their estimated burden metrics.

The sample examination support briefs that USPTO supplied as representative of ESDs for the RFA Study were:

(a) Briefs filed in an Accelerated Examination proceeding for ink cartridge (mechanical) patents with low complexity.[23] The first application in the ink cartridge group had 3 independent claims with a total of 10 claims (3/10 claims); the second application contained 1/9 claims and the third had 1/4 claims. These briefs analyzed these respective claims against only 3 to 5 references each;
(b) Petition to Make Special for a patent application for a low complexity furnace.[24] It analyzed only 2/17 claims against 12 references.

In contrast, the ESD required under the New Rules requires an analysis of ***no less*** than 5/25 claims. Moreover, the number of cited references in patents has been shown to positively correlate with the number of claims[25] and therefore applications subject to the ESD rule necessarily have more references cited on average. More troubling is the fact that even from this downward biased sample of examination support briefs, the RFA Study's authors specifically chose to model their ESD burdens based on the ***smallest*** of these sample briefs (which they call the "***most efficient***") while assuming aggressively small unit cost burdens.[26]

Nowhere in the RFA Study could one find mention of the number of references cited as a determining factor for the ESD costs. The RFA Study ignored the fact that elements which it identified as Elements 2, 3 and 4 must be performed for every reference cited in the ESD. Small entity applications would be disproportionately adversely affected because small entity patentees cite more references in their patents than large entities[27], a fact corroborated by a small entity

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[23] Exhibit 15, Exhibit 16, and Exhibit 17.
[24] Exhibit 18.
[25] J.O. Lanjouw and M. Schankerman, Patent Quality And Research Productivity: Measuring Innovation With Multiple Indicators, *The Economic Journal*, **114**, pp. 441–465, (April, 2004) (see Table 1).
[26] Exhibit 19, at A08250, (Commenting on a draft for the RFA analysis, Mr. Collier stated: "Now we'd like to get your opinion of the unit cost factors we've come up with, which we developed based on our own judgment after reviewing the "***most efficient***" of the sample ESDs you provided. … "As you can see, the costs add up quickly, even though the ***unit costs don't seem generous***"). (Emphasis added).
[27] J.R. Allison and M.A. Lemley, Who's Patenting What? An Empirical Exploration of Patent Prosecution, *Vanderbilt Law Review*, **53**, p. 2099, (2000) (reporting on a sample of patents applied for in the early 1990's and issued in 1996-1998 in Table 31 "Prior Art References by Entity Size". At that time, small business patentees cited 18.03 while large entity patentees cited an average of 14.31 references, yielding a ratio of about 1.26).

patenting study commissioned by SBA Advocacy.[28]

The time spent on cost Elements 2 through 4 of the RFA Study is proportional to the product of the number of claims ***times the number of references*** for which the required analysis is directed. A further compounding of costs is due to the fact the number of references in an average application grows with the number of claims, as stated above. Therefore, if the number of references is not made an explicit input variable, to first order of estimation, these cost elements fully accounted would necessarily increase ***quadraticlly*** with the number of claims and ***not linearly***, as the RFA Study suggests. The RFA Study derived a total cost result purported to be an explicit function of the number of claims and their mix, absorbing all factors that might implicitly depend on such claim counts[29]. This permits a simple sensitivity analysis that confirms the absurdity of its results: The high end cost figure of $13,121 shown in Exhibit 4-2[30] is actually the RFA Study's cost estimate for an ESD with ***50 independent claims and 300 dependent claims*** and ***not*** that of a ***typical complex*** application, as some might be misled to believe. This is a remarkable result for an application with 350 total claims.

The RFA Study also failed to account for patentability search report costs' dependence on the number of claims, further contributing to its gross cost underestimation. Without any support, the RFA Study made the factual *ipse dixit* assertion that such costs are application based, independent of the number of claims.[31] However, ESD compliance with §1.265 would require that elements of ***all*** claims be analyzed against the prior art. Therefore, relevant prior art must be found by multiple searches incorporating search queries comprising elements from ***each*** claim. The search time and the number of hits that must be processed and analyzed are therefore an increasing function of the number of claims in the applications. Indeed, a recent survey attached hereto contains price quotes for patentability search reports showing that prices quoted included per-claim cost components.[32] The RFA Study's results contending that patentability search costs for an application having 350 claims is identical to that for an application with 25 claims is simply absurd.

Stating that it relied on "AIPLA cost estimates", the RFA Study asserted: "the cost of a patent search ranges from approximately $1,000 for a relatively simple patent application up to approximately $2,500 for a relatively complex patent application". This statement grossly misrepresented the AIPLA data, biasing downward the cost estimates.[33] Moreover, AIPLA cost data were based on existing requirements and not on those required to comply with §1.265.

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[28] SBA Advocacy, *Small Serial Innovators: The Small Firm Contribution To Technical Change*, by CHI Research, Inc. Haddon Heights, NJ, (February 27, 2003), at 20, available at http://www.sba.gov/advo/research/rs225tot.pdf, hereinafter referred to as "SBA Patenting Study", ("Small firm patents contain longer lists of references to prior patents. An index of patent reference list length … takes the value of 1.81 for the small firm patents and 1.18 for the large firm patents". The study covered patents issued in 1996-2000. The ratio for this later study is therefore 1.53).

[29] RFA Study, note 3, at 18, footnote to Exhibit 4-2. ("[T]he analysis does not assume a range of costs per application, but instead applies the specific cost appropriate to the number of claims in each application").

[30] RFA Study, note 3, at 18, Exhibit 4-2.

[31] RFA Study, note 3, at 18.

[32] *See* Dr. Katznelson Decl. at Appendix A. (The patentability search report prices quoted a base price plus a cost per claim. The average per-claim search cost quote was $250).

[33] From the first two entries in Appendix A of the RFA Study, it is evident that the AIPLA data was misrepresented in two ways: (a) The 25 and 75 percentile values in the spread of survey respondents' answers to the AIPLA survey question *Q39o* was due to the variability ***across respondents*** of the amount they each charged for ***a typical*** application. Without any support or rationale for choosing these percentile points, the RFA Study erroneously attributed the percentile values to variability of application ***complexity*** when in fact complexity was not even addressed by question *Q39o.* (b) From the average response value of $2,999 (in 2004 dollars) for *Q39o*, an ***average*** cost for a ***typical*** application in 2007 dollars is approximately $3,300.

Under existing requirements, typical patentability reports do not address all the claims that are ultimately filed in the application because they are written earlier to assist in writing the application and the claims. Alternatively, patentability reports for issued patents necessarily address fewer claims, because the average number of claims in issued patents is but a fraction of the average number of claims filed in applications.[34] Hence, the AIPLA data only provides an ***average*** cost for a ***typical*** application (approximately $3,300 in 2007 dollars) and it corresponds to narrower scope requirements. An ESD, however, is to be prepared under more expansive scope requirements for ***atypical*** applications, at the top of the complexity scale, meaning that the AIPLA data can at best serve as a distant lower bound.

In conclusion, the RFA Study failed to properly account for the cost elements of preparing an ESD. An example of a rather conservative estimation of such costs are provided by this author in a submission to OMB (Dr. Katznelson Decl., at Appendix D, Section 1.3). It is calculated that the cost for preparing an ***average*** ESD is $26,720 and $20,600 for large and small entities respectively (Appendix D, Tables 1,2). The top 20 percentile costs for applications would likely be substantially higher than that.

3.3 The RFA Study's method of annualizing ESD costs is fundamentally flawed because it assumes that small entities file only one patent application per 20 years.

The RFA Study's authors chose to evaluate the economic impact of the New Rules on small entities by annualizing the incremental cost associated with an application compliant with the New Rules over a period of 20 years.[35] In doing so, the RFA Study scaled down its estimate of the financial impact associated with filing ***a single*** application by a factor of 20, necessarily assuming that small entities apply for a patent ***only once in a span of twenty years***. However, small entities that obtain patents file applications much more frequently than that. Here again, the RFA Study failed to recognize or use a major variable of the problem (applications filed per year - or application filing rate) that is ***essential*** for a determination of the economic impact of the New Rules. Clearly, on this ground alone, its calculations are therefore nonsensical.

A study commissioned by SBA Advocacy found that small patenting firms received an average of 0.42 patents per employee during the years 1996-2000.[36] Given that the average small entity employed 10 employees[37], this corresponds to an average of 4.2 patents issued over this five-year period. During this period, an average of only 70% of patent applications were allowed[38], yielding the result that small patenting firms filed an average of 1.2 (4.2 / 5 /0.7) patent applications per year. This ***average*** filing rate is 24 times grater than that used implicitly by the RFA Study. Although more information is required on small entities' revenue distribution, the USPTO has access to detailed information on application filing rate distributions for small patenting entities and in particular on the filing rates of the top 20%[39] small entity frequent filers. The RFA Study could have used such information to obtain some meaningful bounds on the economic impacts of the New Rules but failed to do so.

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[34] Exhibit 20, at A0437, (Showing, for example, that in FY 2004, the average number of claims filed in applications was 23.66 while patent issued from such applications had an average of only 15.65 claims).

[35] RFA Study, note 3, at 21-22.

[36] SBA Patenting Study, note 28, at 12.

[37] SBA Advocacy, *The Small Business Economy: A Report to the President*. (December 2006), at 8, available at http://www.sba.gov/advo/research/sb_econ2006.pdf.

[38] Ron D. Katznelson, Bad Science in Search of "Bad" Patents, *Federal Circuit Bar Journal*, **17**(1), pp.1-30, 23 (2007), available at http://ssrn.com/abstract=1007629, (showing the USPTO output allowance rate in Figure 2).

[39] RFA Study, note 3, at 24, (20% is USPTO's threshold criterion for a "substantial number" of small entities).

3.4 The RFA Study ignored the economic burdens of rebutting the presumption of patently indistinct claims

In §1.78(f) of the New Rules, the USPTO established new burdens on applicants based on a newly created presumption of patently indistinct claims in related patent applications. Instead of the examiner having to identify a double patenting situation, determining if double patenting exists, and making double patenting rejections, the applicant must take on sweeping burdens. The applicant must timely identify other pending applications or patents that have the criteria defined in §1.78(f)(1), and the applicant must timely rebut a presumption that patentably indistinct claims are present when criteria defined in §1.78(f)(2)(i)(A-D), ("Family Criteria"), exist, or file a Terminal Disclaimer ("TD"), explain why separate applications are needed, and have claims in the separate applications in compliance with the combined 5/25-Claim limits.

The USPTO created a "presumption" that is overwhelmingly counterfactual. Only about 5% of applications are in cases having a TD[40] and yet applicants of 95% of all applications would be required to rebut a negative presumption. No such requirement exists under the current rules and the RFA Study ignored this ***new*** rebuttal requirement entirely. At the end of Section 4.3, the RFA Study asserts that

> "This final rule would not generate incremental costs in this situation because 37 CFR 1.78(b) currently provides that applicants ***can be required*** to eliminate patentably indistinct claims from all but one application and the double patenting doctrine requires a terminal disclaimer if the patentably indistinct claims are not eliminated from all but one application." (Emphasis added).

This conclusion is patently wrong because under the current rules, the mere possibility that the examiner ***may require*** an applicant (in 5% of cases) to address double patenting issues does not mean that applicants have affirmative duty to take any action and write detailed briefs in all other instances. Not so under the New Rules, which state as follows:

> §1.78(f)(2)(i): "A rebuttable presumption ***shall exist*** that a nonprovisional application contains ***at least one claim*** that is not patentably distinct from ***at least one of the claims*** in another pending or patented nonprovisional application if the following conditions are met:…" (Emphasis added).
>
> §1.78(f)(2)(ii): "If the conditions specified in paragraph (f)(2)(i) of this section exist, the applicant in the nonprovisional application must, unless the nonprovisional application has been allowed (§ 1.311), take one of the following actions within the time period specified in paragraph (f)(2)(iii) of this section: (A) Rebut this presumption by explaining how the application contains ***only claims that are patentably distinct*** from the claims ***in each of such other*** pending nonprovisional applications or patents; or (B) Submit a terminal disclaimer in accordance with § 1.321(c). In addition, where one or more other pending nonprovisional applications have been identified, the applicant must explain why there are two or more pending nonprovisional applications naming at least one inventor in common and owned by the same person, or subject to an obligation of assignment to the same person, which contain patentably indistinct claims". (Emphasis added).

Under the New Rules, applicants cannot "internalize" their determination that the presumption is incorrect in their case. They must take action, no matter what. A full rebuttal of the presumption that ***at least one claim*** is patentably-indistinct from ***at least one of the claims*** in another pending or patented application requires an exhaustive rebuttal for ***every possible*** claim pairing from each

[40] Exhibit 21, at A04785, (showing that historically only 5.5%-5.7% of applications are ultimately subject to Terminal Disclaimers); Exhibit 22, at A03625, (showing that in FY 2004 only 3,844 applications from small entities had Terminal Disclaimers therein. This is only 4.2% of the 92,597 applications filed by small entities in FY 2004 (see Exhibit 23, at A03771 for the total number of applications in FY 2004)).

application. There is simply no other shorter way to remove the "at least one claim" presumption. Because dependent claims are distinguished from the independent claims they depend from, a rebuttal cannot be limited to independent claims alone. Thus, if an application containing *n* claims is compared with a prior application having *m* claims, the applicant must write and submit $n \times m$ rebuttal analyses. Each such rebuttal analysis must be supported by a comparison of all features in both claims. A mere unsupported (and short) assertion of applicants' belief would not meet the rebuttal burden.[41] Alternatively, in the few cases where an explanation of why claims ***are*** patently-indistinct, applicants must expend legal resources to write these explanations in a manner that is least prejudicial to their claims. Thus, a carefully reasoned written response would be required in essentially all cases that meet the Family Criteria.

3.4.1 Estimate of the economic burdens of New Rule 78(f) on small entities

A lower bound estimate of the number of applications that meet the Family Criteria and would be affected by this rule can be obtained by counting continuation applications in application families claiming the same priority date[42]. Because continuation applications have the same disclosure as that of the parent and have a common inventor and ownership, they all meet the other Family Criteria.

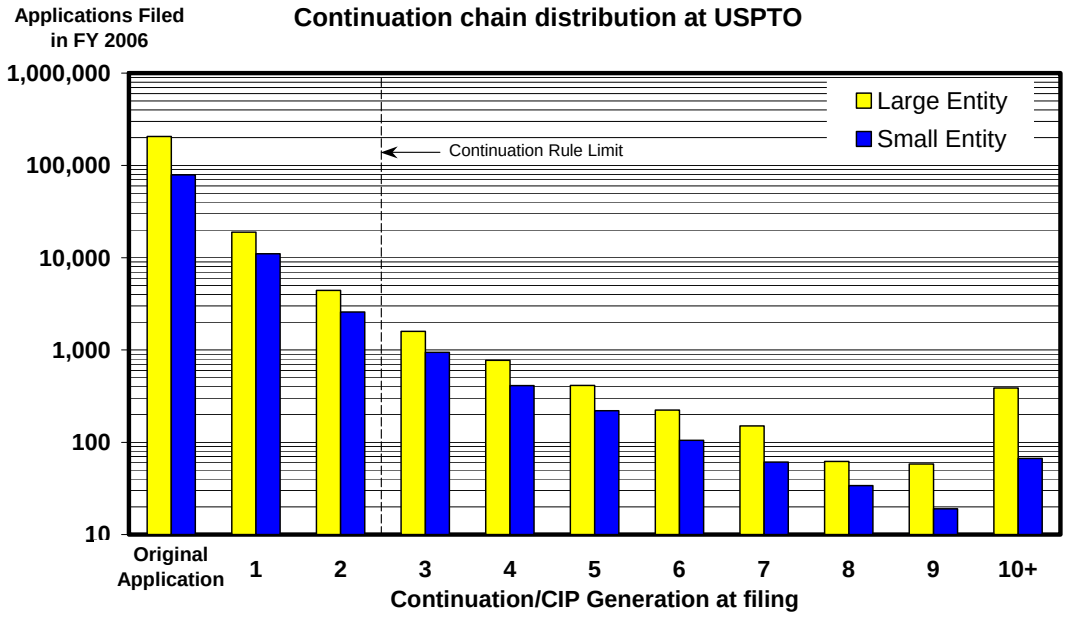

Figure 1. Distribution of continuation sequence at filing. *Source*: Exhibit 14, at A08242.

The distribution of the continuation generation number at filing is shown in Figure 1. Upon filing, a continuation application may have any number of parents ahead of it in the continuation chain. A rebuttal comparison for that application must be made with every one of the ***preceding*** applications in the chain. The first continuation must be compared only to the original application. Upon filing of a fifth continuation, for example, a comparison with five other applications (the 4th, 3rd, 2nd, 1st and the original parent application) must be made. By using

[41] New Rules, at 46780, ("Merely explaining that some of the claims are patentably distinct would not be sufficient to rebut this presumption").
[42] This lower bound does not include all possibilities related to divisional applications.

USPTO data on applications filed in FY 2006 and their respective application family size upon filing[43], one finds that the 94,613 applications filed by small entities would have required 23,964 pairwise rebuttal comparisons.[44] In other words, averaging over all applications and not just continuations, a small entity application would require an average of at least 0.25 (23,964/94,613) rebuttal comparisons. This estimate does not take into account all cases that involve filing of divisional applications or continuations based on divisions.

Crafting a reasoned written response distinguishing claims with adequate support may take more than half an hour in some long claim pair cases. In many other claim situations this might take only a couple of minutes. In ***all*** cases, however, some reasoned analysis and argument must be written and a conclusion drawn. Therefore, an average of 0.1 hours (6 minutes) per written rebuttal comparison is assumed. Assuming now that on average, 20 claims per application would be analyzed[45], resulting in 400 (20×20) rebuttal comparisons, one obtains an average burden of 10 ($400 \times 0.1 \times 0.25$) hours per small entity application. According to the economic survey of the AIPLA, the national average billing rate of a patent attorney in 2006 was $332 per hour.[46] This corresponds to about $350 in 2008 dollars, the first year the New Rules would apply. Hence, the estimated average recurring cost burden placed on small entities would be about $3,500 per application. Because the average small patenting entity files 1.2 applications per year[47], this would extend to an average annual expense of $4,200. While these estimates are somewhat coarse, they are directed to an average small patenting entity. There can be very little doubt that small patenting entities at the top 20 percentile of such cost distribution would incur annual costs that are significantly higher than $4,200 due to Rule §1.78(f) alone.

Not included in the above calculation is the recurring and punitive "tax" imposed by Rule §1.78(f) on any added claim during the prosecution of a family of related applications. The ownership, inventorship, and subject matter and filing dates of such applications would almost inevitably trigger the presumption of patentably indistinct claims. Whenever any new claim is added to one of these applications, it must be accompanied by a rebuttal brief with respect to every other claim in the application family, including those filed subsequently. A sense of the true burdens of Rule §1.78(f) was evident from a former USPTO official's statement that "***many applicants will have to expend a lot of time and resources to timely comply with the "identification" and "rebut or TD" requirements*** **[of Rule §1.78(f)**]".[48]

The annual recurring costs estimated above are not the only costs that Rule §1.78(f) would impose. Due to its retroactivity, for all pending applications in the USPTO back-file (whether a

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[43] Exhibit 14, at A08242, (The claims by application family spreadsheet for FY 2006 shows a total of 94,613 applications filed by small entities, and 232,461 applications filed by large entities).

[44] Upon filing an application that is of generation j in the continuation family chain, there must be j pairwise comparisons to prior parent applications made in the accompanying brief. Based on the USPTO data up to the 10th continuation generation, the total number of new application comparisons in the year are therefore given by $\sum_{j=1}^{10} j\,A(j)$, wherein $A(j)$ is the number of continuation applications filed during the year that are of generation j in their respective family.

[45] This represents a reasonable blend of the larger average number of claims in applications and the number of claims in issued patents that might be in the continuation chain.

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

[47] See the derivation of this estimate in Section 3.3 above.

[48] Robert J. Spar, *Final USPTO Rule on Claims and Continuations - Overview of Major Issues and Concerns*, presentation at the San Diego Intellectual Property Law Association, (October 11, 2007), at Slide 17. at http://www.sdipla.com/resources/ccfrhighpointsv8.ppt .

first office action was entered or not), applicants must comply with the requirements in §§1.78(f)(1-2) by February 1, 2008.[49] Given that USPTO back-file average pendency is about 32 months, a small patenting entity filing 1.2 applications per year on average has about 3.2 applications in the back-file. This means that under Rule §1.78(f), small patenting entities will have an additional one-time large expense averaging at least $11,200 ($3,500 × 3.2) before February 1, 2008. The top 20% small entity applicants would no doubt have much higher costs.

It is important to recognize that virtually none of these expenses are currently borne by the USPTO when it makes its double-patenting rejections. Rule §1.78(f) does not shift USPTO burdens to applicants. Rather, it merely creates new burdens based on unprecedented presumption that is at best correct only in 4% of small entities' applications. Moreover, the burdens are disproportionately heavier on applications further down the continuation chain, requiring comparison with all its ancestor applications and patents. Yet, the RFA Study asserted without any basis that these incremental costs are zero. By not considering these costs, the USPTO entirely failed to consider an important aspect of its New Rules.

3.5 The USPTO failed to analyze or consider other important aspects of the problem

3.5.1 The rapid rise of the fraction of applications that would be affected by the New Rules

The claim limit in the New Rules is based on a ***fixed*** threshold of 5 independent or 25 total claims. While having detailed evidence showing that the average number of claims in applications is increasing over time[50], the USPTO ignored the fact that this means that, over time, ***a growing*** fraction of applicants who seek adequate protection of their inventions would need to file claims that would necessarily cross the fixed claim number threshold. The USPTO failed to assess the rapidity with which the New Rules would therefore affect a growing fraction of applicants.

As seen in Figure 2, applicants' propensity for obtaining an increased number of claims is not unique to applications filed in the USPTO. These trends are seen for patent applications filed across the world and in particular, at the European Patent Office ("EPO") and the Japanese Patent Office ("JPO"). Researchers have suggested several economic and legal reasons for this gradual rise. The number of claims in patents was shown to correlate with the degree of technological efforts.[51] Multivariate regression studies recently identified several factors causing the growth in the number of claims in patent applications.[52] The first is the growing contributions of emerging technology sectors (namely biotechnology, computer science, and media technologies) as opposed to more traditional areas such as industrial chemistry, polymers, vehicles, or civil engineering. Another factor is the growing complexity of inventions including the research process leading to it. Yet another significant regional factor identified was the evolving practices such as submission of multiple narrower claims due to legal needs to address the eroding doctrine of equivalence and the case law on prosecution history estoppel while

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[49] New Rules, at 46717, Col. 1.

[50] Exhibit 24, at A05620; *See also* Exhibit 20.

[51] X. Tong and J. D. Frame, Measuring national technological performance with patent claims data, *Research Policy* **23**(2), pp. 133-141, (March 1994) (Examined the relationship between technology, science, and economic variables against attributes of patents by nationality of inventors and found that the number of patent claims is an improved predictor of technological effort among nations).

[52] N. van Zeebroeck, B. van Pottelsberghe and D. Guellec, Claiming more: the increased voluminosity of patent applications and its determinants, CEB Working Paper 06-018 and CEPR Discussion Paper 5971. (March 2007), available at http://www.solvay.edu/EN/Research/Bernheim/documents/WP06-018NvZBvP2.pdf.

maintaining sufficient likelihood of infringement findings. These factors were among those widely referred to in the comments submitted to the USPTO in the proceedings leading to the New Rules.[53]

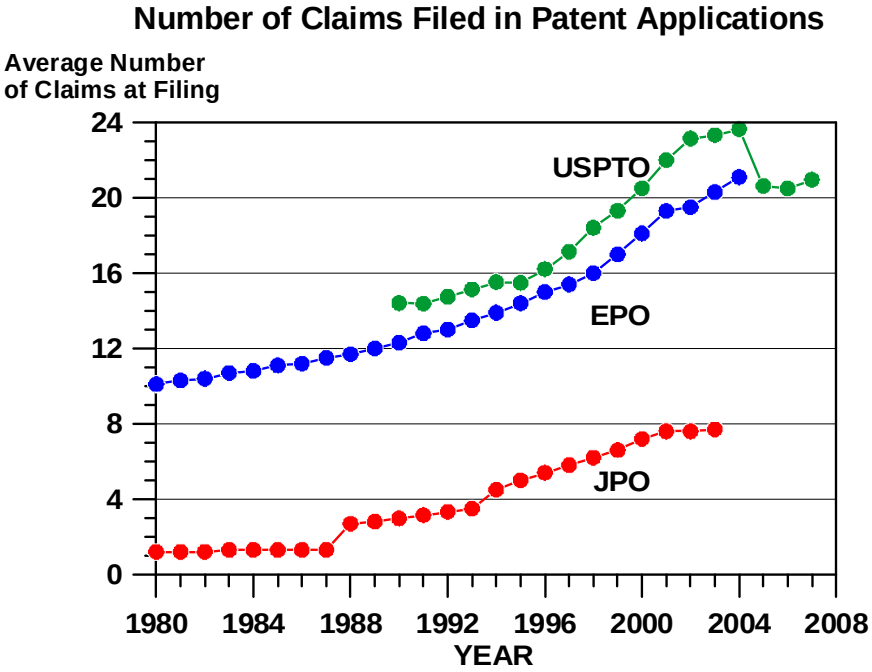

Figure 2. The average number of claims filed in patent applications by filing year at the USPTO, EPO and JPO. *Sources*: For USPTO data see note 50. All EPO data and the JPO data for 1995-2003 were reported in an EPO report[54]; Data for additional years in the JPO were obtained from the Tokyo Institute of Intellectual Property[55].

In regards to the factors mentioned above and in connection with the acceleration of claim obsolescence due to shortening product lifecycles, it has been suggested by researchers that the increases in the number of claims and continuations is reflective of applicants' adaptation in order to appropriate equivalent returns from their inventions.[56] [57] Indeed, evidence of progressive patent claim scope erosion over the last few decades[58] suggests that increases in the number of claims are simply a manifestation of applicants' lawful efforts to adequately protect their inventions in changing technological, economic and legal environments.

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[53] *C.f.* Final Rule, at 46788, Col. 1 (Comment 166).

[54] EPO, *The increased voluminosity of patent applications received by the EPO and its impact on the European Patent System*. Report CA/73/05, (May 30, 2005) at http://ac.european-patent-office.org/strategy_debate/documentation/pdf/ec05073.pdf .

[55] A. Goto and K. Motohashi, Construction of Japanese Patent Database for Research on Japanese patenting activities, *Institute of Intellectual Property*, Tokyo, Japan (2006) at http://www.iip.or.jp/e/patentdb/paper.pdf. (The grand average was estimated by using the technology sector data of Figure 5 weighted by the number of applications for each technology sector shown in Figure 2).

[56] R.C. Dreyfuss, Pathological Patenting: The PTO As Cause Or Cure, *Michigan Law Review*, **104**(6), pp. 1559-1578, 1565, (May 2006) ("The accelerating pace of change means that products and processes become obsolete more quickly. As a result, patent holders sometimes need wider protection — or more patents — to appropriate equivalent returns from their inventions".)

[57] R.D. Katznelson, Patent Continuations, Product Lifecycle Contraction and the Patent Scope Erosion – A New Insight Into Patenting Trends, *Southern California Law Associations Intellectual Property Spring Seminar*, Laguna Niguel, CA, (June 8 - 10, 2007), available at http://ssrn.com/abstract=1001508 , (See Section 4.2).

[58] Katznelson (2007), note 57, at Section 4.3 and Figure 6.

In estimating the rapidity with which the fraction of applications affected by the claims limit in the New Rules would be rising, the following is noted. Regression trend analysis of the USPTO data shown in Figure 2 over the period since 1990 (excluding the transient retreat in FY 2005 due to claim fee increases by a factor of 2.5) shows that the growth in the average number of total claims in applications is well described by an exponential growth of 4.2% per year on average. Assuming a similar proportional scaling of the claims distribution in applications, this increase in the number of claims is equivalent to a 4.2% reduction in the ***effective*** claim threshold, if one were to use a stationary claim distribution.

The marginal probability (or frequency) distributions of the number of claims in applications based on USPTO data[59] are shown in Figure 3. Examination of the total claim data in the neighborhood of 25 reveals that the number of applications affected increases by about 9% per effective threshold reduction by one claim (1/25 = 4% fractional change). Since the ***effective*** claim threshold would creep down by 4.2% per year, the relative number of affected applications would nominally grow by 9.5% ($9 \times 4.2/4$) per year. Thus, with this annual growth rate, it is estimated that ***the fraction of affected applications would double every 7.6 years***.

The number of continuation applications filed in a year has been growing more rapidly than the growth in initial application filings. It has been shown that the number of such applications grow at the same rate as that of new product introductions, doubling every 6.5 years.[60] Such growth trends have persisted over the last quarter of a century. Research suggests that the continuation application growth trend is related to all the factors listed above for multiplicity of claims and also a result of historical product life cycle reduction and the exponential growth in new product introductions. Accordingly, these factors necessitate new or amended patent claims in ***a growing fraction*** of inventions.[61] Thus, the requirements of the continuation limit of the New Rules would have an adverse effect on a progressively larger fraction of applicants.

The rapid burden creep of the claims limit and continuations limit in the New Rules described above is inherent in the mechanical numerical fixed limits set in the New Rules for application parameters that are rapidly growing. This indicates that the USPTO failed to consider an important aspect of the problem.

3.5.2 The disproportionate adverse impact on small entities

Generally, as Figure 3 shows, small entities rely on more patent claims than large entities. The USPTO did not adequately analyze its data to determine whether small entities are disproportionately affected. By USPTO's own criteria for economic impact, its claims distribution data shows that small entities are 40% more likely than large entities to be impacted by the claims limit in the New Rules.[62] Small entities particularly affected are those in industries requiring larger number of claims in applications, such as the Biotechnology and Pharmaceutical industries, as described below. Moreover, as discussed in Section 3.2 above, small entity

[59] Exhibit 25, at A05043-52).
[60] Katznelson (2007), note 57, at Section 4.2 and Figure 4.
[61] *Id*.
[62] Exhibit 14, at A08242, (The claims by application family spreadsheet shows that of the 94,613 applications filed by small entities, 5,948 (6.3%) were in families with more than 15/75 claims and that of the 232,461 applications filed by large entities, 10,239 (4.4%) were in families with more than 15/75 claims. Thus, by USPTO's own measure, small entities are 1.4 (6.3/4.4) times more likely to be affected).

applications have more references cited therein than those by large entities, disproportionately increasing their ESD costs compared to large entities. By failing to properly analyze the disproportionate adverse impact on small entities in key growth industries, the USPTO failed to consider an important aspect of the problem.

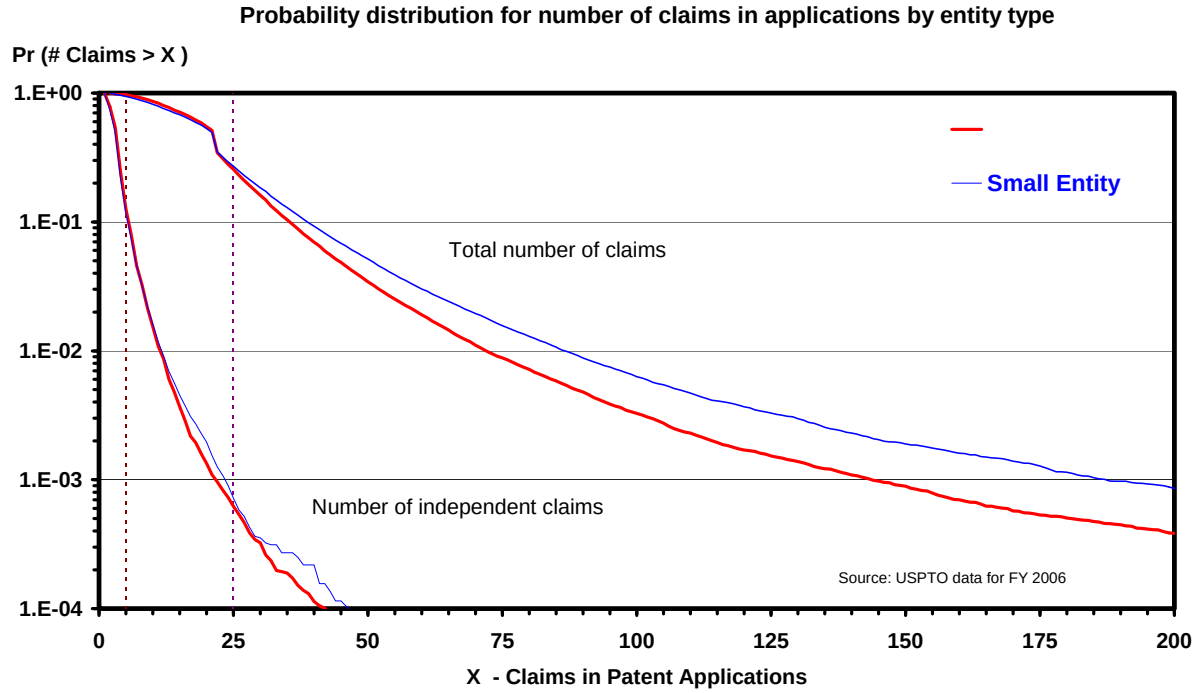

Figure 3. The marginal distribution of the number of claims in UPR applications in FY 2006 for which claim information was available. It is based on a total of 237,758 applications from large entities and 95,938 from small entities. Note the higher total claim counts in small entity applications. *Source*: USPTO, note 59.

3.5.3 The disproportionate adverse impact on emerging growth industry segments

The USPTO failed to analyze its data and consider whether the New Rules would disproportionately affect applicants in certain industry segments. As shown in Figure 4 and Table **1**, applicants particularly affected are those in emerging technology industries requiring larger number of claims in applications. Top among the disproportionately affected are the Biotechnology, Organic Chemistry and Pharmaceutical industries. The impact on such industries is not only due to the increased fraction of applications subject to the ESD filing requirement, but also due to the higher ESD costs associated with a larger number of claims. As Figure 4 shows, nearly 10% of applications in the Biotechnology, Organic Chemistry areas would require ESDs that analyze more than 50 claims, twice the number of claims set in the threshold. Moreover, Table 1 shows that the disproportionate impact is further compounded for these industries, as the fraction of continuation applications affected is more than double that across all industries. By failing to properly analyze the disproportionate and concentrated adverse impact on key growth industries, the USPTO failed to consider an important aspect of the problem.

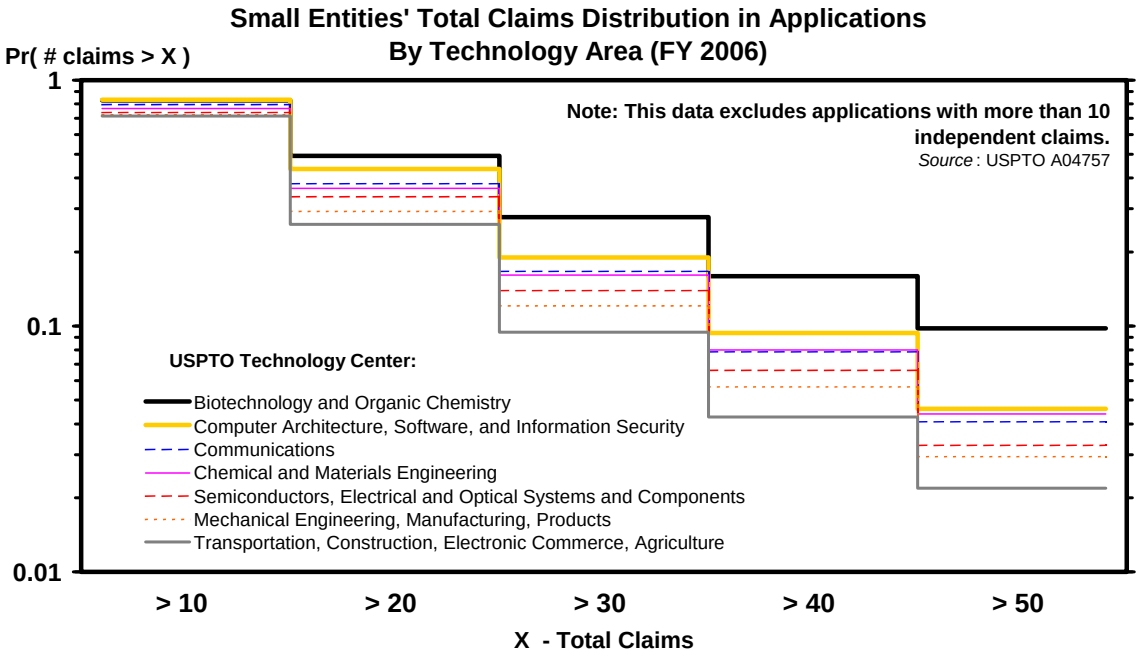

Figure 4. Small entities' total claims distribution by technology center for applications in FY 2006. This chart is based on all but the 1.1% of applications with more than 10 independent claims. *Source*: Exhibit 26 at A04760.

USPTO Technology Center	Technology Area	% of Applications Affected	
		Claims Rule	Continuation Rule
1600	Biotechnology and Organic Chemistry	40%	5.6%
1700	Chemical and Materials Engineering	24%	2.1%
2100	Computer Architecture, Software, and Information Security	29%	2.9%
2600	Communications	26%	2.1%
2800	Semiconductors, Electrical and Optical Systems and Components	19%	2.0%
3600	Transportation, Construction, Electronic Commerce, Agriculture	18%	2.2%
3700	Mechanical Engineering, Manufacturing, Products	21%	3.2%
All UPR	All Areas	24%	2.7%

Table 1. Fractions of applications affected by the 5/25 claims limit and the continuations limit in the New Rules. Data is based on FY 2006 applications from both small and large entities. *Source*: Exhibit 27, at A07090.

3.5.4 The disproportionate adverse impact on domestic inventors

The USPTO failed to analyze its application data and consider whether the New Rules would disproportionately affect U.S. based inventors. U.S. Patents obtained by U.S. inventors have historically contained more claims than U.S. patents obtained by foreign inventors.[51] Based on data presented by this author elsewhere[63], U.S. patent applications filed by U.S. inventors contained an average of 75% more claims per application as compared to U.S. patent applications filed by Japanese inventors and 43% more claims than U.S. patent applications filed by European inventors. With such disproportionate claim averages, it is virtually certain that the claims limit in the New Rules would affect a significantly larger fraction of domestic inventors

[63] Dr. Katznelson Decl., Appendix C, available at http://www.whitehouse.gov/omb/oira/0651/comments/460.pdf , at 23, (June 29, 2007) (Figure 6 shows that the average number of claims filed by North American (primarily U.S.) inventors in FY 2004 was approximately 28 whereas applications filed by European and Japanese inventors had an average of 19.5 and 16 claims respectively).

as compared to foreign inventors. Moreover, domestic inventors who would file ESDs would be incurring significantly higher expenses on such ESDs as compared to foreign inventors. By failing to analyze and consider the disproportionate adverse impact on domestic inventors and the negative implications to U.S. competitiveness, the USPTO failed to consider an important aspect of the problem.

4 CONCLUSION

From the previous sections, it is clear that in essentially every category, the RFA Study understated the economic impact of the New Rules. Based on the USPTO's own criterion for significant economic impact and small entity revenue, the foregoing sections show that:

(a) The 5/25-Claim Limit rule would have a significant economic impact on a substantial number of small patenting entities.
(b) The requirement to identify and rebut a presumption of patently-indistinct claims will have a significant economic impact on a substantial number of small patenting entities.

This report shows that the USPTO provided highly defective economic impact analysis in its RFA Study.

Appendix C USPTO Internal Memos.

Bahr, Robert

From: Morse, Gregory
Sent: Thursday, March 22, 2007 12:34 PM
To: Bahr, Robert
Subject: Re:

Before you say that; let me check how many are in the early stages of processing. Ninety pct of cases that get through OIPE have claim data.

----- Original Message -----
From: Bahr, Robert
To: Morse, Gregory
Sent: Thu Mar 22 12:31:09 2007
Subject: RE:

WRT--

4. The number of applications in the backlog (as some date) and the number of applications in the backlog that contain (??) more than 5/25

As of 2/28/07, 708,321 UPR cases in the backlog. 29% of the non-small entity cases were over 5 or 25, and 30% of the small entity cases were over 5 and 25. Only about 95% have claims data, so misleading to give a raw number. In addition some cases other than the 95% have not yet been processed enough to determine large/small entity or claims.

Any objection to me saying--

Of the applications currently awaiting examination for which claims data is available in PALM (which is over ninety percent of such applications), about thirty percent contain more than five independent claims or more than twenty-five total claims.

-----Original Message-----
From: Morse, Gregory
Sent: Wednesday, March 21, 2007 5:03 PM
To: Bahr, Robert
Subject:

Let me know what else you need - I still need to get you issued claims over 5/25.

Bahr, Robert

From: Morse, Gregory
Sent: Thursday, March 15, 2007 2:12 PM
To: Bahr, Robert
Subject: FW: Numbers

3320 Small entity; 8006 non-small entity

-----Original Message-----
From: Morse, Gregory
Sent: Wednesday, March 14, 2007 3:43 PM
To: Doll, John
Cc: Love, John; Focarino, Margaret (Peggy); Fleisher, Mindy; Bahr, Robert; Mielcarek, John
Subject: RE: Numbers

Number of 3 CON/CIP filings or 4+ CON/CIP/RCE/CPA filings, by TC, as of 3/13/07:

I apologize that these were not available when you asked.

(2006 numbers, 2006 filings 419,760 UPR, all based on analysis of PALM data)

TC	Filings	3 CON or 4+	Percent
1600	41,756	2,356	5.6%
1700	57,368	1,189	2.1%
2100	44,425	1,295	2.9%
2600	65,974	1,401	2.1%
2800	94,851	1,927	2.0%
3600	51,661	1,131	2.2%
3700	63,725	2,027	3.2%
UPR	419,760	11,326	2.7%

Of the 11326, 2621 were 3rd CON/CIP filings, and 8705 were 4+ of any combination.

In discussions with Undersecretary Dudas, we previously estimated the 8,705 as "about 8,000" and the overall number as "about 10,000".
-----Original Message-----
From: Doll, John
Sent: Monday, March 12, 2007 4:07 PM
To: Morse, Gregory
Subject: Numbers

Do we have the distribution of 3+ CONs / RCEs by TC ?!?

BlackBerry Wireless

Exhibit 4

Additional Comments Arising Under Administrative Procedure Act, Executive Order 12,866, and Other Law

A. The PTO Defied the Final Decision of the United States District Court for the Eastern District of Virginia

The Final Rule Notice states that no Regulatory Flexibility Analysis or objectively-supported certification are required because "prior notice and an opportunity for public comment are not required." 73 Fed.Reg. at 323969 col. 1-2. That argument directly conflicts with the square holding of the United States District Court for the Eastern District of Virginia, which held that 35 U.S.C. § 2(b)(ii)(B) requires that all PTO rulemaking be subject to the notice-and-comment procedures of 5 U.S.C. § 553. *Tafas v. Dudas*, 541 F.Supp.2d 805, 812, 86 USPQ2d 1623, 1628 (E.D. Va. 2008). Because all PTO rulemakings are subject to notice-and-comment requirements, the PTO was required to fully comply with the Regulatory Flexibility Act for all rulemakings. The Final Rule Notice makes no attempt to reconcile itself with the express holding of the court, in a case that the agency litigated its position and lost.

This was no innocent oversight: the PTO designates this issue as one of the "questions presented" in its brief on appeal to the Federal Circuit.

The PTO failed to provide an Initial Regulatory Flexibility Analysis or Certification to SBA at the time of the July 2007 NPRM, in violation of 5 U.S.C. § 603. If the PTO intends to comply with the law, and does not wish to be held in contempt of court and forced to pay Equal Access to Justice Act fees for a position that lacks substantial justification, the PTO should withdraw the Appeal Rule and start over again with a new NPRM.

B. The PTO Ignored a Key Legal Issue, Whether the Appeal Rule is "Substantive"

Several of the comment letters cited case authority defining "substantive" vs. "procedural," to show that several aspects of the Appeal Rule are "substantive" not "procedural,:" and thus beyond the PTO's rulemaking authority.

The Final Rule Notice is **dead silent** on case law authority that the PTO finds inconvenient, and chooses to brazenly ignore:

- The Supreme Court has noted that a shift of burden of proof is "substantive." *Director, Office of Workers' Compensation Programs, Dept of Labor v. Greenwich Collieries*, 512 U.S. 267, 271 (1994) ("[T]he assignment of the burden of proof is a rule of substantive law.") The Final Rule Notice makes no reply whatsoever to this issue. However, the Final Rule Notice **does** squarely admit that the Appeal Rule does shift the burden of demonstrating error and burden of proof. The Final Rule Notice makes no effort to reconcile its admission with the law.
- A combination of many provisions that are individually procedural may become "substantive" in cumulative effect. *In re Fibreboard Corp.*, 893 F.2d 706, 711 (5th Cir. 1990). The PTO provides a **long** list of changes that may be each individually procedural, 73 Fed. Reg. 32969 col. 2-3, but is **dead silent** on whether the aggregate is substantive.

The Final Rule Notice simply ignores the law and dispositive issues, strongly suggesting that the PTO's backlog arises largely from sloppy work by PTO personnel, not from applicant submissions.

C. Executive Order 12,866

The Office designation of the Appeal Rule as "not significant" under Executive Order 12,866[59] is incompatible in every respect with the plain language of the Order. The rule is substantive action (PTO's assertions notwithstanding); it is "significant" (it materially affects the most innovative sectors of the economy); and it imposes annual costs of approximately $100 million.

1. The Designation "Not Significant" Reflects Badly on PTO Understanding of Rulemaking Process

The designation "not significant" is reserved for mundane actions that engender no controversy and thus are not worthy of oversight by the federal government's in-house regulatory watchdog. Executive Order 12,866 delegates to the agencies the responsibility for behaving responsibly – to police their own regulatory development operations and ensure that significant proposed regulations are managed in accordance with this long-established process.[60]

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[59] http://www.whitehouse.gov/omb/inforeg/eo12866/eo12866_amended_01-2007.pdf

[60] This process has been in place for 14 years, plenty of time for USPTO to have garnered a sophisticated understanding of the procedures and the ability to discern a significant

2. The Costs Are "Significant" and Likely "Economically Significant"

The costs of the Appeal Rule are certainly "significant," and likely "economically significant." For example, just one rule element – the appendix and pagination of Bd. R. 41.37(v)(1) – is estimated to impose costs exceeding $28 million per year. See § III.B. The new elements required in the "argument" and the appendices are at least as large. The totals approximate $100 million per year.

These costs represent merely paperwork burdens. The most significant cost of the Appeal Rule is the value of patent protection foregone due to added costs, procedural complexity, and legitimate patent claims that parties must cancel to satisfy the Board's new and arbitrary requirements. In short, the Appeal Rule is almost certainly economically significant, requiring the Office to perform a Regulatory Impact Analysis in accordance with OMB Circular A-4. See Attachment H.

3. This Rulemaking Breaches Executive Order 12,866 by Failing to Consider How "Existing Regulations (or other law) have Created, or Contributed to" the Problem the PTO Seeks to Solve, or are in "Conflict" with Other Regulations

Executive Order 12,866 (as amended)[61] § 1(B)(10) says:

> Each agency shall avoid regulations and guidance documents that are inconsistent, incompatible, or duplicative with its other regulations and guidance documents." E.O. 12,866 § 1(b)(2) requires every agency, for <u>every rulemaking</u>, to "examine whether <u>existing regulations</u> (or other law) have created, or contributed to, the problem that a new regulation is intended to correct.

The PTO has admitted that the Appeal rule is intended to cure a problem that the PTO itself created with the recently-finalized Continuations Rule. The PTO thus implicitly admits that the Appeal Rule is intended to deter applicants from availing themselves of appellate rights that are even more crucial because of the Continuations Rule.

In the preamble to the Appeal NPRM, the PTO states that its purpose is "to permit the board to handle an increasing number of ex parte appeals in a timely manner." See 72 Fed. Reg. 41472, col. 1. But this declaration is disingenuous. It does

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draft rule when it sees one. From 1981 until 1993, ***<u>all</u>*** draft rulemakings were required to be submitted OMB for review. The PTO's decision to brazenly flout these established procedures signals that it no longer deserves any deference in these determinations.

[61] http://www.whitehouse.gov/omb/inforeg/eo12866/eo12866_amended_01-2007.pdf

not acknowledge that the Board expects a 25% increase in appeals in FY 2008 (5,000) over FY 2007 (4,000) because of the recently promulgated Continuations Rule. The PTO said so in its FY 2007 budget request, in which it sought over $8 million in FY 2008 to fund additional Administrative Patent Judges and supporting staff, rising to more than $14 million in FY 2011:

> [D]uring fiscal year 2007, the Board of Patent Appeals and Interferences (BPAI) anticipates it will begin to receive an increased level of appeals following continuation rulemaking to bring greater finality to patent application prosecution. Based on existing assumptions, the office anticipates BPAI's appeal workload to increase by approximately one-third.

See PTO, *Fiscal Year 2007 Budget* at 32 (http://www.uspto.gov/web/offices/ac/comp/budg/fy07pbr.pdf). The PTO sought millions of dollars in new funding to deal with a problem that it knew it was causing by abridging continuation practice. Now it proposes to take away the very "circuit breaker" that applicants need to make the Continuations Rule even minimally workable, and which the agency itself advised applicants to use more frequently to mitigate the burdens of the Continuations Rule. The Appeal Rule has no conceivable relationship to the underlying cause for the particular problem the regulation is supposed to solve and therefore violates E.O. 12,866.

The PTO admits that any additional burden on the Board is caused by the PTO itself, specifically by the Continuations Rule. The PTO must find a way to internalize the costs of the burdens it creates for itself. It is counterproductive and disingenuous for the PTO to pass the costs of its own management errors and unwise rulemaking on to inventors.

4. This Rulemaking Violates Executive Order 12,866 by Failing to Consider How the PTO's "Existing *Interpretations* of Regulations (or other law) have created, or Contributed to" the Problem The PTO Seeks to Solve, and Failing to Observe the President's "Good Guidance Practices"

Executive Order 12,866 (as amended)[62] § 1(b)(2) requires every agency, for every rulemaking, to "examine whether existing regulations (or other law) have created, or contributed to, the problem that a new regulation is intended to correct and whether

[62] http://www.whitehouse.gov/omb/inforeg/eo12866/eo12866_amended_01-2007.pdf

those regulations (or other law) should be modified to achieve the intended goal of regulation more effectively." The problem the agency seeks to solve lies squarely with the examination management's incorrect interpretation of the following regulations and laws: (a) management's duty to "manage and direct" "all aspects" of examination," 35 U.S.C. § 3(b)(2)(A) (management believes that the statute's "all" means something less than "all"), (b) the duty to "cause an examination to be made" and "state reasons" under 35 U.S.C. §§ 131 and 132, and (c) the scope of appealable subject matter, and therefore an incorrectly narrow view of the scope of subject matter petitionable under 37 C.F.R. § 1.181(a)(1).

The Appeal Rules could be obviated if the Office simply followed the President's instructions and implemented long-standing Federal Circuit law on the duty of the Director and Commissioner to use the petitions process to oversee discretionary and procedural acts of examiners, even when they relate to claims, and implemented recent Executive Orders and the Final Bulletin for Agency Good Guidance Practices, and related Presidential instructions.[63] Instead of enforcing procedural requirements relating to examination of claims, on August 21, 2007, Director Dudas expressly and categorically announced his refusal to provide "supervisory review" of violations of agency guidance requirements, even where that intra-agency guidance is set forth in "procedural terms."[64] The Petitions Office, in (what the Office asserts, but with no citation to any written document to support the assertion) as a longstanding (but unpublished) policy of refusing to honor the Federal Circuit's instructions that applicants

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[63] Executive Order 12,866, 58 Fed. Reg. 51735-51744 (October 4, 1993, http://www.whitehouse.gov/omb/inforeg/eo12866.pdf); Executive Order 13,422, 72 Fed. Reg. 3432 (Jan. 25, 2007, http://www.whitehouse.gov/omb/inforeg/eo12866/fr_notice_eo12866_012307.pdf); "Final Bulletin for Agency Good Guidance Practices" (OMB Memorandum M-07-07, January 18, 2007, http://www.whitehouse.gov/omb/memoranda/fy2007/m07-07.pdf); and "Implementation of Executive Order 13422 (amending Executive Order 12866) and the OMB Bulletin on Good Guidance Practices" (OMB Memorandum M-07-13, April 25, 2007, http://www.whitehouse.gov/omb/ memoranda/fy2007/m07-13.pdf).

[64] Notice of Final Rulemaking, Changes To Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications, 72 Fed. Reg. 46715, 46752 col. 2-3 (Aug. 21, 2007).

are "entitled to rely" on the MPEP,[65] insists that the Office refuses to enforce the PTO's own guidance document.[66] The Office's disagreement with Presidential directive, refusal to honor its own procedural promises, and refusal to follow its reviewing court's precedent, is alarming.

The PTO's own statistics[67] and our experience suggest that the Office's current backlog crisis is overwhelmingly caused by administrative unpredictability resulting from the examining operation's lack of regard for procedural law and agency guidance. Attorneys and agents read the MPEP because they know that it contains rules on which they are "entitled to rely" to predict the Office's future actions, and their ethical obligations to inventors and assignees limits their ability to surrender property rights that the Office is legally obligated to provide. When an examiner refuses to comply with the MPEP, extended prosecution and appeal are the result.

Appeal can be no more "focused" than the examiner's papers and development of the issues. Applicants have no unilateral ability to get applications into condition for efficient and "focused" appeal, when examiners are under no obligation to "focus" or use predictable procedures for examining claims.

D. The "No New Grounds" Provision of the Final Appeal Rule Lacks Objective Support, and When Tried in the Past, Had Exactly the Opposite Effect that the PTO Now Hopes to Achieve

The Final Rule Notice shifts from providing appellants an opportunity to reply to "new grounds of rejection" that the examiner untimely raises for the first time in an

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[65] *In re Kaghan*, 387 F.2d 398, 847-48, 156 USPQ2d 130, 132 (CCPA 1967) ("we feel that an applicant should be entitled to rely not only on the statutes and Rules of Practice but also on the provisions of the MPEP in the prosecution of his patent application").

[66] *E.g.*, Decisions on Petition in App. Serial No. 09/385,394 of summer-fall 2003 and fall 2005, taking no issue with the showings that the examiner breached multiple "must" directives set forth in the MPEP, yet refusing to enforce those requirements, and refusing to protect the applicant from the adverse consequences flowing from the examiner's breach of those requirements.

[67] See Attachments C and D.

Examiner's Answer, to a totally different model, in which the examiner may not raise new grounds in an Examiner's Answer.

The PTO is aware that the "no new grounds" rule is unworkable: "No new grounds" was the rule from about 1998 until repealed in August 1994. The PTO found that a "no new grounds" rule was impossible to administer, in part because the Board refused to follow it, *E.g.*, *Ex parte Brisette*, http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&flNm=fd991499 at 3 n.1, 2002 WL 226585 at *1 n.1 (BPAI May 19, 2000) (expressly refusing to enforce 37 C.F.R. § 1.193(a)(2), which at the time forbade a new ground of rejection from being raised in an examiner's answer), and in part because it resulted in poor examination by examiners.[68] Strikingly, the rationale the PTO now gives for going back to this failed experiment is **precisely 180° opposite** the conclusions the PTO drew from the evidence available to it in 1994. This reversal of course cites no evidence, not even anecdote, in support of returning.

This 180º change also violates the "logical outgrowth" requirement for notice and comment.

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[68] Rules of Practice Before the Board of Patent Appeals and Interferences; Final Rule, 69 Fed.Reg. 49960, 49963 (Aug. 12, 2004):

> Because the current appeal rules only allow the examiner to make a new ground by reopening prosecution, some examiners have allowed cases to go forward to the Board without addressing the new arguments. Thus, the revision would improve the quality of examiner's answers and reduce pendency by providing for the inclusion of the new ground of rejection in an examiner's answer without having to reopen prosecution. By permitting examiners to include a new ground of rejection in an examiner's answer, newly presented arguments can now be addressed by a new ground of rejection in the examiner's answer when appropriate. Furthermore, if new arguments can now be addressed by the examiner by incorporating a new ground of rejection in the examiner's answer, the new arguments may be able to be addressed without reopening prosecution and thereby decreasing pendency.

Exhibit 5

My original comments were submitted on August 8, 2008. These amended comments are submitted within two business days of my communication with Ms. Susan Fawcett, the Record Officer in this case. As the correspondence attached below shows, in that communication, Ms. Fawcett agreed to accept these amended comments within a couple of days after my request for additional time to amend my original comments.

From: Fawcett, Susan
To: Boundy, David
Sent: Thu Aug 14 14:08:13 2008
Subject: RE: 0651-00xx Board of Patent Appelas and Interferences Action Comment
That should not be a problem.

From: Boundy, David [mailto:DBoundy@cantor.com]
Sent: Wednesday, August 13, 2008 3:48 PM
To: Fawcett, Susan
Subject: RE: 0651-00xx Board of Patent Appelas and Interferences Action Comment

Thanks. Can I have another day or two to clean up typos, support a few points better, etc.? This was done in too much of a hurry, it'd be more helpful to all concerned if it were more polished and supported

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From: Fawcett, Susan [mailto:Susan.Fawcett@uspto.gov]
Sent: Wednesday, August 13, 2008 1:06 PM
To: Boundy, David
Subject: FW: 0651-00xx Board of Patent Appelas and Interferences Action Comment

Good afternoon,

I've received your email below (along with three attachments) regarding the new proposed Paperwork Reduction Act information collection entitled "Board of Patent Appeals and Interferences Actions." As noted in the Federal Register Notice, your comments will be summarized or included in the request for OMB approval of this information collection and will also become a matter of public record.

I could not access the file entitled "Belzer comment on ICR 0651-0031…". Would you please resend that file to me so I may have the complete record?

Thank you for your time and your comments.

From: Boundy, David [mailto:DBoundy@cantor.com]
Sent: Friday, August 08, 2008 9:56 PM
To: Fawcett, Susan
Subject: 0651-00xx Board of Patent Appelas and Interferences Action Comment

Dear Ms. Fawcett -

Attacdhed is a preliminary draft of my comments on the Appeal ICR 73 FR 32559 of June 9, 2008. I hope to provide a revised version in the next few days.

David E. Boundy
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