

CAMBRIDGE TECHNOLOGY LAW LLC

TECHNOLOGY LAW WITH A BUSINESS PERSPECTIVE

DAVID E. BOUNDY

686 MASSACHUSETTS AVE., SUITE 201, CAMBRIDGE, MA 02139

MAILING: P.O. Box 590638, NEWTON MA 02459

PHONE: 646.472.9737

FAX: 978.443.4812

E-MAIL: DBOUNDY@CAMBRIDGETECHLAW.COM

HTTP://WWW.CAMBRIDGETECHLAW.COM

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Via Email CLEguidelines@uspto.gov

William Covey, Director for the Office of Enrollment and Discipline

Mail Stop OED

United States Patent and Trademark Office

P.O. Box 1450

Alexandria, VA 22313-1450

Re: *Proposed Continuing Legal Education Guidelines*, Docket No. PTO-P-2020-0042, 85 Fed. Reg. 64128 (Oct. 9, 2020)

Dear Director Covey:

CLE may or may not be a good idea. However, as proposed in the *Proposed CLE Guidelines*, it can't work. The basic economic incentives are misaligned, and parties will not behave as the *Guidelines* notice seems to assume.

There's a far bigger problem. However well intentioned your plan may be, it can't go forward if it isn't implemented within the law. The *Proposed CLE Guidelines* are classic subject matter that requires a "legislative rule" with full-dress *regulation* procedure. The word "regulation" in 35 U.S.C. § 2(b)(2)(D) requires advance "consultation with members of the public" under the Paperwork Reduction Act (PRA), Administrative Procedure Act (APA) notice-and-comment without the shortcuts of the October 9 notice, full procedure under the PRA, a full RegFlex analysis or certification under the Regulatory Flexibility Act, and various procedures under several executive orders. The attempt to fly the *Proposed CLE Guidelines* under the radar as guidance is a transparent effort to evade, and thereby violate, multiple laws. Main Commerce's regulations govern component agencies' use of subregulatory guidance; it's shocking to see a PTO Federal Register notice that squarely defies a formal *regulation* from Secretary Ross. The overall approach communicates contempt for the rule of law.

As will be shown below, this *Proposed CLE Guidelines* notice, the August 3, 2020 *Fee Setting* notice ("August 2020 Final Fee Rule"),¹ and the July 2020 *Changes to Representation of*

¹ Patent and Trademark Office, *Setting and Adjusting Patent Fees During Fiscal Year 2020*, 85 Fed. Reg. 46932, 46948 (Aug 3, 2020)

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Others (“July 2020 Changes NPRM”)² contain nearly two dozen omissions and falsehoods, all to the same three ends: (a) to get out of doing work required by law and to avoid informing the public of the scope of topics open for comment, (b) to generate fees and reduce costs for the PTO even if that imposes disproportionate and unlawful costs on the public, and (c) to evade various regulatory review laws that require cost-benefit analysis and written consideration of public interest factors, thereby to evade oversight by *ex parte* tribunals,³ so that these oversight tribunals can’t interfere with the PTO’s monetary interests of (b). The single most reasonable inference from this ongoing pattern is not helpful to an ethics regulator.

You should run a notice *forthwith* that the *Proposed CLE Guidelines* and the August 2020 amendments to 37 C.F.R. Part 11 are rescinded. If changes in recognition of attorneys and agents, or a CLE rule, are good ideas, they must be done by the book, observing all requirements of law, without disingenuously evading response to comment, and without falsehoods that evade candor with *ex parte* tribunals.

² Patent and Trademark Office, *Changes to Representation of Others Before the United States Patent and Trademark Office*, Notice of Proposed Rulemaking, 85 Fed. Reg. 45812 (Jul 30, 2020).

³ Rules—whether promulgated as regulation or as guidance are subject to at least three *ex parte* reviews by regulatory oversight agencies.

- (a) Before an NPRM and before a final rule, and agency is supposed to submit rules to the Office of Information and Regulatory Affairs (OIRA) in the Executive Office of the President for review under Executive Orders 12866 and 13771. E.O. 12866 requires agencies to be careful to regulate in the public interest, not in the agency’s self interest, and to make cost-benefit showings. E.O. 13771 is President Trump’s “two for one” executive order. There are exemptions for certain classes of rule; because false exemption claims have no direct forum for review, the PTO’s rulemaking notices have been absolutely shameless since the Toupin years in falsely claiming these exemptions.
- (b) The PRA, 44 U.S.C. § 3501 *et seq.* requires certain cost-benefit analysis in agency NPRM’s to ensure that an agency minimizes its paperwork burden, and submission to OIRA for review around the time of a Final Rule notice. The PTO has been equally disingenuous in claiming exemption. Several examples are in § V of this letter.
- (c) The RegFlex Act, 5 U.S.C. § 601 *et seq.* likewise requires cost-benefit analysis relating to small entities in NPRMs and in Final Rule notices, and submission to the Small Business Administration, Office of Advocacy.

While the public generally has the ability to file comment letters that are forwarded to OIRA and SBA-OA as part of any review *that actually occurs*, the public has no participation in a review *that the PTO evades via a false claim of an exemption*. Further, once a rule is under review, the public has little to no participation, and review is *ex parte*. For example, for a RegFlex review, the public is given no notice that a review is even under way, let alone opportunity to be heard. For E.O. 12866 review, the public can request meetings at OIRA, but the public isn’t allowed to see the rule that’s under review or the agency’s submission requesting review. Under all three, the agency and OIRA/SBA-OA regulatory reviewers may negotiate terms of the review or modifications to a rule, but the public has no insight or participation in that process, and no opportunity to be heard.

I. As published, the *Proposed CLE Guidelines* cannot lead to a sound program

Before we get into the legal problems with the October *Proposed CLE Guidelines* notice, there are four practical characteristics that guarantee failure. These four factors also disprove any analogy to state bar CLE requirements:

- (a) The August 2020 *Proposed CLE Guidelines* notice indicates that the PTO will offer CLE courses for free. Then, the *Proposed CLE Guidelines* rely on an unstated assumption that a robust market of third-party providers will emerge in parallel—even as the PTO imposes new costs, applications for OED accreditation, generating certificates, and tracking attendance for CLE credits. Those two assumptions are mutually contradictory. Very few businesses can survive, let alone emerge anew, if they're competing against a free, government competitor that siphons off a large fraction of the business. And if that government entity simultaneously increases regulatory burden, even existing of third-party CLE providers will likely drop out. No state licensing authority that I am aware of competes as aggressively with CLE vendors as the *Proposed CLE Guidelines* propose.
- (b) Unlike any state bar regulator, the PTO is self-funding by user fees from *operations*. The PTO's CLE courses will be conflicted—the course will teach how to do things in ways that reduce costs for the PTO, no matter how badly those techniques impair the value of the resulting patent. Over time, a CLE pointer that starts out expressed as advisory guidance will gradually turn into “must” in the CLE and as enforced by patent operations, for the benefit of the PTO, not the public or the patent bar. The PTO has a demonstrated record of creating this kind of financial conflict of interest. Several examples:
 - (i) The CLE offered by the Office of Patent Application Processing (OPAP) about Application Data Sheets. The operative regulation, 37 C.F.R. § 1.76, allows priority claims to be listed in any order. OPAP guidance and the CLE offered by OPAP teach the public that priority claims must be listed in reverse-chronological order. The reverse-chronological requirement stands on no authority other than the personal preference of someone in OPAP. The reverse-chronological requirement is now enforced by OPAP as if it were a valid and enforceable “rule.” This reduces costs for OPAP, and generates the \$1600 fees for late priority claims, but creating obligations on the public without the procedures of rulemaking is brazen cheating. I've petitioned it repeatedly; the Office of Petitions insists on enforcing rules that don't exist, if the petitioned issue is coupled to a \$1600 fee.
 - (ii) The SES Executive Performance Agreement for the Deputy Commissioner for Patent Examination Policy states that the first priority for both “Petitions Processing” and for “Quality and Training” is “As a fee-funded agency, the USPTO relies on user fee collections to fund patent operations”—rule of law, and performance of the Director's “duties in a fair, impartial, and equitable manner,” 35 U.S.C. § 2(a)(2)(A), are nowhere mentioned as compensation metrics. Petition decisions, including those signed by Mr. Bahr, clearly reflect those incentives.

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This history of *creating* rather than controlling financial conflicts does not reassure that the PTO will use CLE in the public interest. Unless the PTO can erect some kind of ethical wall that *completely* and *permanently* decouples the PTO's own CLE from all financial interest of patent operations, any CLE the PTO offers will be an engine of conflicts of interest. No state bar has this kind of built-in financial conflict.

- (c) The PTO's record of delivering *helpful* CLE is extremely limited. Because the PTO has no role in post-issue life of patents, the PTO has developed no expertise on the subject.
- (i) The talks I've heard over the years given by folks from the Office of Patent Legal and Administration display astonishing naïveté about what makes patents enforceable and valuable.
- (ii) When Mr. Moatz was OED Director, I heard two of his talks in New York—he opined that some feature of IDSs was required, and would be investigated by OED as an ethics issue. I knew there was no such written rule, so I asked him to identify the rule, and whether he had done the rulemaking required by the APA. I recall my shock at the dismissive view Mr. Moatz expressed for his obligations under the APA.
- (iii) I also recall Mr. Moatz' naïveté about the practical realities of how clients behave, and what's beyond a lawyer's control.
- (iv) Another example is the “memo to file” recommended in MPEP § 2004 ¶ 18—any lawyer with any understanding of the Federal Rules of Civil Procedure knows of the obligation to turn over any documents reviewed in preparation for a deposition. Once MPEP § 2004 ¶ 18 memo to file is turned over, that can metastasize into a catastrophic subject matter waiver. I have written on this in several past comment letters—why is this still here? The PTO has a demonstrated record of *not* correcting dissemination of nonsense “education.”

The PTO should not place itself in the position of the “inside track” CLE provider—it lacks the competence to do so. That's why states largely outsource CLE to experts from the private sector—I can't recall ever receiving a CLE invitation from my two state bar regulators.

- (d) As discussed in more detail below, the PTO's Federal Register notices communicate that basic principles of administrative law are not integrated into the day-to-day operational understanding of the PTO legal machinery—and that has now bled over into the Office of Enrollment and Discipline. This October 9 notice, the August 2020 Final Fee Rule notice, and the July 2020 *Changes* NPRM communicate an attitude somewhere between willfully dismissive and brazenly defiant toward the laws that govern agencies and protect the public against agency overreach.

Together, these four factors ensure that any program of CLE reporting, even a supposedly-voluntary one, is doomed to failure and illegal implementation.

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II. Legal defects in the October notice

The *Proposed CLE Guidelines* request for comment is not adequate as a substitute for a notice of proposed rulemaking for a *regulation*. Before the PTO can go forward, the PTO will have to publish a legally-proper NPRM.

A most remarkable series of facts is difficult to explain as coincidence: a regulation was attempted, blocked by adverse comment, and now the *Proposed CLE Guidelines* notice attempts to achieve the same regulatory ends, bypassing statutorily-required procedure:

- In *Setting and Adjusting Patent Fees During Fiscal Year 2020, Notice of Proposed Rulemaking*, 84 FR 37398, 37438 (Jul. 31, 2019) (the “2019 Fee NPRM”), OED proposed to require a CLE certification, with certain opt-outs. The term “registration statement” is never used. A number of comment letters raised objections. Several of the comment letters raised specific legal objections arising under the APA, PRA, RegFlex Act, and Executive Orders 12866 and 13771.
- In the August 2020 Final Fee Rule notice, OED cured none of the statutory deficiencies noted in the comment letters. OED declined *over eighty times* to answer public comments, excusing itself because no practitioner fee or CLE rule was included in the August notice. The rationale of the August 2020 Final Fee Rule notice is false: § 11.11(a) has a CLE rule on which the public commented adversely.
- The Response to comments section of the August 2020 Final Fee Rule notice, eighty times, declines to answer specific questions. In most cases, the August 2020 Final Fee Rule notice give no answer at all. When there’s some “response,” the response evades the question:

Comment 86: One commenter wrote that the USPTO must analyze costs for all patent agents and patent attorneys who do not have an existing CLE requirement that would overlap with any USPTO requirement.

Response: As noted in response to Comment 81 above, the USPTO has elected not to implement the proposed annual active patent practitioner fee at

this time. Under this Final Rule, completion of CLE remains voluntary. However, the Final Rule provides that patent practitioners who have completed six credits of CLE within the preceding 24 months may certify such completion to the OED director. The USPTO intends to issue proposed CLE guidelines, with a request for public comment on the proposed guidelines.

Note that the “response” says *nothing* responsive to the comment, giving the appearance of evasion. I located this comment,⁴ and it cites two specific laws (the PRA) and Executive Order 12866 that require cost analysis. The August 2020 Final Fee Rule notice sets out none of the cost estimates required by law, identifies no exemption from

⁴ https://www.uspto.gov/sites/default/files/documents/Comment_Seventy_Three_Patent_Practitioners_092719.pdf at page 25.

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either the statute or the Order, and offers no explanation. The single most reasonable inference is that this evasion of law is knowing and intentional.

- Likewise, another comment and response reads:

Comment 110: A few commenters stated that the annual active patent practitioner fee would disproportionately affect patent agents because they do not currently have a CLE requirement, and they would therefore incur an extra expense as compared to patent attorneys. Two of these commenters additionally stated that publication of the CLE certification status of practitioners by the OED director may be equivalent to a public shaming of those patent practitioners who do not have a state CLE requirement or who opt to pay the full fee, resulting in unfair prejudice toward those who do not certify completion of

CLE and essentially making CLE mandatory.

Response: In this Final Rule, there is no active patent practitioner fee, and thus there is no CLE discount. In addition, under the Final Rule completion of CLE remains voluntary. Separately, this rule provides for publication of a patent practitioner's CLE certification status, which is intended to encourage patent practitioners to participate in CLE and provide information to the public regarding the patent practitioner's CLE status. The USPTO also intends to provide additional free CLE courses to patent practitioners, thus alleviating the financial burden of obtaining CLE credits.

Again, there's no response to the comment, only evasion. Note that the August 2020 Final Fee Rule notice does not disagree with the observation that "public shaming" is intended to make the CLE requirement mandatory.

- Only seven weeks after the August 2020 Final Fee Rule notice, this *Proposed CLE Guidelines* notice sets out "guidelines" that have mandatory requirements and sanctions. The *Proposed CLE Guidelines* contains no "rulemaking considerations" section, and by that omission, avoids all requirements under a number of statutes and executive orders.

The single most reasonable inference is that OED found that it was blocked from proceeding by "regulation," and therefore decided to sneak the same content past various regulatory review procedures by publishing guidance. The single most reasonable inference is that OED intentionally chose to skip out on Executive Order 12866, Executive Order 13771, the PRA and its implementing Information Collection regulations (5 C.F.R. Part 1320), and the RegFlex Act, because those laws blocked the path of "regulation."

However, the legal blocks to the *Proposed CLE Guidelines* as guidance are even higher than for regulation.

First, the Patent Act only gives OED authority to regulate practitioners by *regulation*, not guidance. 35 U.S.C. § 2(b)(2)(D). The Federal Circuit recently reminded the PTO that when Congress uses the word "regulation," it requires full-dress "regulation" procedure. *Facebook, Inc. v. Windy City*, 973 F.3d 1321, 1349-50 (Fed. Cir. 2020) (you may wish to pull my *amicus* brief in the *Windy City* case, and the PTO's, and compare them to the Court's decision, and

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discern for yourself whether my understanding of administrative law or the Solicitor's is more in line with the court's).⁵

Second, OED's authority is limited to "govern the recognition and conduct ... before the Office," not outside, and to require various showings "*before*" recognition. 35 U.S.C. § 2(b)(2)(D). The statute grants OED no authority to govern outside-the-office conduct or ongoing recognition for any reason other than misconduct.

Third, a Department of Commerce regulation, 15 C.F.R. § 29.2(a), forbids Commerce component agencies from using guidance in any mandatory capacity. Whatever past questions there may have been in August 2020 about legality of the PTO imposing new requirements by guidance, those questions were resolved on September 28, 2020, 85 Fed. Reg. at 60694, when the Department of Commerce promulgated 15 C.F.R. § 29.2. 15 C.F.R. § 29.2(a) requires that if the PTO issues this rule in the form of guidance, the PTO must "indicate prominently that each guidance document does not bind the public." To issue a CLE rule—even a hortatory rule—by guidance, the PTO must "comply with Executive Orders 12866, 13563, 13609, 13771 and 13777." 15 C.F.R. § 29.2(b). Executive Orders 12866, 13562, and 13771 require cost-benefit analyses, various disclosures, and "two for one" deregulatory action or justification. By trying to submarine a substantive rule through as guidance—only 11 days after Commerce told component agencies not to do so—the *Proposed CLE Guidelines* notice not only skipped out on multiple legal obligations, but creates an impression of disregard for legal authority.

⁵ Likewise, it will be recalled that at the 2018 Federal Circuit Judicial Conference I was the invited panel moderator to help the Court understand issues of administrative law. At the Conference, Judge Plager recommended my articles as the best place for the patent bar to begin to understand the administrative law as it applies to the PTO. The Court takes my views on administrative law issues seriously—perhaps OED would find them helpful as well. The single most relevant article is *The PTAB Is Not an Article III Court, Part 3: Precedential and Informative Opinions*, 47 AIPLA Quarterly J. 1-99 (June 2019). The SSRN edition <https://ssrn.com/abstract=3258694> has updates to reflect subsequent case law. PTAB opinions are just one form of guidance, so the analysis in the article applies equally to the *Proposed CLE Guidelines*. Other articles are at <http://ssrn.com/author=2936470>.

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Fourth, under the APA⁶ and PRA (44 U.S.C. §§ 3506, 3507), an agency must genuinely respond to public comments—the agency cannot mischaracterize the public comments in order to duck its obligation to fairly answer them. In the August 2020 Final Fee Rule notice, OED evaded its obligation to respond to public comments. OED is now hoist of its own petard. By its evasive response to Comment 110, OED concedes that the “public shaming” of CLE status effectively makes the CLE requirement mandatory. Any claim that CLE is “voluntary” is both irrelevant to any of the laws in this § II of this letter, and further, barred by OED’s evasion of the legal obligation to answer comments fairly and meaningfully.

Fifth, in the past, the PTO has declined to produce a response to comments document for guidance (even though the PTO was under an obligation to do so⁷ from 2007 until 2019). Because the *Proposed CLE Guidelines* don’t qualify for any of the exemptions from notice-and-comment of 5 U.S.C. § 553(a) or (b)(A) or (b)(B), that opt-out isn’t available for the *Proposed CLE Guidelines*. OED will have to prepare a full response to comments—and should not evade fair answers the way it did in the August 2020 Final Fee Rule notice.

Sixth, the Office appears to have overlooked the PRA: even “voluntary” certifications are covered. 5 C.F.R. § 1320.3(c) (coverage includes both “reporting” and “recordkeeping,” whether “voluntary, or required to obtain or retain a benefit”); § 1320.3(c)(4)(i) (coverage extends to “any requirement contained in a rule of general applicability”); §§ 1320.10, .11, .12 (coverage extends to paperwork whether created by regulation or by guidance). The *Proposed CLE Guidelines* notice skipped the legally-required procedures.

Seventh, the PRA requires that an agency ask four specific questions to ensure that paperwork the agency proposes to collect have “practical utility” and are as low burden as can be arranged. 44 U.S.C. § 3506(c)(2)(A) and 5 C.F.R. § 1320.8(d)(1). The *Proposed CLE Guidelines* notice skipped the legally-required four questions.

⁶ *Lilliputian Systems, Inc. v. Pipeline and Hazardous Materials Safety Admin.*, 741 F.3d 1309, 1313-14 (D.C. Cir. 2014) (where comment letters point out a problem with an agency’s rule, and the agency’s response is tangential because it recharacterizes the problem rather than responding to the comment, the agency’s action is arbitrary and capricious); *Kennecott v. Environmental Protection Agency*, 780 F.2d 445, 449 (4th Cir. 1985) (“The court best acts as a check on agency decisionmaking by scrutinizing process... Whether the agency has provided notice and an opportunity to comment, and has fairly considered all significant data and comments, is the heart of the judicial inquiry.”); *Casa de Maryland, Inc. v. Wolf*, 2020 WL 5500165 at *26 (D. Md. 2020) (where comments raise a significant concern, the agency must “adequately analyze ... the consequences” of its actions. ... It cannot “brush[] aside” important facts .. or offer ‘conclusory statements’ to prove that it “consider[ed] [the relevant] priorities”); cf. *City of Vernon, Cal. v. Federal Energy Regulatory Comm’n*, 845 F.2d 1042 (D.C. Cir. 1988) (“No matter how rudimentary a claim, an agency is not entitled under the APA to respond with a *non sequitur*.”).

⁷ Executive Office of the President, *Final Bulletin for Agency Good Guidance Practices*, OMB Memorandum M-07-07 (Jan. 18, 2007), reprinted in 72 Fed. Reg. 3432 (Jan. 25, 2007).

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Eighth, any rule that purports to govern conduct outside the Office is a “substantive” rule rather than “procedural.” Any PTO action that is conditioned on a practitioner’s attendance or non-attendance of CLE is “substantive” for purposes of the APA. That triggers a number of obligations under other laws. For example, the RegFlex Act (5 U.S.C. § 603, 604) requires initial and final RegFlex analyses of effect on small entity law firms, lawyers, and agents. Obligations under several executive orders are higher for “substantive” rules than for “procedural.” The *Proposed CLE Guidelines* notice skipped out on these legal obligation.

Ninth, the *Proposed CLE Guidelines* are “significant” under Executive Order 12866: if a rule gives OED authority to discipline a practitioner up to and including loss of livelihood, the rule doesn’t qualify as “not significant.” The Department of Commerce requires that any “significant” rule in guidance be reviewed by the Office of Information and Regulatory Affairs for compliance with Executive Order 12866. 15 C.F.R. § 29.2(c)(1)(iii). Executive Order 12866 § 1(b)(5) requires an agency “shall consider incentives for innovation, ... costs of enforcement and compliance (to the government, regulated entities, and the public.” Neither the August 2020 Final Fee Rule notice or nor the October Request for Comment indicate that the PTO did either. The only mentions of Executive Order 12866 are statements that the PTO declines to observe its requirements. Responses 85, 126, and 137, 85 Fed. Reg. at 46961, col. 1, and 45697, col. 1. The silence in the *Proposed CLE Guidelines* speaks loudly of the level of respect for the rule of law that motivated it.

Tenth, the *Proposed CLE Guidelines* require disclosure to OIRA, and a “two for one” justification under Executive Order 13771.

III. The August 2020 amendment to § 11.11(a) is insufficient to support the *CLE Guidelines* as implementing guidance

The *Proposed CLE Guidelines* claims authority under 37 C.F.R. § 11.11(a)(2). 85 Fed. reg. 64128. 37 C.F.R. § 11.11(a)(2) has not been lawfully promulgated, and cannot serve as support for the *Proposed CLE Guidelines* as implementing guidance:

- § 11.11(a)(2) was (in August 2020) a new “collection of information” covered by the PRA, 44 U.S.C. § 3502(c), § 3506(c); 5 C.F.R. § 1320.3(c), especially § 1320.3(c)(4)(i) and (ii), and thus required publication, comment, analysis, and the four questions required by statute. 44 U.S.C. § 3506(c)(2)(A); 5 C.F.R. § 1320.8(d)(1). Neither the July 2019 NPRM nor the August 2020 Final Fee Rule notice observe the requirements of the PRA. In fact, the Final Rule states that the PTO specifically elected *not* to do so. Responses 130 and 135, 85 Fed. Reg. at 46966, col. 1 and 3. OED hasn’t broken this law yet, but will do so the first time it acts pursuant to § 11.11(a)(2).

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- In the July 2019 Proposed Rule, the PTO claimed to have existing approvals for its CLE rules. That was a falsehood—the OMB web site⁸ showed that no such filings had been made as of July 2019. In the August 2020 Final Fee Rule notice, the PTO again claimed to have existing approvals for § 11.11(a)(2), and that other “information collections as a result of this Final Rule have been submitted to the OMB” OMB’s web site shows that both claims are false—no such filings were made, let alone approved.⁹ In the August 2020 Final Fee Rule notice, the PTO claimed that any new information collection had been submitted as “as nonsubstantive change requests.” A new collection of information that requires *new* paperwork is not eligible for clearance as a “nonsubstantive change request.” It’s ironic that an ethics regulator would lie three times in order to evade an obligation of candor to an *ex parte* tribunal.
- The regulatory effect of § 11.11(a), governing out-of-agency conduct, is “substantive.” Both the July 2019 NPRM nor the August 2020 Final Fee Rule omit procedural steps required for “substantive” rules. Without those procedures, § 11.11(a) is invalid, and cannot be a launch point for the *Proposed CLE Guidelines*.
- Neither the July 2019 NPRM nor the August 2020 Final Fee Rule notice includes a RegFlex analysis with respect to any rule governing small entity practitioners, 85 Fed. Reg. at 46979, in violation of the RegFlex Act, 5 U.S.C. §§ 603, 604. In fact, the PTO specifically *declined* to do so. 85 Fed. Reg. at 46979, col. 3. The RegFlex Act is administered on an *ex parte* basis by the Small Business Administration. Failure of candor toward an *ex parte* tribunal *in an ethics rulemaking* is striking.
- Executive Order 12866 required the PTO to identify a specific and necessary “compelling public need, such as material failures of private markets to protect or improve ... the well-being of the American people” E.O. 12866 §§ 1(a), 1(b)(1). Executive Order 13771 required a cost-benefit analysis, and a two-for-one deregulatory action. The PTO expressly declined to consider any of the regulatory principles of Executive Orders 12866, 13563, or 13771. Responses 85, 126, and 137, 85 Fed. Reg. at 46961, col. 1, and 45697, col. 1. After the August 2020 Final Fee Rule notice, the Department of Commerce tightened up requirements for component agencies’ rulemaking. 85 Fed. Reg. 55235 (Oct. 15, 2020). Whatever path the PTO’s legal machinery may have mapped for the *Proposed CLE Guidelines* in August 2020, those paths are not open now.
- The Supreme Court warned agencies that it’s inappropriate to “promulgate vague and open-ended regulations that they can later interpret as they see fit.” *Christopher v SmithKline Beecham Corp.*, 567 U.S. 142, 158 (2012). Agencies can’t use guidance to rewrite or gap-fill their regulations. *Christensen v. Harris Cty.*, 529 U.S. 576, 588 (2000). *Appalachian Power Co. v EPA*, 208 F.3d 1015, 1020 (D.C. Cir. 2000) explained at further length:

⁸ <https://www.reginfo.gov/public/do/PRAOMBHistory?ombControlNumber=0651-0012>.

⁹ <https://www.reginfo.gov/public/do/PRAOMBHistory?ombControlNumber=0651-0012>

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The phenomenon we see in this case is familiar. Congress passes a broadly worded statute. The agency follows with regulations containing broad language, open-ended phrases, ambiguous standards and the like. Then as years pass, the agency issues circulars or guidance or memoranda, explaining, interpreting, defining and often expanding the commands in the regulations. One guidance document may yield another and then another and so on. Several words in a regulation may spawn hundreds of pages of text as the agency offers more and more detail regarding what its regulations demand of regulated entities. Law is made, without notice and comment, without public participation, and without publication in the Federal Register or the Code of Federal Regulations.

Appalachian Power then goes through several consequences of an agency's attempt to act by creeping guidance, and decides adversely to the agency on all of them.

The law is clear: to add or change rules that create obligations or burdens on the public, an agency must act by *regulation*. This effort to add new obligations on the public by sneaking guidance under the statutory radar will not be enforceable, and does not reflect well on an ethics regulator.

IV. Legal defects in the July 31 *Changes to Representation of Others* notice

The evasion of law extends back to *Changes to Representation of Others Before the United States Patent and Trademark Office*, 85 Fed. Reg. 45812 (Jul. 30, 2020). The July 2020 *Changes* NPRM has many of the same errors—almost all directed to evading work and candor to *ex parte* tribunals:

- In the *Administrative Procedure Act* section, 85 Fed. Reg. 45817, OED claims “The changes in this rulemaking involve rules of agency practice and procedure....” This is a falsehood. For example, the revocation of § 11.11(g) appears to be a new grant of substantive authority to the OED Director, and it is “interpretative” of no underlying statute or regulation. The new fee of §§ 1.21(a)(1), 11.7(b), and 11.9(e) is likewise substantive, and not “interpretative” of any existing statute or regulation. The claim that the August 2020 Final Fee Rule covers only “rules of agency practice” is a falsification. The only rationale I can see is to evade work required by rulemaking statutes, and evade candor to *ex parte* regulatory review tribunals.
- In the *Administrative Procedure Act* section, 85 Fed. Reg. 45817, OED claims “The changes in this rulemaking involve ... interpretive rules.” It’s not clear why the PTO would invoke the definition of “interpretive” from *Perez v. Mortgage Bankers Ass’n*, 575 U.S. 92 (2015)—the sentence *immediately following* the one quoted in the Federal Register reads that “[The] convenience [of invoking the “interpretive” exemption from notice and comment] comes at a price: Interpretive rules ‘do not have the force and effect of law and are not accorded that weight in the adjudicatory process.’” What rationale is there for conceding that the agency’s rules “do not have force of law?” The only rationale I can see is that this statement evades work, and evades *ex parte* regulatory review that a truthful representation would require.

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- The claim that “This rulemaking has been determined to be not significant for purposes of E.O. 12866.” 85 Fed. Reg. 45818. By whom? “Not significant” is reserved for rules with no significant effect—if the July NPRM were limited to typo corrections and the like, the “not significant” designation would be sound. But adding § 11.11(g) gives OED the authority to end careers. That qualifies the rule as “significant.” The only observable reason for OED to misdesignate the rule as “not significant” is to evade work required by Executive Orders 12866 and 13771, evade oversight by OIRA, and to evade the “two for one” justification that would be required if the rule were characterized honestly.
- The *Paperwork Reduction Act* discussion (85 Fed. Reg. 45818-19) fails to consider the several new collections of information and associated fees in the July 2020 *Changes* NPRM, and omits a number of the requirements of the Act. The omissions seem to be directed to only two goals: evading work required by statute, and evading candor to OIRA in its *ex parte* role of oversight over paperwork burden.

V. Other examples of the pattern

A number of other examples of the PTO evading the law are not directly relevant to this rulemaking, but *are* relevant to show a pattern of disregarding the administrative law.

During the last week of December, I noticed that several of the PTO’s patent forms bore the legend “Approved for use through 12/31/2020. OMB 0651-0031.” I went to check OMB’s web site, and confirmed that OMB Control number 0651-0031 had expired on November 30, 2020. Someone in the Office of Patent Legal Administration or in the Office of General Counsel, probably a lawyer, had falsely updated the PTO’s forms, to cover up a lapse in the PTO’s power enforce its rules and collect its fees.

As a second example, I’ve attached an article I wrote about two years ago about a pattern of falsehoods made in Federal Register notices for a PTAB rule, *Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board*, 83 Fed. Reg. 21221 (May 9, 2018) and 83 Fed. Reg. 51340 (Oct. 11, 2018). If a law requires doing work, asking questions of the public to ensure that a rule will operate as intended, and making filings to obtain oversight by *ex parte* tribunals, the PTO’s practice is to state falsehoods to evade that work, filing, and oversight.

As a third example, the Federal Circuit has repeatedly rebuked the PTAB for attempting to end-run the Administrative Procedure Act by conducting rulemaking through precedential decision. The two most recent instances were on March 18 and September 4, 2020, in *Facebook, Inc. v. Windy City Innovations, LLC*, [953 F.3d 1313](#), 1343 (Fed. Cir. 2020) (additional views of unanimous panel), *reaff’d on reh’g* [973 F.3d 1321](#), 1353 (Sep. 4, 2020), in which the court reminded the PTAB that it lacks rulemaking authority, and that therefore PTAB precedential decisions are not entitled to force of law (under *Chevron* or any other principle of law). In 2017, in *Aqua Products v. Matal*, [872 F.3d 1290](#), 1339 (Fed. Cir. 2017), nine judges reached the issue of the PTAB’s rulemaking authority, and seven agreed that “The Patent Office cannot effect an

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end-run around its congressionally delegated authority by conducting rulemaking through adjudication without undertaking the process of promulgating a regulation.” Since *Aqua Products*, the PTAB has done exactly what was forbidden over thirty times. Since *Windy City* in March 2020, the PTAB has designated *ten* additional decisions precedential. Between the *Ordinary Meaning* rule and the PTAB’s “precedential opinion” practice, it’s not clear that the PTAB recognizes that the APA’s rulemaking provisions apply.

As a fourth example, the Administrative Conference of the United States issued recommendations¹⁰ in August 2019 (that is, over a year ago):

1. An agency should not use an interpretive rule to create a standard independent of the statute or legislative rule it interprets. That is, noncompliance with an interpretive rule should not form an independent basis for action in matters that determine the rights and obligations of any member of the public.
2. An agency should afford members of the public a fair opportunity to argue for modification, rescission, or waiver of an interpretive rule. ...
4. An agency should prominently state, in the text of an interpretive rule or elsewhere, that the rule expresses the agency’s current interpretation of the law but that a member of the public will, upon proper request, be accorded a fair opportunity to seek modification, rescission, or waiver of the rule.

An ACUS recommendation is somewhat analogous to an ALI-ABA restatement—it doesn’t carry force of law on its own, but it’s extremely influential with courts (Justice Scalia served a term as chairman). A year after its issue, no evidence of internalization of these ACUS recommendations is visible in the PTO’s behavior. In fact, the *Proposed CLE Guidelines* is a direct clash.

VI. Conclusion

Rulemaking law can be complex. To assist the PTO, when the PTO asked for comment on its rulemaking processes in 2011, I collected all the relevant law and reduced it to a simple multi-step timeline in a comment letter.¹¹ The PTO can’t claim to be ignorant. And yet here we are, with a rulemaking that gives every impression of being an intentional effort to evade the law. Isolated mistakes, especially those that could be subject to different views among reasonable people, would be one thing. In contrast, a pattern of multiple omissions under black-and-white law, false representations of black-and-white fact, and an obvious dodge by attempting to

¹⁰ Administrative Conference of the United States, *Adoption of Recommendations*, 84 Fed. Reg. 38927 (Aug. 8, 2019), <https://www.govinfo.gov/content/pkg/FR-2019-08-08/pdf/2019-16946.pdf>

¹¹ David Boundy, *Improving Regulation and Regulatory Review* (Docket No.: PTO-C-2011-0017), 76 Fed. Reg. 15891 (March 22, 2011), <https://www.uspto.gov/sites/default/files/documents/boundy23may2011.pdf> at pages 6- 13 (May 23, 2011)

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promulgate a legislative rule as subregulatory guidance, all uniformly directed to evasion of obligations of fair response to comment, evasions of obligations of filings and candor to *ex parte* tribunals, and only *days* after Commerce told the PTO not to, could well lead a reasonable person to infer that the PTO—and OED specifically—has adopted an intentional policy of omission, evasion and falsehood. The PTO's pattern has been when a fork that requires a choice between following the law, giving the public a meaningful opportunity to comment with an honest response-to-comment, and exposing a PTO action to oversight, with the hard work those choices entail, vs. omission and falsehood, the PTO's pattern is the latter. Over and over and over again. Very likely, the initial decisions originated with a lawyer (very likely the person or persons that would have to do the work), and with Patent Legal Administration (because they have obligations to make budget). But OED signed off on this one, and it's OED's reputation for lawfulness and integrity that's on the line.

For these reasons, the *Proposed Guidelines*, the August 2020 amendments to 37 C.F.R. Part 11, and the July 2020 *Changes NPRM* need to go back to square one. OED should promptly run a Federal Register notice that the July 2020 amendments are rescinded, and that the *Proposed Guidelines* and July 2020 *Changes NPRM* will not go final. Before the PTO acts in this area, a number of functions need to be reorganized to remove financial conflicts. The Office of Enrollment and Discipline should turn its investigative spotlight on the PTO itself, and should implement reforms. Individuals that don't want to do the work that statute assigns to them, individuals that think legal obligations are needless nuisance, and lawyers that sign off on non-lawyers' work without careful review, should be given an opportunity to seek other employment. These internal reforms should be completed before the PTO seeks to expand its regulatory reach over ethics of practitioners.

I'm happy to discuss any of this with you. I'm at (646) 472-9737.

Very truly yours,

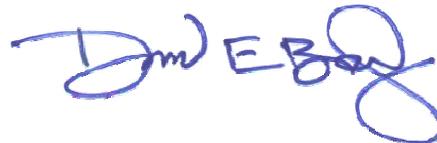


Exhibit A

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Attorneys react to Teva's high court win in 'secret' patent sale case

By Patrick H.J. Hughes

The U.S. Supreme Court has sided with Teva Pharmaceuticals in finding that a sale, even if done in secret, can bar a patent application, and attorneys say this means patent applicants should file early and take certain precautions.

SUPREME COURT

Copyright registration debate filled with 'practical' concerns, attorneys say

By Patrick H.J. Hughes

Two media companies argued over practical matters and statutory construction before the U.S. Supreme Court, which is deciding whether the U.S. Copyright Office must issue a registration certificate before a copyright suit can be filed.



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Director: Nadia Abadir

Editor:

Patrick H.J. Hughes
Patrick.Hughes1@thomsonreuters.com

Desk Editors:

Jennifer McCreary, Elena Neuzil,
Maggie Tacheny

Graphic Designers:

Nancy A. Dubin, Ramona Hunter

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An administrative law view of the PTAB’s ‘ordinary meaning’ rule

By David Boundy, Esq.
Cambridge Technology Law

The Patent and Trademark Office recently changed its claim construction rule from a “broadest reasonable interpretation” standard to an “ordinary meaning” standard.

The decision raises a number of issues under the Administrative Procedure Act and other authorities that govern rulemaking.

Just like any other federal agency rule, the ordinary-meaning rule is governed by various measures, including statutes, executive orders and implementing directives issued by various parts of the executive branch.

These measures are intended to guide and assist agencies toward genuine reasoned decision-making that is informed by various public interests.

When an agency neglects these laws public interest concerns get less consideration than Congress intended, public confidence in the agency’s commitment to the rule of law is eroded and the rule becomes vulnerable to being invalidated on judicial review.

The May 2018 ordinary-meaning notice of proposed rulemaking,¹ or NPRM, and the October final rule notice² contain many “anomalies” that suggest neglect and raise invalidity concerns.

‘SUBSTANTIVE’ (NOT ‘PROCEDURAL’), ‘LEGISLATIVE’ (NOT ‘INTERPRETATIVE’)

Basic taxonomy of rules under the APA

The APA sets out the key taxonomy of “rules”— legislative versus interpretative, substantive versus procedural and public-facing versus agency-facing.

These are three entirely separate, well-defined and mutually orthogonal concepts.

At the March 2018 Federal Circuit Judicial Conference, U.S. Circuit Judge S. Jay Plager recommended that the entire patent bar would do well to gain a better understanding of the administrative law, and that an earlier article of mine³ is a good place to begin.



David Boundy is a partner at **Cambridge Technology Law** in Boston. He practices at the intersection of patent and administrative law, has been responsible for quashing several Patent and Trademark Office rulemakings over the last decade, and now consults with other firms on court and administrative agency proceedings, including PTAB trials and appeals. In 2018 the U.S. Court of Appeals for the Federal Circuit asked him to lead a panel of eminent administrative law academics

and the president’s chief regulatory oversight officer in a program at the court’s judicial conference on administrative law issues. He can be reached at DBoundy@CambridgeTechLaw.com.

The centerpiece of my article is the following table, which shows the relationship of the “legislative versus interpretative” axis as four columns, and the “substantive versus procedural” axis in two rows:

		← greater procedure, greater binding effect		less procedure, less binding effect →	
		legislative rules and Chevron gap-fills	Chevron/Auer interpretations	interpretative rules	policy statements
substantive	public-facing substantive legislative or Chevron gap fill	A gap-filling regulation that sets the substantive claim interpretation standard to either “broadest reasonable interpretation” or to “ordinary meaning,” or any allocation of the burden of proof—if the statute is silent, such rules must be promulgated by “legislative” regulation if within the rule making grant of §§ 316(a)/326(a), and are invalid if under § 2(b)(2).	Most of the IRS’ “3 part tests” that, by regulation, give specific definitions for general terms in the Internal Revenue Code—for example, the IRS’ definition of the statutory term “student” that excludes medical residents	MPEP § 201.22(D)(B), which interprets 35 U.S.C.A. § 120 to permit filing of a continuation application on the day that the patent issues. The elaboration of the CREATE Act in MPEP § 706.02(I).	37 C.F.R. § 1.75(e), stating that patent claims “should” be in a format that eases the Patent Office’s examination. PTO’s policy to accept an attorney’s statement to establish common ownership to gain benefit of pre-AIA § 103(c) or post-AIA § 102(c), but leaving discretion for deeper inquiry
	procedural	procedural legislative or Chevron gap fill	Most of the familiar regulations by which agencies specify procedures before the agency, e.g., 37 C.F.R. Part 1 governing patent applications	37 C.F.R. § 1.7, defining the term “days” as used in the Patent Act as “calendar days”	Elaboration of agency procedural statutes and regulations in guidance—public-facing statements in agency staff manuals offering interpretations of agency procedural rules. E.g., MPEP § 607.02 interpreting refund provisions of 35 U.S.C.A. § 42.

The discussion in the Federal Register notices

Both the NPRM and the final rule state essentially the same analysis under the APA:

Administrative Procedure Act (APA): This final rule revises the rules relating to office trial practice for IPR, PGR and CBM proceedings. The changes set forth in this final rule will not change the substantive criteria of patentability. These rule changes involve rules of agency procedure and interpretation. See *Perez v. Mortg. Bankers Ass’n*, 135 S. Ct. 1199, 1204 (2015). (Interpretive rules “advise the public of the agency’s construction of the statutes and rules which it administers.”)

Accordingly, prior notice and opportunity for public comment are not required pursuant to 5 U.S.C.A. § 553(b) or (c) (or any other law). ...

The office, nevertheless, published the notice of proposed rulemaking for comment as it sought the benefit of the public’s views.⁴

The final rule notice accurately states that 5 U.S.C.A. § 553, the APA’s rulemaking statute, sets a default: In the absence of other law, “procedural” rules and “interpretative” rules are exempt from notice-and-comment rulemaking.

But the notice errs in three ways: (a) this rule is “substantive,” not “procedural,” (b) the rule is ineligible for the “interpretative” exemption,

and (c) notice and comment is required under “other law,” specifically the Patent Act and Paperwork Reduction Act.

Procedural vs. substantive

The NPRM and the final rule claim that the rule is “procedural,” and support that conclusion with the statement “this final rule will not change the substantive criteria of patentability.”

Elsewhere in the notice, the PTO acknowledges the obvious — that the whole point of the rule is exactly to change substantive criteria of patentability.

For example, the notice says “the office has determined that the same claim construction standard should apply to both a patentability determination at the PTAB and determinations in federal court on issues related to infringement or invalidity.”⁵

Interpretative vs. legislative

The NPRM and the final rule notice claim the “interpretative” exemption. This claim is odd in two respects.

First, to qualify for the “interpretative” exemption, a rule must “interpret.”

There must (a) be an underlying statute or regulation that itself has the force of law, (b) that law must have some tangible meaning, though with some “active” ambiguity (an ambiguous term, a general term, or a direct clash with another provision — not a passive silence, or empty or vague language like “fair and equitable” or “in the public interest”), and (c) the agency’s “interpretative rule” must only interpret that ambiguity, without adding new content beyond the “fair intendment” of the words of the underlying law.⁶

In the final rule notice, the PTO concedes that “there is no statute applicable to either the PTAB or federal courts that requires any different standards... for claim construction.”⁷

Therefore, by the PTO’s own admission, there’s no ambiguity to interpret. Thus, the “interpretative” exemption does not apply.

Second, the Supreme Court in *Perez*, in the two sentences immediately following the one quoted in the Federal Register, states that when an agency exercises the “interpretative” exemption from notice-and-comment, by that choice, the agency surrenders much of the power to enforce the rule:

The absence of a notice-and-comment obligation makes the process of issuing

interpretive rules comparatively easier for agencies than issuing legislative rules. But that convenience comes at a price: Interpretive rules do not have the force and effect of law and are not accorded that weight in the adjudicatory process.⁸

I am unaware of any upside for the PTO to assert that its “ordinary meaning” rule does not have force of law or is ineligible for *Chevron* deference. Nor can I see upside in citing Supreme Court authority for those two propositions.

Nonetheless, that’s what the PTO did.

PTO must act by ‘regulation’ and can’t dispense with notice and comment

Sections 316(a) and 326(a) of the Patent Act, 35 U.S.C.A. §§ 316(a) and 326(a), require that “[t]he Director shall prescribe regulations” to act in this area.

The PTO derives no benefit from underestimating the economic effect of its rules, other than the reduced staff time that any sound analysis takes.

As U.S. Circuit Judge Kimberly Ann Moore pointed out in her concurring opinion in *Aqua Products Inc. v. Matal*, 872 F.3d 1290 (Fed. Cir. 2017), these statutes mean what they say — “regulations.” A “regulation” requires notice and comment.⁹

Likewise, the PRA requires agencies to follow certain procedures, including notice and comment, whenever they change the rules that govern papers to be submitted.¹⁰

But the PTO gathered notice and comment...

After playing fast and loose on whether it was required to seek notice and comment, the PTO went ahead and did so anyway. Didn’t that cure the problem? No harm no foul?

Well, not so fast.

The characterization as “procedural” versus “substantive” has consequences that ripple downstream through the rulemaking process.

The Regulatory Flexibility Act, the statute that requires agencies to analyze and minimize economic effect on small entities, applies differently to “substantive” rules than to “procedural” rules.

The Small Business Administration Office of Advocacy, or SBA Advocacy, enforces the RegFlex Act. It acts largely ex parte with only

minimal public participation, and it makes decisions without a written statement of reasons.

There will never be any way for the public to know whether the “ordinary meaning” rule was reviewed under the “substantive” standard that the “ordinary meaning” rule certainly deserved, or under the “procedural” standard that the PTO falsely represented to an ex parte tribunal.

***Aqua Products* redux?**

Strikingly, a false claim of “procedural” had been the undoing of another Patent Trial and Appeal Board rule only six months before.

In *Aqua Products* the U.S. Court of Appeals for the Federal Circuit invalidated a PTAB rule.

The court’s starting point was the PTAB’s claim that that the rule was “procedural” when it clearly wasn’t.

Though the court did not invalidate the rule specifically on that basis, the false characterization was the incongruity that drew the court’s skeptical attention and started it on its own sua sponte research through the record (there was essentially nothing in the party briefs).

The court unraveled the rule bit by bit, and at the end, the rule was deemed invalid because the PTO had “end-run around [the APA].”

It’s not clear why the PTO has been hesitant to implement the lessons of *Aqua Products* by firming up its rulemaking processes.

EXECUTIVE ORDER 12866

Executive Order 12866 requires agencies to allow the Office of Information and Regulatory Affairs, or OIRA (part of the president’s Office of Management and Budget), to review all rules, to ensure that rules advance the public interest.

Executive Order 12866 divides all rules into three tiers: “not significant” (rules that have essentially no economic effect), “economically significant” (“likely to result in ... 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”), and “significant” (everything in between).

The classification determines the level of scrutiny that the OIRA gives the rule. Further, for an economically significant rule, an agency must conduct a “Regulatory Impact Analysis.”

This requirement is in place to ensure that the agency studies needs, effects and alternatives. It is further intended to ensure that the agency understands what it’s regulating, explores a range of alternatives so it can choose wisely, and understands its regulation to reduce the chance of unintended consequences.

The “ordinary meaning” rule almost certainly will “have an annual effect on the economy of \$100 million or more,” meeting the “economically significant” requirement.

It is intended to change the outcome for many dozens of patent litigations per year.

Large tech companies submitted comment letters showing that, at least from their perspectives, the rule will “adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs.”

Moreover, the distributive impacts between various private sector actors are almost certainly billions of dollars.

This is clearly an “economically significant” rule.

The NPRM “Costs and Benefits” section reads:

This rulemaking is not economically significant, and is not significant, under Executive Order 12866 (Sept. 30, 1993), as amended by Executive Order 13258 (Feb. 26, 2002) and Executive Order 13422 (Jan. 18, 2007).¹¹

This paragraph is remarkable in two respects:

- Executive Orders 13258 and 13422 were revoked in 2009. Citing them in 2018 is curious.
- The designation “not economically significant” is plainly false.

The PTO has a long history of lowballing. For example, in 2006, the reason that the “continuations” rule and the “claims” rule were separated into two separate NPRMs is that by splitting them, the PTO could claim that each half was below \$100 million in economic effect.¹²

With respect to the information disclosure statement rule, in which the PTO proposed the “examination support document,”

the PTO asserted that the rule was “not significant” — that is, that its economic effect would be essentially zero.¹³ In fact, public comments had estimated the costs to be in the billions.

The 2012 PTAB rule and 2013 first-to-file rules were classified as only “significant” (that is, the PTO represented to the OIRA that PTAB trials and first-to-file would have economic effect of less than \$100 million annually).¹⁴

The PTO derives no benefit from underestimating the economic effect of its rules, other than the reduced staff time that any sound analysis takes.

The OIRA does not penalize agencies for telling the truth — costs are what they are.

Deeper and more careful analysis allows agencies to gain more insight and avoid dumb mistakes.

To be sure, an “economically significant” rule requires an agency to expend time and resources to consider alternatives, make sound choices and explain that its regulatory choices are in the public interest.

The biggest risk for the PTO that I know of is that a proper analysis might show that a rule is a bad idea, and ought to be reconsidered in whole or in part.

THE PAPERWORK REDUCTION ACT

The PRA¹⁵ requires agencies to seek public input and analyze all new rules and rule changes to determine that the proposed rule is the least burdensome of available options.

The PTO exempted itself from the required analysis by explaining that “the overall cost burden on respondents is not expected to change.”¹⁶

That exemption is not in the statute, which requires the agency to follow procedure for any change.¹⁷

The statute requires an agency to submit a burden analysis to the OIRA for every new or changed rule.

The only carve-out is for emergencies; there is no carve-out for what the agency “believes” or “expects.”

How can the PTO know whether “ordinary meaning” briefing is no more burdensome than “broadest reasonable interpretation” if it declined to undertake the analysis required by statute?

On what basis does the PTO disagree with the lawyers who actually write both kinds of briefs and have explained why an “ordinary meaning” brief is much more intricate and time-consuming than a “broadest reasonable interpretation” brief?

The PTO did not respond to those questions.

The statute¹⁸ requires an agency to ask four questions in every NPRM to ensure that its rule is doing the right thing, in the right way, and at the lowest burden to the public.

Simplest thing in the world — just block copy language from the statute into the NPRM, and change a few pronouns and a little punctuation.

The PTO didn’t.

If the PTO didn’t ask the relevant questions, what confidence can anyone have in the PTO’s “expected” answers?

What does this omission communicate to the public about whether the PTO cares about doing the right thing, the right way, at the lowest burden to the public?

WHAT ARE THE CONSEQUENCES?

Virtuous ends don’t justify nonstatutory means, especially for a rule whose intended economic effect is in the multiple hundreds of millions of dollars per year.

In *Aqua Products*, after the court detected anomalous procedure, issues that agencies normally win started falling the other way, and the court ended up invalidating the rule at issue.

If the PTO wants the ordinary-meaning rule to have a longer life than the *Aqua Products* amendment rule, it’s not clear what goal is served by a rulemaking record of similar procedural shortcutting.

For parties before the PTAB, some of the procedural anomalies in the ordinary-meaning rule support easy judicial review and vacatur of adverse judgments by the PTAB, but some plainly don’t.

Some present opportunities that can be exploited by counsel with a sophisticated grasp of administrative law.

For example, some rulemaking laws facially limit judicial review. But when courts have been asked to consider an agency’s noncompliance with those laws, courts have invalidated or stayed rules when the agency failed to create even a pretense of compliance.

Sound process and precision are essential for the PTO to fulfill its mission — as essential as they are to running a major law firm or to engineering airplanes that stay in the air.

Reforming the PTO's commitment to process and precision, including the implementation of a sound rulemaking process, could be a transformative and permanent legacy.

How did the errors identified in this commentary evade detection during review of a final rule — a rule governing the multibillion-dollar proceedings of the PTAB, which I assume is one of the most formal, lawyer-intensive and multi-signoff activities in the office?

Are these isolated occurrences, or (if the solicitor made the same error at page 56 of the solicitor's June 2017 red brief in *Hyatt v. PTO*, appeal 17-1722, brief of PTO of June 12, 2017.) is it symptomatic of deeper problems, requiring systematic reform of the PTO's legal culture?

Fortunately, diagnoses, solutions and process reforms are ready to hand.

In 2011 the PTO requested comment on its compliance with rulemaking law and how it could improve its rulemaking processes to better align with the public interest.

Letters¹⁹ from Richard Belzer (an economist who had spent a decade in the OIRA assisting agencies to comply with their legal obligations) and from me give particularly helpful insight, a diagnosis and a treatment plan.

The PTO's inaction on these (and similar letters in response to similar calls for comment) leaves the suggestions in these letters ripe for action.

In addition, the PTO should establish a compliance department in the style of departments that perform compliance functions for private companies.

A compliance function requires two things: deep expertise in the relevant law and sufficient power to ensure that the client operates within that law.

A compliance officer should review public rulemaking notices and submissions to the regulatory review tribunal, such as the OIRA and SBA Advocacy (especially when their review is *ex parte*), under the administrative law and Professional Responsibility Rule 3.3, which is titled "Candor Toward the Tribunal."

The newly brewing "motion to amend" rule²⁰ could be a great opportunity to turn over a new leaf.

The PTO could demonstrate a new commitment to the rule of law and use the motion to amend rulemaking as a platform to cure many of the deficits in the ordinary-meaning rule. [WJ](#)

NOTES

¹ Patent and Trademark Office, *Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board*, Notice of Proposed Rulemaking, 83 Fed. Reg. 21221 (May 9, 2018).

² Patent and Trademark Office, *Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board*, Final Rule, 83 Fed. Reg. 51340, 51357 col. 2 (Oct. 11, 2018).

³ David Boundy, *The PTAB is Not an Article III Court, Part 1: A Primer on Federal Agency Rule Making*, ABA LANDSLIDE 10:2 (Nov.-Dec. 2017).

⁴ Final Rule, note 2 *supra*, 83 Fed. Reg. 51340.

⁵ *Id.*

⁶ *National Latino Media Coalition v. FCC*, 816 F.2d 785, 788–89 (D.C. Cir. 1987); Robert A. Anthony, *Interpretive Rules, Policy Statements, Guidances, Manuals, And The Like — Should Federal Agencies Use Them To Bind The Public?*, 41 DUKE L.J. 1311 (Jun. 1992). The 'interpretative' exemption is explained in deeper detail in David Boundy, *The PTAB is Not an Article III Court, Part 3: Precedential and Informative Decisions*, § II(D) at 13-15, forthcoming in AIPLA QUARTERLY JOURNAL, available at <https://bit.ly/2MoTrow>.

⁷ Final Rule, note 2 *supra*, Response to Question 5, 83 Fed. Reg. 51340.

⁸ *Perez v. Mortgage Bankers Ass'n*, 135 S. Ct. 1199 (2015).

⁹ *Boundy*, Part 1, note 3 *supra* at 51-52; Part 3, note 6 *supra*, § II(B)(1).

¹⁰ 5 C.F.R. § 1320.3(c)(1), (c)(4)(i) (scope of coverage is any "rule or regulation," any "requirement contained in a rule of general applicability"); 44 U.S.C.A. § 3506(c)(2)(A) (60-day comment period for any change in information to be collected by the agency, not only those that increase burden).

¹¹ NPRM, 83 FED. REG. 21221.

¹² In other contemporaneous documents, the PTO acknowledged that the cost to the public would exceed \$1 billion per year. <https://bit.ly/2FikM4z>.

¹³ Patent and Trademark Office, *Changes To Information Disclosure Statement Requirements and Other Related Matters*, 71 Fed. Reg. 38808 (Jul 10, 2006). See analysis at <https://bit.ly/2CDN7oN>.

¹⁴ Patent and Trademark Office, *Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, Notice of Proposed Rulemaking*, 77 Fed. Reg. 6879 (Feb 9, 2012); *Changes To Implement the First Inventor To File Provisions of the Leahy-Smith America Invents Act, Notice of Proposed Rulemaking*, 77 Fed. Reg. 43742 (July 26, 2012).

¹⁵ 44 U.S.C.A. § 3501 and implementing regulations at 5 C.F.R. Part 1320.

¹⁶ Final Rule, note 2 *supra*, 83 Fed. Reg. 51340.

¹⁷ 44 U.S.C.A. § 3506(c)(2); see also 5 C.F.R. § 1320.9.

¹⁸ 44 U.S.C.A. § 3506(c)(2)(A).

¹⁹ <https://bit.ly/2R7S3Y3>.

²⁰ Patent and Trademark Office, *Request for Comments on Motion To Amend Practice and Procedures in Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board*, 83 Fed. Reg. 54319 (Oct. 29, 2018).