

Susan K. Fawcett,
Records Officer, Office of Chief Information Officer
U.S. Patent and Trademark Office
InformationCollection@uspto.gov

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CC: Nicholas A. Fraser, Nicholas.A.Fraser@omb.eop.gov
USPTO Desk Officer, Office of Information and Regulatory Affairs
Office of Management and Budget
725 17th St., NW
Washington, D.C. 20503

Susan M. Walthall, Susan.Walthall@sba.gov
Chief Counsel, Office of Advocacy
U.S. Small Business Administration
409 3rd Street, SW
Washington, D.C. 20416

Re: 0651-0032 Comment: Initial Patent Applications, [75 Fed. Reg. 23227](#) (May 3, 2010).

I hereby submit brief comments on the U.S. Patent & Trademark Office (“PTO”) May 3, 2010 notice concerning Information Collection Request ICR 0651-0032 for Initial Patent Applications, (“Notice”).

First, I deeply regret to observe generally that PTO’s failure to comply with the Paperwork Reduction Act (“PRA”) and the Information Quality Act (“IQA”) during the previous Administration continues under this Administration. The PTO apparently decided to ignore specific public comments and the lessons from prior OMB refusals to approve some of its prior Information Collection Requests (“ICR”). I will only address a general observation and a concern I have about the lack of appropriate small entity treatment in the Notice.

Under the Paperwork Reduction Act (“PRA”), an agency is required to objectively evaluate and objectively *support* its paperwork burden estimates. 44 U.S.C. §§ 3506(c)(2)(A)(ii), 3506(c)(1)(A)(iv); 5 C.F.R. § 1320.8(a)(4). Specifically, OMB Rule § 1320.8(a)(4) requires that agency review of its information collection include “[a] specific, objectively *supported* estimate of burden”. The PRA does not merely require that the agency have in its possession a record of such objective support and evaluation of burdens - it requires that the agency “*provide* a record *supporting* [its] certification” regarding the information collection burdens. 44 U.S.C. § 3506(c)(3) (emphasis added). Despite many public comments¹ pointing out PTO’s obligations to *provide* upfront supporting information in its Information Collection proceedings by identifying the sources and methods of obtaining PTO’s numerical estimates and by showing its work, the PTO continues to ignore its obligations in this Notice and fails to disclose the requisite information. Without such information, the public cannot review the ICR or provide substantive comments. Instead, the PTO continues to rely on data from undisclosed sources and on surveys that do not comply with the IQA and with PTO’s own IQA Guidelines.²

The Notice is completely silent about the period that this ICR covers. The PTO continues to ignore its responsibility to estimate fairly the paperwork burdens for the three years covered by its ICRs (FY 2011-2013 in this Notice’s case). Yet, the PTO explicitly projects increases in the number of applications and

¹ *C.f.* public comments calling for the PTO to provide support for its estimates in the ICR Statement and the 2008 Final Appeal Rule at http://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=200809-0651-003

² See <http://www.uspto.gov/products/cis/infoqualityguide.jsp>

related workload in its budget request.³ The PTO's continued refusal to account for the year-over-year growth in the number of responses in this ICR after it had repeatedly ignored public comments alerting it to its failure to do so in previous ICR proceedings is breathtaking.⁴ In ignoring this obligation, the PTO at least fails to account for the larger paperwork burdens of FY 2013 (if not for the two preceding years) for which it now seeks clearance.

Upon its impending filing of the ICR with OMB, the PTO will shortly be required to certify under 5 CFR 1320.9(c) in OMB Form 83-I, items 5 and 19(c) (or their online equivalents), that "this information collection will have no significant economic impact on a substantial number of small entities" and that "it reduces burden on small entities." However, the PTO has established no record and has no information on the actual burdens borne by small entities in preparing, filing and prosecuting patent applications. It is ignorant of the unique facts related to the *elevated costs* that small entities incur in applying for patents. The distinction between burdens on large entities and small entities is very important. A recent survey study of 1500 startups shows that the average cost of obtaining a patent was \$38,000 in 2008.⁵ This average patenting cost for startups is more than double the national average cost across patenting firms. While this survey is not necessarily representative of all small entities and is surely not compliant with the IQA and cannot be used directly, it merely shows that application burdens may be highly skewed by entity size. Because PRA compliance procedures required by OMB involve estimating separately the burdens on small entities (OMB Form 83-I items 5 and 19(c)), this aspect must be separately assessed by the USPTO. When does the PTO intend to establish this critical information required for its certification?

Respectfully submitted,

Ron D. Katznelson, Ph.D.

/Ron Katznelson/

³ See PTO's FY-2011 budget request, p. 26. Available at <http://www.uspto.gov/about/stratplan/budget/fy11pbr.pdf> (projecting patent processing budget increases from \$1.634B in FY 2009 (actual) to \$2.228B in FY 2013).

⁴ See a review of previous parties' comments on this issue in: R.D. Katznelson, *Comment to OMB on PTO Information Collection Request related to Board of Patent Appeals and Interferences Actions under the Paperwork Reduction Act*. (November 17, 2008), at page 8. Available at <http://bit.ly/a5ZYVx>.

⁵ See Stuart J. H. Graham, Robert P. Merges, Pamela Samuelson and Ted M. Sichelman, "High Technology Entrepreneurs and the Patent System: Results of the 2008 Berkeley Patent Survey", 67 (June 30, 2009). Available at SSRN: <http://ssrn.com/abstract=1429049>. (A survey of U.S. startup companies from all industry sectors revealed that the average out-of-pocket cost for a respondent firm to acquire its most recent patent was over \$38,000. A respondent executive stated that startups often pay significantly more than incumbents to their prosecuting attorneys, because startups (i) tend to file for patents on inventions that are more important to the company's core business model than large firms, (ii) usually use outside instead of in-house counsel for patent prosecution; and (iii) often have difficulty monitoring outside counsel to limit overall costs).