

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re: )  
PTO Docket No.: PTO-P-2009-0021 )  
)  
For: **Comments on Proposed Rules of** )  
**Practice Before the Board of Patent** )  
**Appeals and Interferences in Ex Parte** )  
**Appeals** )  
)  
74 Fed. Reg. 67987 )  
(December 22, 2009) )

**Comments on Proposed Rules of Practice Before the Board of Patent  
Appeals and Interferences in Ex Parte Appeals**

The Honorable David J. Kappos  
Under Secretary of Commerce for Intellectual Property  
and Director of the United States Patent and Trademark Office (USPTO)  
Mail Stop Interference  
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Dear Under Secretary Kappos:

Intellectual Ventures (IV) submits the following comments in response to the USPTO request contained in its notice of proposed rulemaking, 74 Fed. Reg. 244 (December 22, 2009). We appreciate the opportunity to comment.

Intellectual Ventures is in business to create and invest in innovation. Intellectual Ventures works with internal and external inventors – some of the brightest minds of today’s inventive society – to create new inventions.<sup>1</sup> We also build upon our inventions by licensing and acquiring intellectual property from industrial, government, and academic partnerships. We rely upon a strong patent system to protect the innovation that our company fosters. As one of the top 50 patent application filers in the world, we also rely on a patent examination system that emphasizes quality and efficiency, and minimizes cost. For more information about the business model and work of Intellectual Ventures, please visit our website:

<http://www.intellectualventures.com/about.aspx> .

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1. For a list of senior inventors at Intellectual Ventures, see <http://www.intellectualventures.com/inventors.aspx> .

## Overview

*Ex parte* appeals to the Board of Patent Appeals and Interferences (BPAI) are provided for by 35 U.S.C. §134. An *ex parte* appeal should be just, speedy, and inexpensive. Unfortunately, while we greatly appreciate the efforts of the Kappos Administration and the openness of hosting a public roundtable of this topic, the proposed rules do not promote these goals to the degree intended. The significant changes outlined in the current proposal to the procedures used in *ex parte* appeals will result in unnecessary confusion, delay, and expense in the preparation of an Appeal Brief, without an attendant savings in time or resources by the BPAI. As written, the proposed new rules pose a significant hurdle to patent applicants pursuing their statutory right of an appeal to the BPAI. To a great extent, the proposed changes conflict with the Patent Statute and improperly attempt to transfer responsibilities and shift burdens of proof from the United States Patent and Trademark Office (USPTO) to applicants.

## Comments on Individual Proposed Rule Changes

Comment 1.

*Improper Placement of Burden on Applicant to Prove Patentability under the Patent Statute.*

*Improper Limitation of the BPAI's Scope of Review.*

A. 35 U.S.C. § 102(a) – (g) define what evidence the USPTO may use to assess whether a given claim is entitled to patent protection. Specifically, § 102 provides that “[a] person shall be entitled to a patent unless” the USPTO establishes unpatentability by applying evidence admissible through § 102. The USPTO may establish unpatentability by applying 35 U.S.C. § 103 to evidence admitted through § 102; however, § 102 clearly indicates that a patent applicant is entitled to a patent unless the USPTO establishes that the claimed subject matter either is anticipated under § 102, or is obvious under § 103. As such, the Patent Statute clearly requires the USPTO to come forward with a *prima facie* case of unpatentability, but does not require the patent applicant to come forward with a *prima facie* case of patentability.

Bd.R. 41.37(o), as currently proposed, is objectionable for several reasons that are detailed more fully below. For ease of reference, Bd.R. 41.37(o) is reproduced here (emphasis added):

(o) Argument. The “argument” shall explain why the examiner erred as to each ground of rejection to be reviewed. Any explanation must address all points made by the examiner with which the appellant disagrees. Any finding made or conclusion reached by the examiner that is not challenged will be presumed to be correct. Each ground of rejection shall be separately argued under a separate heading.

Proposed Bd.R. 41.37(o) contravenes the Patent Statute, e.g., 35 U.S.C. § 102, by requiring the applicant to come forward with evidence rebutting the examiner’s rejection, and by presuming the correctness of the examiner’s rejection if the applicant fails to come forward with such rebuttal evidence. This proposed rule places a burden upon the applicant that statutorily belongs on the USPTO, which has the obligation to establish a *prima facie* case of unpatentability of pending claims. The proposed rule requires the applicant to file an appeal brief in which “[t]he ‘argument’ shall explain why the examiner erred as to each ground of rejection to be reviewed . . . [and a]ny finding made or conclusion reached by the examiner that is not challenged will be presumed to be correct.” The proposed rule erroneously creates a presumption of correctness of the Examiner’s conclusions during prosecution. Specifically, the proposed rule suggests that the examiner is presumptively correct in making a rejection, and that the applicant essentially is seeking review of the examiner’s presumptively correct rejection before the BPAI. Nevertheless, the USPTO cites no statutory authority for the proposition that the applicant must explain why the examiner erred, or for the proposition that the applicant must address an examiner’s conclusion to avoid having the BPAI presumptively consider the examiner’s conclusion correct.

As such, Bd.R. 41.37(o) is in conflict with the statutory charge that “[a] person shall be entitled to a patent unless...” the USPTO establishes that the claimed subject matter either is anticipated under § 102, or is obvious under § 103. Bd.R. 41.37(o) also is in conflict with the corollary defined in the Patent Rules that imposes the initial burden on the USPTO, acting through the examiner, to establish a *prima facie* case of unpatentability.<sup>2</sup>

In addition to the Patent Statute, case law from the Court of Appeals for the Federal Circuit (CAFC) clearly confirms that the initial burden of producing or coming forward with evidence is on the USPTO, rather than an applicant. “If examination at the initial stage does not produce a *prima facie* case of unpatentability, then without more, the applicant is entitled to grant of the patent.” *In re Oetiker*, 977 F.2d 1443, 1446, 24 USPQ 2d 1443, 1445 (Fed. Cir. 1990). The CAFC in *Hyatt v. Dudas*, again held that the USPTO bears the initial burden of presenting a *prima facie* case of unpatentability. *Hyatt v.*

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2. See 37 C.F.R. §1.56 (describing *prima facie* case of unpatentability).

*Dudas*, 492 F.3d 1365, 83 USPT2d 1373 (Fed. Cir. 2007). The CAFC in *Hyatt* stated, “[a]s we explained in *In re Oetiker*, the *prima facie* case is merely a procedural device that enables an appropriate shift of the burden of production. 977 F.2d at 1445. In the prosecution of a patent, the initial burden falls on the PTO to set forth the basis for any rejection, *i.e.*, a *prima facie* case. *Id.* (citing *in re Piasecki*, 745 F.2d 1468, 1472 (Fed Cir. 1984)).” Thus, the USPTO’s attempt in Bd.R. 41.37(o) to shift the burden of coming forward with evidence from the USPTO to the patent applicant, not only contravenes the Patent Statute, but also is in conflict with controlling CAFC precedent. Because CAFC precedent is equally as binding on the USPTO as the Patent Statute, *Koninklijke Philips vs. Cardiac Science* 2009-1241 \*17 (Fed. Cir., 05 January 2010), it is likely that this proposed rule ultimately will be invalidated, as were the claim and continuation rules. Accordingly, both public and USPTO resources would be best served by withdrawing this proposed rule change.

B. Further, proposed Bd.R. 41.37(o) improperly limits the scope of the BPAI’s review to only those findings or conclusions expressly challenged by the appellant. However, the BPAI’s role in *ex parte* appeals is to “review adverse decisions of Examiners upon applications for patents.” 35 U.S.C. § 6(b). In view of these statutory requirements, the BPAI should not confine its consideration of an appeal under 35 U.S.C. § 134 to a consideration of errors that are enumerated in an Appeal Brief. Rather, the Board is responsible for ensuring that the facts and reasons relied upon by the examiner establish a *prima facie* case of unpatentability. Although a well-written Appeal Brief will aid the BPAI in discharging this responsibility, it is the responsibility of the BPAI to consider the examiner’s position as a whole, not in the piecemeal fashion envisioned in the proposed rules. The BPAI is to review the adverse decision of an examiner. 35 U.S.C. § 6(b). That review should be an independent analysis of the facts and reasons relied upon by the examiner, guided by but not *limited* by the Appeal Brief.

The requirement that the applicant identify all examiner errors is improper. The ultimate issue for the BPAI to consider in an appeal is whether a given claim is patentable under the cited section of the statute in view of the evidence and reasons relied upon by the examiner. The BPAI’s determination must be based upon the totality of the evidence/arguments relied upon by the examiner and the applicant. For the reasons noted above, proposed Board Rule 41.37(o) should be withdrawn.

Additionally, there should be no presumption that any finding or conclusion by an examiner is correct, whether challenged by an applicant or not. As currently written, the proposal will lead to the BPAI taking incorrect examiner conclusions as “fact.” To require that the applicant identify each

conclusion or finding by an examiner that is believed to be in error only will lengthen an Appeal Brief without necessarily adding clarity to the applicant's position. Moreover, it is not reasonably possible for an applicant to determine, while drafting the Appeal Brief, which examiner conclusions or findings the BPAI may determine to be relevant, or for that matter withdrawn by the examiner. Consequently, the applicant may have to challenge and brief *every* statement by the examiner for fear that a conclusion or finding that is not perceived to be relevant by the applicant will nonetheless be regarded as relevant by the BPAI. Further, the effect on subsequent prosecution of presuming unchallenged examiner conclusions to be correct is unclear, but it is certain to lead to many incorrect decisions. At a minimum, the USPTO should clarify in the proposed rules whether such a presumption of correctness applies only during the pendency of a given appeal, or whether the presumption of correctness carries forward in further prosecution. For these additional reasons, proposed Board Rule 41-37(o) is flawed and should not be finalized as currently written.

C. In light of our comments thus far, it is clear that proposed Bd.R. 41.37(o), if adopted, would increase the length, complexity, and cost of preparing an Appeal Brief. Under proposed Bd.R. 41.37(o), the applicant's counsel would be remiss if he or she did not exhaustively and comprehensively research and argue each possible issue presented during the prosecution of an application. This exhaustive and comprehensive research and argument certainly will significantly increase the legal fees required to prepare an Appeal Brief. *These increased legal fees will economically penalize applicants, and may in effect deny some applicants the patent protection to which they are entitled under the Constitution and the Patent Statutes.* These economic penalties may also discourage individual inventors and small-entity applicants from appealing otherwise unsustainable rejections.

Comment 2.

*Proposed Bd.R. 41.39 – Examiner's answer.*

*Proposed Bd.R. 41.50 – Decisions and other actions by the Board.*

*Proposed Bd.R. 41.39 and Bd.R. 41.50 Unduly Limit the Options Available to an Appellant in Responding to New Grounds of Rejection Raised by the Examiner or the BPAI.*

A. For ease of reference, the relevant portion of Bd.R. 41.39, as currently proposed, is reproduced here:

(a)(2) New ground of rejection. An examiner's answer may include a new ground of rejection.

For ease of reference, the relevant portion of Bd.R. 41.50, as currently proposed, is reproduced here:

(d) New ground of rejection. Should the Board have a basis not involved in the appeal for rejecting any pending claim, it may enter a new ground of rejection. A new ground of rejection shall be considered an interlocutory order and shall not be considered a final decision. If the Board enters a new ground of rejection, within two months appellant must exercise one of the following two options with respect to the new ground of rejection to avoid dismissal of the appeal as to any claim subject to the new ground of rejection:

(1) Reopen prosecution. Submit an amendment of the claims subject to a new ground of rejection or new evidence relating to the new ground of rejection or both, and request that the matter be reconsidered by the examiner. The application or reexamination proceeding on appeal will be remanded to the examiner. A new ground of rejection by the Board is binding on the examiner unless, in the opinion of the examiner, the amendment or new evidence overcomes the new ground of rejection. In the event the examiner maintains the new ground of rejection, appellant may again appeal to the Board.

Bd.R. 41.39(a)(2) and Bd.R. 41.50(d) provide that either the examiner or the Board may enter new grounds of rejection for the first time on appeal. However, these proposed rules are one-sided, unduly limit the time periods in which the applicant must respond to the new grounds of rejection, and unduly limit the manner in which the applicant may respond to the new grounds of rejection.

These proposed rules are one-sided in that they allow the examiner to enter new grounds of rejection while limiting the applicant's Appeal Brief to the evidence and claims on record when the Notice of Appeal is filed. The USPTO has provided no justification for why an Examiner should be allowed to enter new grounds for rejection. The USPTO has stated the purpose of the proposed modifications to the final rule is "to efficiently frame any dispute between the appellant and the examiner for the benefit of the Board and the appeal conferees to provide the best opportunity for resolution of the dispute without the necessity of proceeding with appeal." The proposed Bd.R. 41.39(a)(2) does not seem to have this effect. By allowing an examiner to enter a new ground of rejection the USPTO is allowing or even worse encouraging an examiner to not efficiently frame the grounds of rejection during prosecution. Rather, the USPTO proposal allows an examiner to continue prosecution into the appeal process. In essence, by proposing Bd.R. 41.39(a)(2), the USPTO is declaring that the fact-finding need not be completed before appeal. This is in contradistinction to an appeal process in general where the fact-finding has been completed. If the applicant's Appeal Brief is to be limited to the evidence and claims on the record when the Notice of Appeal is filed, then so too should the examiner's answer. Further, such a

rule inequitably burdens the appellant, especially if the appellant is an individual inventor or small entity with limited resources. For these reasons, proposed Board Rule 41.39(a)(2) should not be finalized as currently proposed.

B. If Bd.R. 41.39(a)(2) is finalized as proposed the rule also will unduly limit the time in which the applicant must respond to the new grounds of rejection. For example, Bd.R. 41.39(c) states that extensions of time under Rule 1.136(a) do not apply to the two-month time for response defined in Bd.R. 41.39(b). Thus, under Bd.R. 41.39, the applicant must respond to a new ground of rejection raised for the first time on appeal, in only two months, or the applicant must petition for extensions of time under Rule 1.136(b). In conventional (non-appeal) prosecution before the examiner, an applicant has three months to respond to a rejection, with extensions of time available under Rule 1.136(a). The USPTO has provided no justification for this disparity in treatment between rejections raised during conventional prosecution and rejections raised for the first time on appeal.

With respect to new grounds of rejection raised by the BPAI, Bd.R. 41.50(d) defines a similar two-month period in which the applicant must respond to the new grounds of rejection, with extensions available only under Rule 1.136(b). The above comments regarding the disparity of this two-month period apply equally to Bd.R. 41.50(d). However, should the BPAI raise new rejections on appeal, the applicant should have two options for responding. First, the rules should allow the applicant to reopen prosecution before the examiner, with the attendant three-month period for response and extensions of time available under Rule 1.136(a). Second, the rules should also allow the applicant to submit arguments, claim amendments, and new evidence directly to the BPAI in response to any new grounds of rejection raised by the BPAI. If the Board enters a new ground of rejection, then the Board should be tasked with handling the response to the new ground of rejection to efficiently resolve the dispute at hand. In this scenario, the applicant should have full opportunity to develop their arguments with the attendant three-month period for response and extensions of time available under Rule 1.136(a), since the Board in effect is saying the fact-finding is not complete. Clearly, developing new arguments and new evidence, and cogently understanding the legal implications of the new grounds for rejection, will take longer than two months.

That said, both public and USPTO resources will better be served by withdrawing the proposed rule changes in view of Director Kappos' recent bold reforms and their as yet unknown effect upon USPTO operations.

## Failure to Comply With Guidelines for Establishing Regulations

A. In addition to the above comments, the proposed rules do not comply with Executive Order 12,866. Executive Order 12,866 established the guiding principles that the USPTO and other agencies must follow when developing regulations, including encouraging the use of cost-benefit analysis, risk assessment, and performance-based regulatory standards. *See* Exec. Order No. 12,866 (Sept. 30, 1993). Executive Order 12,866 also establishes the regulatory planning process for each agency, delegating authority to the Office of Management and Budget (OMB) to coordinate agency rulemaking efforts with the regulatory priorities of the President. *See id.* Sec. 2(b). Executive Order 12,866 further expands the roles of OMB in rulemaking through a centralized review of regulations, whereby the OMB acts as a gatekeeper for the promulgation of all significant rulemakings. *Id.*

Under the Paperwork Reduction Act of 1995 (the “Act”) and the OMB's implementing regulations at 5 C.F.R. part 1320, the USPTO's proposed information collection is subject to review by the OMB. 44 U.S.C. Chapter 35 (1995); 5 C.F.R. Part 1320 (1995); Public Law 104-13 (May 22, 1995). Accordingly, the USPTO must adhere to the rulemaking procedural requirements of the Act and Executive Order 12,866. One such requirement is that the USPTO must provide a specific, objectively supported estimate of the burden before submitting the proposed information collection to the Director for review. 44 U.S.C. § 3506(c)(1)(iv). Executive Order 12,866 requires the USPTO to account for the economic effects of its proposed information collection and to determine whether such effects are “economically significant”. Exec. Order No. 12,866, Sec. 1.

The USPTO has proposed “Potential Modifications to the ‘Final Rule’” of 73 Fed. Reg. 32938 (June 9, 2008). *See* 74 Fed. Reg. 67989-90 (“The Office is considering modifications to the final rule.”; “Discussion of Potential Modifications to the Final Rule.”) The USPTO improperly certified to the OMB that the previous version of the proposed Final Ex Parte Appeals Rules were “not significant” for the purpose of Executive Order 12,866, even after the USPTO's own estimated burden demonstrated that the proposed information collection was “economically significant.” *See* 73 Fed. Reg. 32938, 32972 (June 9, 2008); *see also* 72 Fed. Reg. 41484 (July 30, 2007); 73 Fed. Reg. 32559, 32560 (The USPTO reported an annual burden estimate of \$239,907,450 for the proposed information collection). By certifying its “economically significant” information collection as “not significant,” the USPTO did not comply with Executive Order 12,866. Moreover, the USPTO appears poised to repeat this noncompliance with respect to the potential, modified version of the “Final Rules.” *See* 74 Fed. Reg. 67989-90 (e.g., “no additional cost”).

In fact, the USPTO's *own* annual estimated burden establishes that the USPTO failed to comply with the requirements of Exec. Order No. 12,866 for the unmodified version of the "Final Rules." According to the USPTO's own estimates released on June 9, 2008, and reiterated in its recently released Supporting Statement, the total respondent cost burden for the proposed *information collection exceeds* 239 million dollars, placing the economic effect of the information collection in the *highest* burden category. 73 Fed. Reg. at 32559-32561; *see also* USPTO's Supporting Statement at 21. This estimate establishes that the USPTO, for the unmodified version of the "Final Rules," illegally certified the proposed information collection in the *lowest* burden category of "not significant." Because some of the most economically significant aspects of the previous Final Rules exist in the "Potential Modifications to the 'Final Rule'" – *e.g.*, claim "mapping" and/or extensive waiver provisions, it is likely that the information collection again will not fall into the "not significant" category.

B. The proposed rules also do not comply with Executive Order 13,272. Executive Order 13,272 provides that each agency shall establish procedures and policies to promote compliance with the Regulatory Flexibility Act, as amended (5 U.S.C. 601 *et seq.*) (the "Act"). Executive Order 13,272 requires agencies to thoroughly review draft rules to assess and to take appropriate account of the potential impact on small businesses, small governmental jurisdictions, and small organizations, as provided by the Act. The UPTO has not articulated the effect the proposed rules will have on the untold number of individual inventors as well as small entrepreneurial businesses, *e.g.*, startup businesses, attempting to protect their intellectual property rights before the USPTO. The USPTO must adhere to the rulemaking procedural requirements of the Executive Order 13,272 and the Regulatory Flexibility Act.

The USPTO's proposal notes that the BPAI expects to receive more *ex parte* appeals in the near future, and that the proposed rules will allow the BPAI to continue to decide *ex parte* appeals in a timely manner. 72 Fed. Reg. at 41472; *see also* 74 Fed. Reg. 67988 (December 22, 2009). During the discussion at the public session and roundtable on January 20, 2010, Michael Fleming (BPAI Chief Administrative Patent Judge) indicated the proposed changes to the rules is only one piece in a multitude of changes that are being considered. David Kappos, Under Secretary of Commerce for Intellectual Property, further elaborated that the increase in *ex parte* appeals is attributable to the decrease in the allowance rate over the past several years, which in turn is attributable to the USPTO internal incentives that made examiners uncomfortable working with applicants to resolve issues. Kappos further intimated that the USPTO has already changed some of these incentives and will continue changing other incentives that have contributed to the dramatic increase in *ex parte* appeals. Because the USPTO recognizes that its

internal incentive structure may be at fault in causing the anticipated increase in *ex parte* appeals, the agency should continue working to enhance its internal incentives instead of imposing rule changes that we believe will have the adverse consequences noted above.

### Summary

#### *Bd. R. 41.37(o)*

Bd. R. 41.37(o), as currently proposed, contravenes the Patent Statute and conflicts with clearly established precedent of the CAFC. The proposed rule improperly creates a presumption that any conclusion or finding by an examiner is correct, and improperly shifts the burden of providing evidence from the USPTO to the patent applicant.

#### *Bd. R. 41.39 and 41.50*

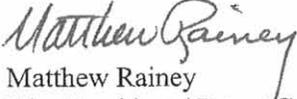
Bd.R. 41.39 and Bd.R. 41.50, as currently proposed, unduly limit the options available to an applicant in responding to new grounds of rejection raised by the examiner or the BPAI. Bd.R. 41.39 and Bd.R. 41.50 also create a disparity in treatment between rejections raised during conventional prosecution and rejections raised for the first time on appeal, and the USPTO has provided no justification for this disparity in treatment. An examiner should be barred from raising new grounds of rejection on appeal. In addition, if the BPAI can enter a new ground of rejection then the applicant must have the right to submit arguments, claim amendments, and new evidence directly to the BPAI.

#### *Failure to Comply With Guidelines for Establishing Regulations*

The proposed rules do not comply with the provisions of Executive Orders 12,866 and 13,272. There is no clear rationale, based on publically available cost-benefit analysis, risk assessment, and performance-based regulatory standards, as to why the USPTO should be unable to conduct timely reviews of Appeal Briefs under the current rules. The proposed rules contain numerous provisions that will greatly increase the complexity and cost of preparing an Appeal Brief, without any discernable benefit to the BPAI. Therefore, because the proposed rules do not comply with Executive Orders 12,866 and 13,272, the USPTO should withdraw its current proposal.

Intellectual Ventures looks forward to working with the USPTO in conjunction with these issues, and remains available to comment further as additional specific proposals are developed.

Respectfully submitted  
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