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Sent: Monday, February 04, 2013 11:44 PM
To: RCE outreach; Tamayo, Raul
Cc: Erica Wissolik; Chris Brantley
Subject: IEEE-USA Comments on Request for Continued Examination (RCE) Practice (77 Fed. Reg. 72830)

Dear Acting Under Secretary Rea:

Please accept the attached comments of IEEE-USA on the USPTO's Request for Continued Examination (RCE) Practice, 77 Fed. Reg. 72830 (Dec. 6, 2012).

Sincerely,
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February 4, 2013

Via Electronic Mail: rceoutreach@uspto.gov, Raul.Tamayo@uspto.gov ,

Attn: Raul Tamayo
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Re: Request for Comments on Request for Continued Examination (RCE) Practice, 77 Fed. Reg. 72830 (Dec. 6, 2012)

Dear Acting Under Secretary Rea:

IEEE-USA submits these comments in response to the above-captioned Request for Comments on RCE Practice. IEEE-USA is the United States unit of the IEEE, the world's largest professional association for technological professionals. IEEE-USA has 210,000 members, largely electrical, software, electronic, mechanical, and biomedical engineers, working in thousands of companies from the largest and most-established to the smallest and newest. IEEE-USA seeks to represent the interests of its members, their careers, and their ability to create the next generation of America's companies and jobs. Efficient operation of the patent system is one of the keys to that future. IEEE-USA believes that the entire patent examination system would operate more efficiently if the PTO observed the requirements of the Administrative Procedure Act, Paperwork Reduction Act, Executive Order 12,866, and OMB's *Bulletin on Agency Good Guidance Practices* with greater care. We write to offer some observations on how the PTO could simultaneously reduce RCEs, reduce its cost per patent application, improve compliance with the law, reduce paperwork burden on the public, and operate more efficiently to meet internal performance goals.

IEEE-USA is generally supportive of the PTO's efforts to reduce the filings of RCEs (especially multi-RCE prosecution), because of the effect on the patent application and appeal backlog. However, the PTO's efforts to date have been tantamount to "nibbling at the edges." IEEE-USA believes that there are several structural features of PTO examination practice and policy that drive the bulk of extended-RCE prosecutions.

Fundamentally, reducing RCEs comes down to increasing the effective exchanges between applicants and examiners, and improving their incentives:

- for *both* examiner and applicant to reach agreement;
- to consider issues with completeness, care, and precision;
- to disclose the information (both facts and the analysis of facts) needed to reach agreement—it is particularly crucial that the party that bears the initial burden of going forward gives a fully-reasoned explanation and statement of reasons and bases; and
- to fully and carefully understand and consider each other’s positions, and to provide written responses so that differences can be identified and resolved. “Answer all material traversed” is one of the most important obligations of an agency under the Administrative Procedure Act, and one of the key principles of examination that is most often “deficient.”

The practical reality is that applicants have great incentive to do all four—patent prosecution is a *very* cost driven area of law. However, as we discuss in Attachment A, § 2.2, the PTO’s current compensation system provides examiners with considerable incentives to *delay*. The MPEP states procedures that should expedite the process—but in many instances, the actions that examiners write demonstrate passive failure or active refusal to follow those procedures, and supervisory staff from SPE to T.C. Director to Petitions Examiner have at times stated in telephone calls and in written decisions that they refuse to enforce those written procedures.

IEEE-USA’s view is that the high rate of RCE practice of the last few years flows largely (but not entirely) from two factors that are entirely within the PTO’s control:¹

- Insufficient PTO’s compliance with procedures and administrative law, and
- a misguided focus on cycle time and “efficiency” in generating Office actions, with too little focus on *concluding* prosecution.

IEEE-USA is not alone in this view. For example, the American Bar Association noted in its letter² on fee-setting of November 1, 2012—

The Section has heard complaints from members of the patent applicant community that the large majority of multiple-RCE applications arise because the patent examiner fails to productively engage with the applicant.* Two independent analyses of USPTO appeal data have found that 80% to 85% of appeals are decided in applicants’

¹ RCEs are excessive in part because of the increasing complexity of inventions and patent applications. That is neither bad nor controllable. It’s simply a fact reflecting increasing sophistication of technology, and the PTO should adapt its procedures to deal with it.

² ABA Section of Intellectual Property Law to David Kappos, Comments on Setting and Adjusting Patent Fees http://www.uspto.gov/aia_implementation/comment-aba_ip.pdf (Nov. 1, 2012). *See also* presentation to OMB OIRA by twenty technology companies, June 15, 2007, <http://www.whitehouse.gov/sites/default/files/omb/assets/omb/oira/0651/meetings/619-3.pdf>, Attachment F, starting at PDF page 3

favor,³ which lends support to the anecdotal view of the attorney community that extended RCE practice can be attributable to the patent examiner's handling of the application, rather than a reticence on the part of applicants to promptly conclude examination. Therefore, absent more definitive data, the Office should not presume the applicant drives RCE filings.

... [W]hen an examiner fully searches the application for the first Office action, fully considers the claim language, and writes an Action that communicates the examiner's reasoning clearly, prosecution almost never drags on. The overwhelming majority of extended prosecution applications arise from only two causes: either the examiner rejects a meritorious application for failure to complete all procedural requirements for consideration of the applications, or the examiner doesn't explain the basis for the rejection to clearly communicate to the attorney so that the attorney knows when to give up. While the Section fully understands that in some cases the fault lies with the attorney, our experience is that the quality of examination, and the quality of explanation in Office actions has fallen in the last ten years....

In turn, those two factors seem to be driven largely by the PTO's compensation scheme (see Attachment A, § 2.2 starting at page 18).

IEEE-USA believes that RCEs could be remarkably reduced if the PTO adopted the recommendations offered in IEEE-USA's Extended comments and recommendations (Attachment A) to improve the quality and thoroughness of examination from the first action forward, to provide incentives and management oversight to ensure that examiners are incentivized for the four objectives we listed above, to ensure that every rejection is *always* procedurally complete, to motivate quality over quantity, and to motivate early resolution rather than extended prosecution. Over the course of a year or so, putting more effort up front should start to pay dividends in overall cost reductions, and reduced errors.

Because the written procedures and laws largely exist, IEEE-USA suggests that all that is required is a commitment to implementation and enforcement by the Office of Patent Examination Policy and line management. To get that commitment, IEEE-USA suggests that compensation schemes for examiners and managers be retuned to incentivize the four bullets we set out at page 2 above, and to withdraw the incentives that the current "count" compensation scheme provides to PTO employees to evade them (discussed in Attachment A, § 2 starting at page 15). In addition, IEEE-USA submits Attachment B, Attachment C, Attachment D, and Attachment E with proposed changes to certain sections of the Rules of Practice and the MPEP that would help to accomplish these objectives.

To summarize some of our recommendations:

- We answer several of the specific questions posed in the Request for Comments in Attachment A, § 1 starting at page 11.

³ Kip Werking, 75% – The Real Rate of Patent Applicant Success on Appeal, IP Watchdog, May 2, 2012, www.ipwatchdog.com/2012/05/02/75-the-real-rate-of-patent-applicant-success-on-appeal/id=24525 (79% of appeals are successful); Ron D. Katznelson. Comments submitted to OMB and PTO under the Paperwork Reduction Act on PTO appeal rules, ICR No. 200809-0651-003 (November 17, 2008), <http://www.reginfo.gov/public/do/DownloadDocument?documentID=95757&version=1> at Figure 2, page 3 (80% of appeals are successful at Pre-Appeal or Appeal brief stage, before reaching the Board).

- Examiner and supervisory “counts” and production unit definitions should be retailored to align incentives with the PTO’s goals of end-to-end efficiency, rather than churning of Office actions:
 - IEEE-USA believes that the PTO’s “count” and “production unit” metrics and compensation systems are counterproductive, as we discuss in Attachment A, § 2.2 starting at page 18.
 - RCEs would decline if the examiner “count” system were modified to reward examiners for concluding examination, not extending it, as we discuss in § 2.3 starting at page 19.
 - RCEs would decline if examiner counts were scaled with application complexity, as we discuss in § 2.4 starting at page 19.
 - RCEs would decline if supervisor compensation metrics were recalibrated to incentivize efficiently *concluding* examination, as we discuss in § 2.5 starting at page 21.
 - RCEs would fall if the 2009 redocketing of RCEs were rescinded, as we discuss in § 2.6 starting at page 21.
- 37 C.F.R. § 1.104(c) should be revised to state an unambiguous requirement that an examiner must provide a clear written explanation for every material issue, including limitation-by-limitation consideration of claim language (see § 3.1 at page 24).
- The PTO should improve compliance and enforcement of 37 C.F.R. § 1.104(c)(2), requiring precise disclosure of the examiner’s analysis of references (see § 3.2 at page 29).
- The duty to “answer all material traversed” is a near-absolute obligation set by the Administrative Procedure Act, 5 U.S.C. § 555(b), not a “should” recommended practice—MPEP § 707.07(f) should be revised to clarify that duty, and that no Action may be made final if there is any failure to answer an applicant’s argument (see § 3.3 at page 29).
- The PTO should set clear and enforceable standards for completeness required for final rejection and to survive Pre-Appeal. Any omission in a purportedly-final action (omission of claim language, omission of an element of a required legal showing, etc.) should prevent final rejection, and should result in *per se* grant of reopen on Pre-Appeal (see § 3.4 at page 30, and Attachment C).
- RCEs would be reduced if Pre-Appeal conferees were required to provide a written explanation of all grounds referred to the Board, not a single all-or-nothing “X” (see § 3.5 starting at page 32).
- The PTO should add a fair restatement of the Federal Circuit’s definition of “new ground of rejection” to the MPEP, and enforce standards for premature final rejection (see § 3.6 at page 32 and Attachment D).
- RCE’s would be reduced if the petitions process were a reliable way to seek enforcement of the PTO’s regulations governing its own conduct. The petitions process is not reliable. One source of that unreliability would be removed if the PTO included a written statement of the scope of petitionable subject matter jurisdiction, as we recommend in § 3.7 at page 38, and in Attachment E).

- The PTO should reiterate to its employees that obligations of PTO employees stated in the MPEP are binding on and enforceable against examiners, and waiver requires formal clearance—there are no on-the-fly exceptions (see § 3.8.1 at page 39).
- RCEs would be reduced if the rejection form paragraphs were updated to provide more “handholding” (see § 3.9 starting at page 46).
- MPEP § 2144.03(C) creates unwarranted RCE’s and delay by misstating the law of intra-agency Official Notice—Official Notice is adequately traversed by simply “calling for” substantial evidence under 37 C.F.R. § 1.104(d)(2) (see § 3.10 at page 46).
- 37 C.F.R. § 1.111(a)(2) should be returned to its pre-2004 state, allowing supplementary amendments until they would “unduly interfere” with examination (see § 3.11 at page 49).
- MPEP §§ 2106(II)(C) and 2111.04 should be corrected to accurately state the law and give ascertainable standards for certain “questionable” claim language (see § 3.12 at page 51).
- RCEs would be reduced if the PTO published its internal examination memoranda (see § 3.14 starting at page 54).
- The PTO should improve supervisory enforcement of existing guidance and regulations (see § 4 starting at page 55).
- The PTO should implement the *Good Guidance Bulletin* issued by the Executive Office of the President in 2007 (see § 5 starting at page 57). IEEE-USA has brought this directive to the PTO’s attention on several occasions—IEEE-USA is surprised at the PTO’s continued failure to implement a directive issued on the authority of the President, especially when the *Bulletin* sets procedures and policies that would advance the goals the PTO *professes* to seek.
- RCE’s would be reduced if the “in process review” metric were improved and made more transparent (see § 6 starting at page 58).

Each of these recommendations reinforces the other, both negatively and positively. For example, the gradual erosion of PTO process during the early 2000s on each point in § 3 has led to a vicious circle, leading to further backlog, which the PTO attempts to overcome by further eroding its processes. IEEE-USA’s experience in multiple organizations gives us great confidence that focus on process can also lead to virtuous cycles: if both parties put their cards on the table when they bear the burden, the PTO’s processes (as they existed before 2000 or so) are arranged so that disclosure without reciprocity does not hurt the disclosing party, and those processes are followed and enforced, further disclosure becomes easier, and PTO processes will become more efficient. IEEE-USA recommends three principles that should be embedded in examination—(a) the PTO bears the burden of proof, and (b) examiners are not penalized by estoppel for what they *do* say, even if it’s incorrect, but (c) examiners act illegally in what they *don’t* say.

IEEE-USA thanks the PTO for considering these comments in reviewing its procedures to reduce RCE filings, paperwork burdens, regulations, guidance, and practices. We would welcome any further discussions with the PTO on these matters.

Respectfully submitted,



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Attachment A

Extended comments and recommendations

1. ANSWERS TO SPECIFIC QUESTIONS

We begin by offering answers to several of the specific questions in the Notice. Questions 11, 6, and 1 set the background for the rest of our recommendations. Other specific questions not addressed in this Section are addressed in subsequent Sections.

1.1. Question 11: Do you have other reasons for filing an RCE that you would like to share?

There are two classes of RCEs: “good” RCEs that arise for necessary and proper reasons, where both applicant and examiner are doing their jobs correctly, but neither has perfect foresight or 100% complete information, and “bad” RCEs that arise because one or the other isn’t doing his or her job with care or attention to concluding matters. Good RCEs arise because:

- The examiner discovers prior art against the first set of claims, the applicant amends, and then the examiner discovers further art against the amended claims.
- Prior art arises from a foreign jurisdiction or otherwise comes to the attention of the applicant (or examiner).
- A new decision of the Federal Circuit or Supreme Court changes the law.
- The applicant needs additional time to develop convincing comparative data or other information that was not available before the six month deadline. This may also include a need to amend a claim based on new information.

A few “bad” RCEs arise because the applicant overlooks some important fact. Those of us that review file histories regularly (because of litigation or opinion work) note that this is infrequent. Often, when the applicant makes an error of this sort, the examiner had invited the error by giving an incomplete explanation.

However, the PTOs own appeal statistics⁴ align with the anecdotal impressions of the authors of this letter, that most “bad” RCEs arise because the examiner fails to engage with the application, fails to answer all material traversed, persists in an erroneous view of the law, insists on standing on personal opinion of a fact and will not accept that the burden of proof favors the applicant *until* the examiner comes forward with evidence, or the like. The PTO’s compensation scheme and lax management oversight combine to give examiners strong incentives to simply stand on past positions, and to not reanalyze their own work or the facts. When an applicant has a valuable invention or patent application, the attorney is under an ethical obligation not to surrender subject matter to which the applicant is entitled by law.

Poor Office actions can lead to “bad” RCEs because the applicant and examiner are fighting two different battles. In one example scenario, the applicant might have the absolutely clear (and correct) view that the Action fails to make a showing with respect to claim element or legal element X. However, the examiner has a clear (but uncommunicated) view that the claim is allowable with additional element Y added. The applicant is unwilling to back down on point X,

⁴ See footnote 3.

because the Action doesn't communicate the real concern, and neither party knows what concession the examiner would accept and that the applicant would be willing to make.

Many of the reasons for RCEs are explained in the letters that the PTO received in 2006 in connection with the proposed regulation to limit continuations. We suggest that the PTO may wish to review those letters again.⁵

1.2. Question 6: When considering how to respond to a final rejection, what factor(s) cause you to favor the filing of an RCE?

Almost no applicant ever wants to file an RCE or an appeal. Since prosecution is so lengthy and costly, and the legal practice of prosecution is so cost-driven, clients strongly prefer to resolve matters quickly. Appeals and extended RCEs arise because the applicant is convinced that the examiner is wrong, and that the value of correcting the examiner's error is more than the cost of an appeal or RCE.

When an application reaches one of the points we outlined in our answer to Question 11, there are only three options:

1. abandon subject matter that the applicant believes to be an entitlement under law, This in turn has three sub cases:
 - 1(a) terminal abandonment,
 - 1(b) accept the allowed claims, and abandon the broader subject matter to which the application is entitled, or
 - 1(c) accept the allowed claims, and pursue the broader subject matter in a continuation,
2. file an appeal, or
3. file an RCE.

Among these three options, applicants make their decisions based on cost-benefit analyses.

Applicants tend to file "good" RCEs in the following circumstances:

- when claim amendments are needed to differentiate over the prior art and address the examiner's positions,
- when new prosecution issues arise,
- when a declaration or Information Disclosure Statement is necessary,
- when more time is needed to gather data for an affidavit, and
- when there is a desire to place the application in better condition for appeal.

Practitioners are more likely to file an RCE application when an advisory action indicates that proposed amendment trigger a need for further consideration/searching. The likelihood that an RCE application will be necessary increases when the "two months after final rejection" date has passed.

Practitioners tend to file "bad" RCE's:

⁵ See public comments at: www.uspto.gov/ip/rules/comments/continuation_comments.jsp.

- when the examiner has been silent on a material issue—has failed to consider claim language, has failed to set out findings on a required element of a legal test, etc—and the SPE and/or ombudsman and/or T.C. Director have declined to compel the examiner to provide an action that states findings on all material issues. Appealing where the examiner has stated an erroneous position is easy; appealing from a silence is very difficult, because the attorney must address every possible source of disagreement (claim interpretation, content of the reference, application of the law to the facts). It's often cheaper to file an RCE to “smoke out” a position of a reluctant examiner than to go straight to appeal.

1.3. Question 1: If within your practice you file a higher or lower number of RCEs for certain clients or areas of technology as compared to others, what factor(s) can you identify for the difference in filings?

In our collective experience, examiners and art groups that have lower RCE filings have one or more of these characteristics:

- their first searches are complete and were conducted with the specification as well as the claims in mind, so that the art applied in a first action is likely to lead to conclusion;
- all explanations of rejections are complete and apply the law intelligibly, so that an applicant either agrees with the examiner's view and amends to conclude prosecution, or else the applicant can identify the precise point of disagreement so that the applicant can provide well-targeted arguments;
- they suggest allowable subject matter and/or amendments—again, if the examiner's view is correct, prosecution concludes, and if the examiner's view is incorrect, the suggestion helps clarify where the examiner perceives something different than the applicant;
- they answer all material traversed; and
- they consult MPEP Chapter 2100 or recent case law regularly, to ensure that their views of the law are correct, rather than relying on memory or the view of a colleague.

Examiners with higher-than-average rates for “bad” RCEs tend to have one or more of the following characteristics—usually these characteristics cluster together in individual examiners:

- they look at claims either as a set of a few isolated words, or paragraph-by-paragraph, rather than precisely, limitation-by-limitation;
- they do not answer all material traversed;
- they rely on personal opinion of the law and consider it inappropriate when an applicant requests the examiner to carefully consider the guidance in the MPEP; and
- they have supervisors that tolerate the previous three characteristics.

Older technologies tend to fall into the earlier categories. The “culture” of the “old” PTO tends to favor the care, precision, and procedure of the earlier set. Newer technologies, particularly the “business methods” art groups of 3680 and 3690, tend to fall in the latter.

Several IEEE-USA members note that the PTO's After Final Consideration Pilot effectively enhances examiner education to facilitate productive progress toward agreement

without the need for an appeal or an RCE application. IEEE-USA supports broader implementation of the After Final Consideration Pilot.

1.4. Question 2: What change(s), if any, in Office procedure(s) or regulation(s) would reduce your need to file RCEs?

Specific change suggestions are discussed in greater detail elsewhere in this Attachment A. Briefly, the PTO should reform examiner and supervisor compensation metrics to align incentives with PTO policy objectives, and to reduce incentives for driving applications into extended RCE practice. RCEs may be avoided by an examiner's suggestion of claim amendments and/or identification of allowable subject matter. The count system should be amended to encourage examiners to issue second action non-final rejection for clarifying amendments, rather than rushing to final.

Often the need to cite new art (whether by the examiner or the applicant) and to have due consideration of that art necessitates the filing of an RCE. A number of members expressed frustration that new art is often cited by an examiner in a final Office action, or the second action is automatically made final even if the applicant's actions did not warrant the final rejection. A program allowing submission of Information Disclosure Statements without filing an RCE, particularly in instances where the art was cited in a related, but not family member case and foreign applications in the same family, would decrease the number of RCE applications. Additionally, comprehensive searches embracing all embodiments of the claimed invention may minimize the need to cite additional art and serial prior art rejections.

Many responses note that the inability to conduct an examiner interview, enter clarifying amendments, and/or evidence after final rejection often necessitate the filing of an RCE. Several responses point out that a new rejection is often raised in a final rejection, necessitating an RCE application to enter necessary claim amendments and/or evidence to address the new rejections. The After Final Consideration Pilot⁶ should be made permanent to enable further examiner training to facilitate resolution of fairly minor issues and clarifying amendments to expedite allowance. We are troubled that despite this program, examiners' incentives for issuing After Final Actions are de minimis and that their share in examiner actions tends to decline year-over-year: from 7.5%, to 6.5% and to 5.9% in FY 2009, FY 2010 and FY 2011 respectively.⁷

IEEE-USA offers a number of recommendations, which fall into four general classes:

- The PTO should reform examiner and supervisor compensation metrics to align incentives with PTO policy objectives, and to reduce incentives for driving applications into extended RCE practice (discussed in § 2 starting at page 15)
- The PTO should add additional requirements to 37 C.F.R. § 1.104(c) and the MPEP to require examiners to fully consider the issues, and provide written explanations, so that poorly-framed rejections do not bog the system down, and well-framed rejections are squarely communicated to applicants (elaborated in § 3, starting at page 23)

⁶ See http://www.uspto.gov/patents/init_events/afcp.jsp

⁷ PTO "Section 10 Fee Setting – Activity-Based Information and Costing Methodology," (Sep. 6, 2012) at www.uspto.gov/aia_implementation/aia_section_10_cost_supplement.pdf,

- The PTO should enforce its existing guidance and regulations—granting of waivers from examination rules by SPE’s and T.C. Directors should end (elaborated in section 4 starting at page 55)
- The PTO should implement the *Final Bulletin for Agency Good Guidance Practices*, issued by the Executive Office of the President to all agencies in 2007, and never implemented by the PTO (discussed in section 5 starting at page 57).

As we note below, excessive RCEs are not just an inconvenience or delay, they often arise from the PTO’s lack of adherence to legal obligations. The Administrative Procedure Act, 5 U.S.C. § 555, requires written explanations for rejections and objections (at a level of completeness that the PTO does not often enforce), and that the PTO arrange its procedures to “proceed to conclude the matter presented to it.” The Paperwork Reduction Act, 44 U.S.C. § 3501 *et seq.* and its implementing regulations, 5 C.F.R. Part 1320, require the PTO “to minimize the burden on the public to the extent practicable. *See* 44 U.S.C. § 3507(a)(1)”⁸ by common-sense means: the PTO must ensure that papers submitted by applicants are read carefully by examiners the first time, so that they need not be resubmitted (in the language of the statute, to ensure that submissions have “practical utility,” 44 U.S.C. § 3506(c)(3)(A), 5 C.F.R. § 1320.3(l), and are not “duplicative,” § 3506(c)(3)(B)), and the like.⁹

2. RCEs COULD BE REDUCED IF THE PTO REFORMED EXAMINER AND SUPERVISOR COMPENSATION METRICS TO ALIGN INCENTIVES WITH PTO POLICY OBJECTIVES

“You manage what you measure.” IEEE-USA applauds the PTO’s initiatives in developing metrics, measuring based on those metrics, and managing to metrics. The PTO Dashboard shows a commitment by the PTO to managing its business, and the PTO’s movement toward transparency in its management process.

However, IEEE-USA believes that some dysfunction at the PTO arises from the use of poorly targeted metrics. We believe that in certain instances, the PTO measures the wrong or incomplete attributes and therefore manages the wrong thing. Many of these unhelpful metrics arise because they are based on something convenient instead of something meaningful. Examples include “UPR production units” and “counts” which are not corrected or adjusted by other important attributes of the work involved. This unadjusted metric measures—and thereby incentivizes—*inefficiency* by PTO employees. Many of the problems that plague the PTO and the public would disappear quickly if the PTO shifted to metrics that align with the public interest in *completed* examination of patent applications.

Examiners, Supervisory Patent Examiners, and Technology Center Directors all have compensation formulae based on the quotas established by the “count” system, and by meeting internal deadlines. As they are currently implemented, these compensation metrics undermine quality performance and proper performance of the agency’s functions.

For at least a decade, PTO management has focused on maximizing “production units” and “counts”—that is, “efficiently” issuing Office actions that serve to churn the count meter, not

⁸ *Dole v. United Steelworkers of America*, 494 U.S. 26, 32 (1990).

⁹ 44 U.S.C. § 3506(c)(3), § 3507(a), (b), 5 C.F.R. § 1320.9, § 1320.10(a), (b).

always concluding examination.¹⁰ As W. Edwards Deming predicted, reliance on quotas instead of incentives has been counterproductive. IEEE-USA urges the PTO to implement a Deming-like “continuous improvement process.”¹¹ Particularly relevant is Deming’s principle No. 3:

Cease dependence on inspection to achieve quality. Eliminate the need for massive inspection by building quality into the product in the first place.

That is, the frequency and severity of error, and the effort necessary to have it corrected, are reduced when a system has robust error-prevention and error-correction processes, but all three grow rapidly when processes are relaxed. The PTO can simultaneously reduce RCEs and improve PTO productivity by replacing its misguided focus on *maximizing Office actions* with a focus on *concluding examinations*. The PTO should relieve examiners of unrealistically short deadlines, and give them the more time, incentive, and management accountability to examine applications thoroughly and precisely at each step of the process. The PTO should make clear that the PTO does not want examiners to meet quotas by generating low-quality Office actions that inevitably inflate RCEs (and coincidentally impose paperwork burdens on the public that are incompatible with the Paperwork Reduction Act).¹²

2.1. Background: the statutory, regulatory, and internal PTO compensation *quid pro quo* of patent examination

The Patent Act and the PTO’s regulations establish three *quid pro quos*.

- First, when an application is filed, the PTO charges base examination fees plus additional fees set at levels requested by the PTO to scale with examination effort. In return, regulations and MPEP guidance require the examiner to perform complete and careful examinations.
- Second, if two rounds of examination do not conclude examination, the applicant may file a Request for Continued Examination (RCE) in return for an additional fee, thus securing two additional rounds of examination.
- Third, the PTO awards the examiner a specified number of “counts” in return for performing a complete and careful examination of the original application or an RCE. These production credits affect compensation, promotion, and bonus payments, and hence retention.

For each initial application or RCE, an examiner gets counts for the examiner’s First Action on the Merits (FAOM) and “disposal,” which is not the same as concluding examination. “Disposal”

¹⁰ One particularly stark demonstration of this misguided management view was the 2004 amendment to 37 C.F.R. § 1.111 to restrict supplementary amendments that would advance prosecution for both the applicant and the examiner, but add some additional time for the next action. We recommend rescission of this amendment at section 3.11 starting at page 50.

¹¹ W. Edwards Deming, *Out of the Crisis*. MIT Press (1986). A useful summary of Deming’s Fourteen Principles may be found at http://en.wikipedia.org/wiki/W._Edwards_Deming

¹² Prof. Hollaar made similar recommendations in *Made to Measure: How an antiquated performance measure leads to bad patents*, <http://digital-law-online.info/papers/lah/MadeToMeasure.pdf>.

followed by an RCE means only reaching one of the waypoints at which the PTO charges an additional fee.

The first two *quid pro quos* create a pair of potential conflicts of interest. First, if they are not adequately supervised, examiners earn the same counts for low- and high-quality Office actions. This incentivizes low quality and creates a significant supervisory burden. Second, the PTO can increase fee revenue by forcing applicants to file RCEs to obtain the same examination already paid for in the original fees. Because examiners also earn counts by forcing RCEs, the incentives of the PTO and its examiners are aligned, but in perverse ways that are adverse to applicants and performance under the PRA. The first conflict of interest can be avoided either with effective supervisory oversight or stringent conditions governing examination quality. In the experience of IEEE-USA members, these conditions are often not met in practice, which means that both *quid pro quos* are violated.

The third *quid pro quo* is undermined by the assignment of a fixed “examination budget” for each application irrespective of application complexity. Because the PTO’s count system gives examiners the same number of counts for every application without regard for complexity, they are penalized for examining complex applications responsibly.¹³

Like everyone else, examiners respond to the incentives of their compensation system, and the PTO’s compensation system emphasizes piecemeal rather than the efficient conclusion of prosecution.¹⁴ Examiners earn counts with little regard to whether an action is correct or incorrect, complete or incomplete, careful or perfunctory. An examiner gets a count for sending a rejection letter, whether that letter rejects a “bad” claim that should be rejected, or a good claim that should be allowed, whether the letter explains the examiner’s views or leaves the applicant guessing.¹⁵ There were slight modifications to the count system in the fall of 2009, but they still reward an examiner for stretching out prosecution, not for concluding it, and they reward supervisors for tolerating low quality examination.

¹³ PTO scales examination budgets by technologies – for example, complex biotech patent applications receive more time than simple mechanical devices. However, we understand that it’s been several decades since the PTO adjusted its scaling factors to keep pace with increasing complexity in some technological areas. Examiners no doubt understand the irony: when they examine complex applications, their compensation is unchanged but PTO, which charges more, makes additional revenue that is not passed to support additional examiner time.

¹⁴ Many examiners use informal communications means, such as reviewing claims sent by email or calling applicant attorneys to work out claim language, to drive toward successful resolution. Many do not. The less-communicative examiners seem to be concentrated in certain specific art units and Technology Centers, where the culture is less precise and less cooperative.

¹⁵ The Court of Appeals for the Federal Circuit has complained about PTO’s tendency to not reveal the basis for its adverse decisions. *See, e.g., In re Oetiker*, 977 F.2d 1443, 1449, 24 USPQ2d 1443, 1447 (Fed. Cir. 1992), Plager, J., concurring (“The examiner cannot sit mum, leaving the applicant to shoot arrows into the dark hoping to somehow hit a secret objection harbored by the examiner”).

2.2. The PTO's internal compensation system is misaligned with the goal of reducing RCEs (and with the PTO's obligations under the Paperwork Reduction Act)

In telephone interviews, many examiners understand the word “efficient” to mean “get the next action out, good or bad,” not “get to a conclusion.” In interviews, some examiners have noted that the claims currently pending are easy to examine—because they are easy to reject—and will then be quite reluctant to allow a supplementary amendment that clears up the problems and would move the application forward.

Similarly, some of our attorney members have had the experience of telephoning an examiner after an application appears “stuck.” After some discussion, the examiner all but concedes that he or she overlooked a key fact (typically claim language that the examiner had not appreciated). The examiner states that he or she will fully consider the issue if the applicant files an RCE, thus giving the examiner two more opportunities to earn counts and generating more fee revenue to the PTO. When the attorney points out that the PTO rules required the examiner to consider the issues carefully in the first round, the examiner gives a three word answer: “File an RCE.” The *quid pro quo* of improper and unnecessary fees, delay, and loss of patent term in return for examination that was due but not given and counts that were not earned is never stated expressly, but the examiner makes the implied threat crystal clear.¹⁶

Stephen Kunin, the former Assistant Commissioner for Patent Examination Policy gave a talk at the April 2007 meeting of AIPLA, in which he stated as follows:¹⁷

The situation is basically that examiners have no liability for bad quality. ...

A lot of some of the problems that the PTO are facing they can solve by doing examination right the first time, and eliminating a lot of paper pushing. ... There's a lot of work that is out there caused because examiners force RCEs, or force continuations, or force the filing of divisional applications. ...

... I think there are ways that examiners can be incentivized to be more productive. ...

“Compact prosecution” I think is something that the PTO really has to take seriously. It means a thorough search and examination of all claims, and a search of subject matter reasonably expected to be claimed, a complete first Office action, and an early indication of allowable subject matter. ...

Where regulations and guidance set minimum criteria for examination at each stage, line management is often highly reluctant to enforce those regulations and guidance, an observation that is fully consistent with their financial incentives (we discuss this further in section 4 starting

¹⁶ Recent procedural changes make continuations preferable to RCEs to examiners, but the incentive lessons are the same. See also Courtenay Brinckerhoff, Foley & Lardner, Holding The USPTO Accountable For The RCE Backlog, PharmaPatents blog, <http://www.pharmapatentsblog.com/2012/05/22/holding-the-uspto-accountable-for-the-rce-backlog/> (May 22, 2012) (The 2009 realignment of the count system “gives examiners no incentive to work on an RCE. Indeed, one examiner suggested that we file a continuation application instead of an RCE, to make it more likely that examination would proceed in a more timely manner.”)

¹⁷ Public remarks of Stephen Kunin, former Deputy Assistant Commissioner for Patent Examination Policy, PTO “Town Hall” Meeting, New York, NY, April 7, 2006, CD available from AIPLA, file 12_Town_Hall.mp3, time stamps 32:30 to 38:50.

at page 55). Indeed, there is no reason to expect supervisors to act in ways that are contrary to their financial interests.

This combination of unhelpful incentives ensures that examiners and supervisors alike have little reason to advance applications to a conclusion. This results in a great many RCEs. Further, they create substantial paperwork burdens that can be classified as either lacking in practical utility (because the examination corps declines to act on sufficient information when it can secure more compensation through delay) or unreasonably duplicative (because the information applicants have to provide in the second and subsequent rounds is no different than what they provided initially), in violation of the Paperwork Reduction Act. PTO management is under both a management obligation and legal obligation to take these problems seriously.

2.3. RCES would decline if examiners were rewarded for concluding examination, not extending it

IEEE-USA recommends several changes to examiner incentive structures that would reduce RCEs and the PTO's backlog while simultaneously reducing paperwork burdens that lack practical utility or are unreasonably duplicative, to improve compliance with the Paperwork Reduction Act.

There are several ways to do this. In order of preference, IEEE-USA proposes the following:

- At conclusion of examination (whether allowance or terminal abandonment after the applicant accepts the reasons for rejection), the examiner could be rewarded with an additional number of counts (in addition to those awarded today for piecework). Preferably, this number should scale with the complexity of the application (as we discuss in Section 2.4), but not with the number of counts awarded on a piecework basis. This would remove a considerable fraction of the incentive for extended RCE practice that examiners have today.
- Of the current number of counts awarded for each action on today's piecework basis, half could be held in a reserve account, and credited to the examiner only when examination concludes. This would provide less incentive to reduce extended RCE prosecution than the previous alternative, but it may be easier for the PTO to implement, since the "value" of each count will remain the same.

These reforms would increase incentives to conclude prosecution, and reduce incentives to run up additional RCEs.

2.4. RCES would decline if examiner counts were scaled with complexity

Examiners should get counts that scale with the complexity of the application, especially the complexity for which the PTO charges fees. This would help restore one of the three *quid pro quos* on which efficient examination depends.

The PTO recently gave a comprehensive report to the Patent Public Advisory Committee, in which it stated its assessment for its cost structure,¹⁸ including an identification of those features of applications that create additional examination cost, and a numerical estimate for the appropriate fee to charge for those features. However, the PTO has not proposed to give examiners extra time to examine more complex applications. No matter what the attributes of the application, the count reward to an examiner remains the same for each application. It is hard to understand why the PTO believes complexity should lead to fees that can multiply a filing fee up to tenfold for a complex application, but not pass this through to examiners in greater compensation or examination time.

The examiners' union supported such a change as long ago as 2005. In a hearing before Congress,¹⁹ the president of the union noted that

[a]pplicants pay substantial fees for excess claims, large specifications and information disclosure statements. Examiners must be given time proportional to these fees to ensure that applicants will get what they have paid for.

If examiner counts and other measures of PTO workflow were calibrated by complexity, the efficiency of examination would increase, RCEs would decrease, and paperwork burdens that lack practical utility or are unreasonably duplicative would be reduced. One of our members has pointed out some ways to correct the obsolete count system²⁰ and another has proposed to the PTO a detailed methodology for measuring and empirically deriving a small set of application complexity attributes and a formula for a “Count Correction Factor” accounting for such complexity factors to be applied in the Examiner Count system.²¹

¹⁸ http://www.uspto.gov/aia_implementation/fees.jsp. This is at least the second such study. In 1999, Congress ordered PTO to analyze its cost and fee structures to better align its operations with the needs of inventors. American Inventors Protection Act of 1999, Pub. L. No. 106-113, 113 Stat. 1501, 1501A-555, § 4204 (directing PTO to “conduct a study of alternative fee structures that could be adopted [by the Office] to encourage maximum participation by the inventor community in the United States.”). The results of that study are reported in part at <http://www.uspto.gov/web/offices/com/strat21/action/sr1fr1.htm>. The PTO proposed *fee* increases, but did not adjust *examiner time* budgets.

¹⁹ Testimony of Mr. Ronald J. Stern, President, Patent Office Professional Association (POPA), Review of U.S. Patent and Trademark Office Operations, Including Analysis of Government Accountability Office, Inspector General, and National Academy of Public Administration Reports, Hearing before the Subcommittee on Courts, the Internet, and Intellectual Property of the Committee on the Judiciary, House of Representatives (Sep. 8, 2005), Pub. Ser. No. 109-48, 23-324.pdf, at page 149. http://commdocs.house.gov/committees/judiciary/hju23324.000/hju23324_of.htm.

²⁰ Lee Hollaar, *Made to Measure: How an antiquated performance measure leads to bad patents*, <http://digital-law-online.info/papers/lah/MadeToMeasure.pdf>.

²¹ Ron D. Katznelson, Comments on Enhancing the Quality of Examination, pp. 7-13, (March 8, 2010). <http://www.uspto.gov/patents/law/comments/katznelson10mar2010.pdf>

2.5. RCEs would decline if supervisor compensation metrics were recalibrated to align supervisor incentives with efficiently concluding examination

Supervisors' compensation systems should be structured around examinations that are *concluded* (allowance, appeal decision by the Board in favor of the examiner, or terminal abandonment), and no credit (or only very small credit) should be given for the piecework "counts" of MPEP § 1705.

MPEP § 1704 suggests that examiners' first- and second-level supervisors (Supervisory Patent Examiners (SPEs) and Technology Center Directors) are rated based on the same "counts" as examiners. If that is true, it gives them a direct financial incentive to allow examiners to write low-quality Office actions that do not move issues forward. Many SPEs and T.C. Directors look past that financial interest in low quality and encourage examiners to generate complete work product. However, IEEE-USA members report that some of them appear to act solely in accordance with their personal financial interest and show no apparent qualms about approving low-quality examiner rejection actions, and resisting requests by applicants for complete examiner work product.

Supervisors' compensation systems should be structured around performance measures that emphasize high quality in examination, and early conclusion of prosecution. It is essential to break the chain that now rewards examiners for producing low quality and supervisors for tolerating it. A number of plausible quality indices should be considered. For example, clearing applications from the backlog could be incentivized by correlating supervisor compensation to final conclusion of examination, and remove the correlation to dragging it out.. High quality should be correlated with low rates of reversal on appeal (considering all stages of appeal, from pre-appeal, to appeal conference, to final decision by the Patent Trial and Appeal Board—an appeal should only favorably affect supervisory compensation if the Board *affirms*).

2.6. RCEs would fall if the 2009 redocketing of RCEs were rescinded

The docket reordering of RCEs of fall 2009 should be rescinded, and pre-2009 docketing practices should be reinstated. The 2009 changes have proven to be counterproductive to examination efficiency, if efficiency is measured by *conclusion* rather than raw numbers of actions. These deadlines shortened the deadlines that an examiner has to prepare a single next action—but the consequence is to extend the number of months and number of rounds of interaction that an application requires for end-to-end conclusion. To reduce RCEs, improve overall PTO efficiency (and, incidentally, to comply with the "practical utility," "no duplicative collection," and "proper performance of the agency's functions" requirements of the Paperwork Reduction Act), it is far more important for examiners to spend adequate time on each step in examination, and not to force each step to meet some arbitrarily-set calendar date.

Traditionally, the PTO structured its docketing system—that is, the computer system and schedule of deadlines that determine the order of work queued up for an examiner—so that the work of a specific application would be compacted into the shortest calendar time. An application might wait a long time for a first action by the examiner, but once an application entered active consideration, it would quickly proceed from start to finish. This was important to reducing RCEs, and reducing unreasonably duplicative paperwork burden on both examiners and applicants. Once an examiner learns the content of an application, it is crucial to keep it moving, to

minimize the forgetting and relearning that must occur between each separate time an examiner or the attorney works on it.

In late 2009, the PTO changed its docketing policy, so that an application coming up for its third, fifth, seventh, etc. consideration would be placed far down the queue of work. Reconsideration cycles that used to take two to three months now take well over a year. In that time, both the examiner and the applicant have forgotten how things work, what is important, and the like. Because of the stretched time period, the 2009 redocketing increases the likelihood that the application will be reassigned to a new examiner. It occurs far too frequently that an examiner leaves the PTO; and the examiner (new or experienced) is assigned to prosecute an application. Of course, the newly assigned examiner has to get up to speed on the application from scratch. In addition, the applicant's attorney has to do a fair amount of the teaching. Such teaching often occurs in an examiner's interview (which may not have been the first in this prosecution), but also all too frequently results in yet another RCE. Thus, the 2009 docketing policy increases RCEs, increases overall costs for the PTO, and creates unreasonably duplicative paperwork burden on the public.

The PTO gave no plausible explanation for how new docketing policy²² would incentivize efficient behavior by either the examiner or applicant, and did not explain how the new workflow would align with either examiners' or applicants' mental processes. One prominent blog has referred to this as a "shell game," and described the consequences of the 2009 rebalancing in stark terms:²³

By focusing on the front-end of the examination process without considering the process as a whole, the USPTO may have lost sight of the fact that applicants do not want an Office Action, they want a patent. Indeed, applicants need granted patents in order to enforce their rights, secure investments, and improve their value. As I wrote previously, permitting applications to languish midstream in prosecution is inefficient, and drags down innovation, investment and commercialization just as much as delaying examination of new applications. It is time for stakeholders to hold the USPTO accountable for the RCE backlog and demand that RCEs be examined in a timely manner.

Spreading prosecution over more years, and sending Office papers out more quickly but with less care, is counterproductive to examination efficiency. It also imposes paperwork burdens that lack practical utility or are unreasonably duplicative. Applicants do not benefit by receiving low-quality rejection letters quickly. Applicants benefit when prosecution concludes with either an allowance, or a rejection letter that fully explains the basis for rejection in a manner consistent with statute and case law.

The 2009 docketing change generated substantial new and unreasonably duplicative paperwork burdens, none of which has been accounted for in PTO burden estimates. It should be

²² The PTO did explain how rebalancing of counts would achieve these goals, but not how reordering the docket would have any beneficial effect.

²³ Courtenay Brinckerhoff, Foley & Lardner, Holding The USPTO Accountable For The RCE Backlog, PharmaPatents blog, <http://www.pharmapatentsblog.com/2012/05/22/holding-the-uspto-accountable-for-the-rce-backlog/> (May 22, 2012) ("Issuing more first Office Actions without completing examination of pending applications is nothing but a shell game—shifting the stack of in-process applications from one category to another.").

reversed. The PTO should structure its workflow to take advantage of the memory processes of both examiners and applicants. The PTO should structure its process so that an application moves from first consideration to last in a consolidated time period, not to maximize the number of first Office actions.

3. THE PTO’S REGULATIONS AND GUIDANCE SHOULD BE CLARIFIED TO INCENTIVIZE COMPLETE EXAMINATION—MANY REQUIREMENTS OF THE ADMINISTRATIVE PROCEDURE ACT, PAPERWORK REDUCTION ACT, AND OMB’S BULLETIN ON AGENCY GOOD GUIDANCE PRACTICES SHOULD BE EMBODIED IN WRITTEN REGULATIONS AND GUIDANCE

Many actions do not advance prosecution efficiently, because they do not reflect complete consideration of the claims and *prima facie* legal elements. Perhaps the examiner thought about all material issues, perhaps not, but in many applications, action after action omits key findings. A complete analysis on paper always leads to clearer and more precise consideration of the claim and reference, and improves communication. An explicit analysis on paper quickly leads to one of three results, each one of which improves efficiency:

- Writing out findings forces more careful analysis. That closer analysis by the examiner might reveal to the examiner that the claim distinguishes the reference, and the rejection should not be issued at all. This saves the examiner immense time in not having to consider the dependent claims, and (in our experience) eliminates a large fraction of all RCEs.
- Perhaps the claim really does read on the reference. If a typical action simply contained about 50 more words of analysis, the correspondence could be made much clearer. The applicant could have made a reasoned decision to either amend or abandon, but for lack of those 50 words, instead pursues an RCE or appeal.
- Perhaps the claim does not read on the reference—but without a clear explanation of the examiner’s position, it is impossible to diagnose the examiner’s analytical error and provide well-targeted arguments. Miscommunication, RCEs, and appeals result.

If the PTO required that *every* action set forth a clear and complete explanation of the ground of rejection, the error in one position—either applicant’s or the examiner’s—would be clear, and most of today’s extended prosecutions would end much sooner. The Board has repeatedly asked for element-by-element comparison of the claim to the reference:²⁴

²⁴ *Ex parte Govindan*, Appeal No. 2001-0758, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fNm=fd010758> at 5, 2002 WL 32334569 at *3 (BPAI Nov. 15, 2002) (unpublished, emphasis in original); *see also Ex parte Luu*, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fNm=fd2006087506-30-2006> at 4-5 (BPAI Jun. 30, 2006) (“Further, it is the examiner’s burden of setting forth a fact-based analysis of the claim together with the prior art pointing out where the prior art teaches the limitations of the claims under rejection. This has not happened on this record. ... If, after having the opportunity to reconsider the record, the examiner finds that a rejection is necessary, the examiner should clearly articulate the basis for any ground of rejection on the record *being careful to insure that every limitation of each claim is accounted for*,” emphasis added); *see also Ex parte Braeken*, 54 USPQ2d 1110 (BPAI 1999).

... We would further emphasize what should be self-evident: the examiner must present a full and reasoned explanation of the rejection in the statement of the rejection, specifically identifying underlying facts and any supporting evidence, in order for appellants to have a fair and meaningful opportunity to respond. ...

That should be the prevailing standard during initial examination, not just during appeal.

Many of our suggestions below are required by the Paperwork Reduction Act. The PRA requires agencies to:

- The PTO must “reduce [burden] to the extent practicable and appropriate.” The agency must “demonstrate that [the agency] has taken every reasonable step to ensure that the proposed collection of information: ... [is] the least burdensome necessary for the proper performance of the agency’s functions”²⁵
- The PTO’s rules must be “written using plain, coherent, and unambiguous terminology”²⁶
- The PTO must ensure that the information it seeks from applicants has “practical utility,”²⁷ that is, that the information has “actual, not merely the theoretical or potential, usefulness of information to or for an agency, taking into account its accuracy, validity, adequacy, and reliability, and the agency’s ability to process the information it collects”
- The PTO must ensure that the information it seeks from applicants is not “unnecessarily duplicative”²⁸
- “The agency shall also seek to minimize the cost to itself of collecting, processing, and using the information, but shall not do so by means of shifting disproportionate costs or burdens onto the public.”²⁹

3.1. RCEs would decline, and overall efficiency would be raised remarkably, if 37 C.F.R. § 1.104(c) were revised to state an unambiguous requirement that an examiner must state an explanation for every material issue, including limitation-by-limitation consideration of claim language

IEEE-USA recommends revising 37 C.F.R. § 1.104(a) and (c) as we show in Attachment B to clarify that the examiner bears the burden of going forward, and stating a written explanation that states a view on every material issue underlying any rejection or objection.

The PTO could significantly reduce RCEs (and the amount of paperwork burden that lacks practical utility or is unreasonably duplicative) if it enforced this statutory requirement at the examiner level. Enforcing this requirement would also improve PTO efficiency and reduce PTO backlog.

²⁵ 44 U.S.C. § 3506(c)(3)(C), 5 C.F.R. § 1320.5(d)(1), § 1320.9(c).

²⁶ 44 U.S.C. § 3506(c)(3)(D), 5 C.F.R. § 1320.9(d).

²⁷ 44 U.S.C. § 3506(c)(3)(A), 5 C.F.R. §§ 1320.9(a); § 1320.3(l).

²⁸ 44 U.S.C. § 3506(c)(3)(B), 5 C.F.R. § 1320.9(b).

²⁹ 5 C.F.R. § 1320.5(d)(1)(iii).

- Requiring an examiner to make a limitation-by-limitation showing of correspondence between the claims and the art (rather than paragraph-by-paragraph, or showings against only a few isolated words of the claim) forces the examiner to consider the issues more carefully. This would reduce the number of unjustified rejections that result in RCEs, backlog, and unnecessarily duplicative paperwork burdens that violate the Paperwork Reduction Act.
- When an application that *should be rejected* on the merits is rejected with a procedurally incomplete—or erroneous—written explanation, the attorney may well be unable to discern a legitimate, but unstated, rejection. In contrast, when an examiner gives a written explanation that addresses all claim language and legal requirements, the attorney is more likely to recognize the merits of the examiner's view, and either amend the application to meet that view, or advise his client to proceed to abandonment. This would clearly reduce RCEs, improve PTO efficiency, reduce backlog, and reduce paperwork burdens that lack practical utility or are unreasonably duplicative.
- When an application that *should be allowed* is rejected with a full written explanation, it is easier for the attorney to precisely identify the examiner's misunderstanding and thereby advance prosecution toward allowance. As in the previous example, this would clearly reduce RCEs, improve PTO efficiency, and reduce paperwork burdens that lack practical utility or are unreasonably duplicative.
- In the experience of the attorneys working on this letter, a high percentage of extended-RCE applications (three actions or more in a single application) arises because the examiner rushed to issue a first Office action without carefully considering the claim language. When an examiner refuses to carefully consider the claim language or provide a limitation-by-limitation explanation, or neglects to write out findings on legally-relevant *prima facie* issues, prosecution is extended to the detriment of both applicants and the PTO.

Our suggestion to require a complete, limitation-by-limitation comparison of all claims rejected under § 102 or § 103 is merely a suggestion that the PTO implement the law. In *Gechter v. Davidson*, the Federal Circuit instructed the PTO concerning the findings that must be made in any prior art rejection:³⁰

In sum, we hold that the Board is required to set forth in its opinions specific findings of fact and conclusions of law adequate to form a basis for our review. In particular, we expect that the Board's anticipation analysis be conducted on a limitation by limitation basis, with specific fact findings for each contested limitation and satisfactory explanations for such findings.^{FN3} Claim construction must also be explicit, at least as to any construction disputed by parties to the interference (or an applicant or patentee in an ex parte proceeding).

^{FN3} While not directly presented here, obviousness determinations, when appropriate, similarly must rest on fact findings, adequately explained, for each of the relevant obviousness factors in the Supreme Court's decision in *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 17–18, 148 USPQ 459, 467 (1966)...

³⁰ *Gechter v. Davidson*, 116 F.3d 1454, 1460, 43 USPQ2d 1030, 1035 (Fed. Cir. 1997) (emphasis added).

Other Federal Circuit decisions have made clear that *Gechter*'s requirement for a limitation-by-limitation showing applies to examiners as well.³¹ The connection between due process at the examiner and Board levels was made express in *In re Leithem*: “Under the [APA], an applicant for a patent who appeals a rejection to the Board is entitled to notice of the factual and legal bases upon which the rejection was based. 5 U.S.C. § 554(b)(3)”.³²

Gechter is merely an application of the Administrative Procedure Act in the context of the PTO. Examiners' Office actions are governed by the “informal adjudication” section of the Administrative Procedure Act, 5 U.S.C. § 555(e), which reads as follows:

(e) Prompt notice shall be given of the denial in whole or in part of a written application, petition, or other request of an interested person made in connection with any agency proceeding. Except in affirming a prior denial or when the denial is self-explanatory, the notice shall be accompanied by a brief statement of the grounds for denial.

Courts have interpreted “brief statement of grounds” of § 555(e) to require that the “statement of grounds” must be sufficiently detailed to ensure that the agency gives careful consideration of the issues, to give parties the opportunity to apprise the agency of any errors, and to facilitate judicial review.³³ Agency written decisions must “address all significant issues of fact and policy.”³⁴ As *Gechter* notes, that level of written decision requires a limitation-by-limitation mapping.

Justice Thurgood Marshall noted how complete explanations improve efficiency for both the public and the agency:³⁵

³¹ *In re Deuel*, 51 F.3d 1552, 1557, 34 USPQ2d 1210, 1214 (Fed. Cir. 1995) (“The examiner bears the burden of establishing a prima facie case of obviousness,” emphasis added); *In re Oetiker*, 977 F.2d 1443, 1445-46, 24 USPQ2d 13443, 1444 (Fed. Cir. 1992) (“the examiner bears the initial burden, on review of the prior art or on any other ground, of presenting a *prima facie* case of unpatentability. ... 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 ... We think that the PTO is correct in treating the concept of the *prima facie* case as of broad applicability, for it places the initial burden on the examiner, the appropriate procedure whatever the technological class of invention” emphasis added).

³² 661 F.3d 1316, 1319, 100 USPQ2d 1155, 1159 (Fed. Cir. 2011).

³³ *Tourus Records Inc. v. Drug Enforcement Admin.*, 259 F.3d 731, 736-37 (D.C. Cir. 2001); cf. *Dunlop v. Bachowski*, 421 U.S. 560, 571 (1975) (for Labor Management Reporting and Disclosure Act cases, “When action is taken by [the Secretary] it must be such as to enable a reviewing Court to determine with some measure of confidence whether or not the discretion, which still remains in the Secretary, has been exercised in a manner that is neither arbitrary nor capricious... [I]t is necessary for [him] to delineate and make explicit the basis upon which discretionary action is taken. ... Moreover, a statement of reasons serves purposes other than judicial review. ... [A] ‘reasons’ requirement promotes thought by the Secretary and compels him to cover the relevant points and eschew irrelevancies, and ... the need to assure careful administrative consideration ‘would be relevant even if the Secretary’s decision were unreviewable.’”).

³⁴ *Iowa State Commerce Comm'n v. Office of Federal Inspector of Alaska Natural Gas Transp. System*, 730 F.2d 1566, 1578 (D.C. Cir. 1984) (explaining the obligation under 5 U.S.C. § 555(e) and importance of agency explanation of reasons); *Gechter v. Davidson*, 116 F.3d 1454, 1460, 43 USPQ2d 1030, 1035 (Fed. Cir. 1997) (PTO explanations of anticipation or obviousness rejections must state limitation-by-limitation findings); *In re Oetiker*, 977 F.2d 1443, 1445-46, 24 USPQ2d 1443, 1444 (Fed. Cir. 1992).

³⁵ *Board of Regents of State Colleges v. Roth*, 408 US 564, 591-92 (1972) (Marshall, J. dissenting).

[A] requirement of procedural regularity at least renders arbitrary action more difficult. Moreover, proper procedures will surely eliminate some of the arbitrariness that results, not from malice, but from innocent error. “Experience teaches . . . that the affording of procedural safeguards, which by their nature serve to illuminate the underlying facts, in itself often operates to prevent erroneous decisions on the merits from occurring.” *Silver v. New York Stock Exchange*, 373 U. S. 341, 366 (1963). When the government knows it may have to justify its decisions with sound reasons, its conduct is likely to be more cautious, careful, and correct.

The examination corps should be instructed that the law requires every § 102 or § 103 rejection to include an element-by-element showing of correspondence of every limitation to a reference. Written description and enablement rejections must set forth findings on the points set forth in MPEP § 2163.04 and § 2164.04, without short-cutting. The requirement for complete written analysis in every Acton is already the law; the PTO should explicitly so state in 37 C.F.R. § 1.104(c)(2).

3.2. RCEs would be reduced if the PTO provided clearer enforcement of two provisions of 37 C.F.R. § 1.104(c)(2)

Today’s version of 37 C.F.R. § 1.104(c)(2) reads as follows:

(2) In rejecting claims for want of novelty or for obviousness, the examiner must cite the best references at his or her command. When a reference is complex or shows or describes inventions other than that claimed by the applicant, the particular part relied on must be designated as nearly as practicable. The pertinence of each reference, if not apparent, must be clearly explained and each rejected claim specified.

§ 1.104 should be clarified as we recommend in Attachment B, and the existing language should be enforced as we describe next.

3.2.1. In some art units, the requirements to “designate as nearly as practicable” and to “clearly explain” are not uniformly followed by examiners or enforced by supervisory staff

In some art units, supervisory personnel do not uniformly require examiners to designate portions of references “as nearly as practicable” nor to “clearly explain,” despite the clear requirement by 37 C.F.R. § 1.104(c)(2) (and the Administrative Procedure Act, § 555(b), as discussed in § 3.1) that examiners do so. For example, in 10/113,841, the Action of January 2008 addresses one of the independent claims by firing a shotgun blast of paragraphs from a reference:

and monitoring the negotiation for breaches of rules established within the electronic trading system to govern traders' conduct on the electronic trading system (Waelbroeck, [0005] [0006] [0008] [0029] [0034] [0035] [0057] [0058] [0059] [0088] [0089]); in the event that the monitoring detects conduct by a one of the traders that breaches one of the rules that the breaching trader agreed to observe, determining whether a penalty is defined for the breach (Waelbroeck, [0005] [0006] [0008] [0029] [0034] [0035] [0057] [0058] [0059] [0088] [0089]) and applying said penalty against the trader whose conduct constituted the breach (Waelbroeck, [0005] [0006] [0008] [0029] [0034] [0035] [0057] [0058] [0059] [0088] [0089]).

There are a number of striking features in this action:

- It's the *third* action in this case. The fourth Action is similarly imprecise. This application has now been pending for *over eleven years*. A “30,000 foot flyover” Action might be a necessary evil in a first action; it is inexcusable in a third or fourth.
- The same list of eleven paragraphs is repeated for every paragraph of the claim, yet, for each claim paragraph for which this list is cited, the Action gives no showing or explanation of correspondence between the cited paragraphs and any claim element. The Action does not even identify which language in any cited paragraph relates to which portion of the associated claim element.
- The eleven paragraphs total over two full columns of text. This is not a designation “as nearly as practicable.”
- Several of the designated paragraphs have nothing to do with the claim elements (trading rules, breaches of rules, “inappropriate trading behavior,” or a “penalty”) or anything else observably pertinent to these claims. Generalized citation, in which multiple paragraphs are identified but their relevance is not discussed, does not designate portions of references “as nearly as practicable” nor does it “clearly explain” the relevance of the paragraph. Indeed, this form of citation mis-communicates the examiner’s intent and raises red herrings that can throw the prosecution off track.
- Some of the paragraphs designated in this action are from the reference’s Background section, and describe unrelated prior art. They cannot possibly be related to the other designated paragraphs in any manner relevant to anticipation.
- In three replies, the applicant has asked that the examiner designate some specific component of the references that corresponds to the “breach” and the “penalty,” and that nothing is apparent in the references to correspond to either. If the examiner has something specific in mind, it should be specifically designated and “clearly explained” as required by § 1.104(c)(2).
- In addition, the attorney for applicant approached the assigned SPE repeatedly, the T.C. Director, and the Office of Petitions (regarding premature final rejection and refusal to honor a request under MPEP 710.06) to no avail. Lack of supervisory oversight is discussed in §§ 2.5 and 4.

Administrative law statutes, the PTO’s regulations, and precedent should have been sufficient to get this application on track years ago. However, the PTO adamantly resists all requests that the examiners carefully engage with the application. The result in this application has been two RCEs, and after eleven years, there is still no *bona fide* first careful examination of the claims in this application that is consistent with § 1.104(c)(2) or the PTO’s obligations of “compact prosecution.”

3.2.2. Precision of actions would be improved, and RCEs would be reduced, if pre-grant publications were printed in “column:line” format like issued patents, rather than paragraph number format

The quality of Office actions fell when the PTO began to issue pre-grant publication without line numbers. When examiners are not given a ready, accurate, precise and easy way to cite the portion of a reference that they intend, the quality of examination and Office actions drops.

The PTO could reduce RCEs, reduce unwarranted paperwork burden, improve proper performance of the functions of the agency, better comply with legal requirements, and better achieve program objectives if pre-grant publications were published in column and line number format like issued patents.

3.3. RCEs would be reduced if the PTO made clear that the duty to “answer all material traversed” is a near-absolute obligation set by statute, not a “should” recommended practice

In MPEP § 707.07(f), the PTO instructs examiners that they “should” answer all issues that an applicant raises. But this is not a correct statement of the law: engagement with the issues raised in an applicant’s papers, careful consideration an applicant’s arguments, and written explanation of any disagreement, are obligations imposed by statute. In the experience of the authors of this letter, examiners’ failure to answer all material traversed is the single thing that most stymies forward progress, and creates unwarranted RCEs.

Strict enforcement of the statutory obligation to *always answer every* argument in an application is crucial to reducing RCEs, reducing backlog, improving PTO efficiency.

This obligation arises under three statutes.

First, the Administrative Procedure Act requires examiners to answer all material traversed. An examiner’s failure to engage with issues raised by an applicant is a denial of the “notice” and “statement of grounds” required by § 555(e):³⁶

Since the petitioner presented a nonfrivolous, *prima facie* claim for a change in the [agency decision] based on new factual allegations which were not conclusively refuted by other information in his file, it was an abuse of discretion for the board not to reopen [the decision], thus depriving him of his right to an administrative appeal. The order ... was accordingly invalid, and [the agency decision] must be reversed.

Second. failure to answer all material traversed violates the Paperwork Reduction Act by requesting paperwork that has no “practical utility,” in violation of 44 U.S.C. § 3506(c)(3)(A) and the OMB-issued implementing regulations, 5 C.F.R. § 1320.3(l) and § 1320.5(d)(1)(iii) (“*Practical utility* means the actual, not merely the theoretical or potential, usefulness of information to or for an agency...”). When an applicant believes an application is allowable for a specific reason and provides an explanation for that reason, but the examiner rejects the application *again* without responding to the applicant’s showing, then the applicant’s response cannot have practical utility to the PTO because PTO has effectively ignored the applicant’s explanation.

³⁶ *Mulloy v United States*, 398 US 410, 418 (1970).

Third, failure to answer all material traversed violates the Paperwork Reduction Act when it forces an applicant to submit the same argument a second time—the PTO may not request “unnecessarily duplicative” information. § 3506(c)(3)(B); 5 C.F.R. § 1320.9(b).

Fourth, examiners should be reminded that the obligation to “answer all material traversed” and to consider claim language limitation-by-limitation are mutually-reinforcing. Many attorneys that file numerous and repetitive RCEs believe that RCEs would fall remarkably if examiners were required to address all claim language with precision, and carefully answer all material traversed.

3.4. Too many “final” actions are incomplete—RCEs would be reduced if the PTO set clear and enforceable standards for completeness required for MPEP § 710.06, final rejection, and to survive Pre-Appeal

The PTO could remarkably improve the quality and predictability of examination, reduce RCEs, reduce appeals both in number and in complexity, and reduce the PTO’s own costs, by

- clarifying the definition of “error that affects an applicant’s ability to reply” of MPEP § 710.06
- clarifying the definition of “clear errors” or “omissions of one or more essential elements needed for a *prima facie* rejection” that support reopening or reversal on Pre-Appeal.³⁷
- clarifying the definition of “clear issue developed for appeal” in MPEP § 706.07. The definition of “clear issue developed for appeal” most likely tracks the definition of “omission of essential *prima facie* element” of the previous bullet. By making the standards for final rejection clearer, examiners would be incentivized to do their work more completely, earlier in the process, which would avoid the need for many RCEs—many applications that currently go into RCE would be reopened on Pre-Appeal.

MPEP § 710.06, final rejection, and pre-appeal are three checkpoints at which an applicant should be able to request that an examiner specifically address a potentially-dispositive issue, or develop an issue sufficiently to identify the precise point of disagreement. Disagreements should not persist based on *silence* by the examiner. The checklist of “clear errors” or “omissions of one or more essential elements needed for a *prima facie* rejection” that prevent final rejection (or that support reopening or reversal on Pre-Appeal), should include issues such as the following:

- an action must “answer all material traversed”—in the experience of the IEEE-USA members that contributed to this letter, nothing increases burden during both patent processing (0651-0031) and appeal (0651-0063) more than silence on the issues that an applicant argues (or mischaracterization of that issue)
- in prior art rejections, an action must give a limitation-by-limitation comparison of the claim to the art³⁸

³⁷ New Pre-Appeal Brief Conference Pilot Program § 4, 1296 Off. Gaz. 67 (July 12, 2005), <http://www.uspto.gov/web/offices/com/sol/og/2005/week28/patbref.htm> (Pre-Appeal with consider “clear errors in the examiner’s rejections” or “omissions of one or more essential elements needed for a *prima facie* rejection”).

- an action must set forth the findings required the September 2010 *KSR Guidelines Update*³⁹

Without an obligation that the second action be complete, examiners can—and do—avoid raising new grounds of rejection by simply skipping the new ground in the second action as well. Often, neither argument nor appeal is effective until an examiner gives an explanation. If examiners are not accountable for providing that complete explanation early in the process, the way to get it is to file an RCE.

Pre-Appeal should be one of the procedural gatekeepers that the PTO uses to detect and remedy improper rejections. The Board benefits, the public benefits, and examination proceeds more efficiently and reaches a correct decision earlier, if all parties know where the “finish line” is. In the late 1970’s, Detroit found that it was far more efficient to slow down its assembly lines and focus on quality from the beginning, rather than to leave defect inspection and quality for the end of the process. The PTO is in much the same position today. The PTO should provide quality criteria for examiner’s actions that must be satisfied at several stages. If examiners are given clear, certain, and enforceable standards for the quality of Office actions, first actions will be more complete, examiners will have clearer incentives to do a complete job earlier in the process, disputes will be reduced, and the backlog will fall.

IEEE-USA offers a possible checklist in Attachment C for incorporation into MPEP § 706.07 to provide a definition for the term “clear issue developed for appeal” for finality, and “omissions of one or more essential elements needed for a *prima facie* rejection” that support reopening or reversal on Pre-Appeal.

³⁸ *Ex parte Forest*, Appeal No. 2000-1901, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&flNm=rm001901> at 4, 2002 WL 33951036 at *2 (BPAI May 30, 2002) reads as follows:

... In any event, for each reference relied on in each rejection, the PTO’s policy is for the examiner to compare the rejected claims feature-by-feature or limitation-by limitation with each of the references relied upon in the rejection. This comparison should map the language of the claims to the specific page number, column number, line number, drawing number, drawing reference number, and/or quotation from each reference relied upon. ...

... [The initial burden to formulate the details of a *prima facie* case of obviousness] rests solely upon the examiner.

See also Gechter v. Davidson, 116 F.3d 1454, 1460, 43 USPQ2d 1030, 1035 (Fed. Cir. 1997) (“we hold that the Board is required to set forth in its opinions specific findings of fact and conclusions of law adequate to form a basis for our review. In particular, we expect that the Board’s anticipation analysis be conducted on a limitation by limitation basis, with specific fact findings for each contested limitation and satisfactory explanations for such findings.”)

³⁹ *Examination Guidelines Update Developments in the Obviousness Inquiry After KSR v. Teleflex*, 75 Fed. Reg. 53643, 53644–45 (Sep. 1, 2010) (“It remains Office policy that appropriate factual findings are required in order to apply the enumerated rationales properly. If a rejection has been made that omits one of the required factual findings, and in response to the rejection a practitioner or inventor points out the omission, Office personnel must either withdraw the rejection, or repeat the rejection including all required factual findings”).

3.5. RCEs would be reduced if Pre-Appeal conferees were required to provide a written explanation of all grounds referred to the Board, not a single all-or-nothing “X”

Currently, if a Pre-Appeal raises multiple issues, and the panel finds that the examiner has a plausible position on only one, the Appeal conference checks a single box, “Proceed to the Board.” This is much less helpful and efficient than it should be.

We offer three suggestions for reducing RCEs: (a) The Pre-Appeal Decision form should indicate which rejections are maintained and which are withdrawn, on an issue-by-issue basis, (b) The Pre-Appeal Decision form should make clear that pre-appeal of less than all issues is permissible, and (c) the Pre-Appeal Decision form should request that the conference provide a “brief statement of grounds” for any rejection not withdrawn, as required by 5 U.S.C. § 555(e).

3.6. RCEs would fall if the PTO added a fair restatement of the Federal Circuit’s definition of “new ground of rejection” to the MPEP, and enforced standards for premature final rejections

IEEE-USA urges the PTO to incorporate a correct and complete restatement of the current definition of “new ground of rejection” into the MPEP. We provide such a restatement in Attachment D. This would not only reduce RCEs, and reduce paperwork burden by creating accountability for complete work, this is a reform that is *required by law* under both the Administrative Procedure Act, and under the Paperwork Reduction Act to achieve “proper performance of the functions of the agency.”

The Patent Act guarantees applicants at least two thorough examinations of an application before it is finally rejected. 35 U.S.C. §§ 131, 132. In the 1960s, the PTO instituted “compact prosecution” rules that established a clear *quid pro quo*, that the PTO would give two complete Office actions and, *in return for those two complete actions*, the PTO would make the second action “final.” The applicant would be permitted to seek further examination on payment of a fee (35 U.S.C. § 134). The examiner receives a count for “final” rejection. The definition of two *complete* Office actions turns largely on the definition of the term “new ground of rejection:” in essence, if the first action is complete, and the second does not have to fill in any gaps that were left in the first, then the second action can be final, and the examiner gets his/her count.

This works fairly for all parties so long as the PTO enforces the rules, and honors the legal definition of the term “premature final rejection.” However, if PTO management does *not* enforce the established legal definition, then examiners are incentivized to cheat by providing piecemeal and incomplete Office actions that reject claims on poorly-thought-out grounds. (Examiners are penalized for allowing applications that should be rejected, but, as we noted in 2.1, 2.3, and 2.5, examiners and supervisors are rewarded with extra counts for rejecting applications that should be allowed. Because of this asymmetric bias, no examiner allows an application until the examiner is confident that the application is allowable.) When an applicant is faced with a poorly-grounded rejection, the applicant’s only options are to abandon patent coverage or respond by asking the examiner to consider the relevant issues—the same issues that should have been considered earlier.

However, since 2003, the PTO has progressively reneged on its half of the “compact prosecution” bargain. Examiners frequently search only until they find a reference that is “somewhat” related to the claims, the best reference often does not surface until the third or fourth

or fifth round. In some Technology Centers, Office actions do not always provide limitation-by-limitation showings, or, as in the example discussed in § 3.2.1 above, they often provide showings that are incomplete or not clearly explained. The PTO seems to be walking away from almost every obligation on itself under the 1960's compact prosecution bargain.⁴⁰

The “count” system does not reward careful consideration of applicants' submissions, and gives a full reward for even *incomplete* examination. This leads to excessive RCEs. It also violates multiple requirements of the Paperwork Reduction Act:

- Applicants must frequently make duplicative submissions of the same information, because the examiner does not give careful consideration to the first submission.
- If examiners do not fully consider information the first time it is submitted, and do not “process such information in a timely and useful fashion,” then the PTO violates the “practical utility” requirement of 44 U.S.C. § 3506(c)(2)(A)(i) and § 3502(11).
- If an applicant has to submit the same information on multiple occasions, paperwork burden is not minimized, in violation of § 3506(c)(2)(A)(iv).
- Because the Administrative Procedure Act requires the PTO to provide a written “statement of grounds” and examiners violate this requirement of law when they fail to do so, the PTO's relaxed enforcement of its legal obligations is inconsistent with the proper performance of the agency's functions, in violation of both § 555(e) of the Administrative Procedure Act and § 3506(c)(3)(A) of the Paperwork Reduction Act.

Much of this incomplete examination should be caught in the net of “new ground of rejection,” which would give applicants some protection against incomplete examination, and give examiners motivation to be complete to avoid the problem. However, supervisors and petitions decision-makers have no written restatement of court or agency precedent defining the term “new ground of rejection,” and therefore petitions directed to this issue are denied merely because the Office of Petitions misunderstands the law. When examiners are not held accountable for compact prosecution, RCEs and unwarranted paperwork both rise rapidly.

Despite the centrality of the term “new ground of rejection” to the proper function of the agency and clear procedural boundaries for the obligations of examiners and applicants, the MPEP does not contain a definition of the term “new ground of rejection,” but instead refers the reader to the case law for a definition of “new ground of rejection.” MPEP § 1207.03(III) (8th ed. rev. 3, Aug. 2005) (expressly deferring to the *Kronig* line of case law for the definition of the term “new ground”)

The absence of any definition of the term “new ground of rejection” is in itself a violation of the Paperwork Reduction Act. 44 U.S.C. § 3506(c)(3)(D) (each agency shall ensure that each request to the public to submit information “is written using plain, coherent, and unambiguous terminology and is understandable to those who are to respond”).

⁴⁰ *Allentown Mack Sales & Serv., Inc. v. Nat'l Labor Reln's Bd.*, 522 U.S. 359, 376 (1998) (under the APA's scheme of reasoned decisionmaking, an administrative agency “must be required to apply in fact the clearly understood legal standards that it enunciates in principle.”); *In re Lee*, 277 F.3d 1338, 1344, 61 USPQ2d 1430, 1434 (Fed. Cir. 2002) (“An agency is not free to refuse to follow [Federal Circuit] precedent.”).

The term “new ground of rejection” is defined as any “position or rationale new to the proceedings,” including new evidence, citation to a new portion of existing evidence, any new finding of fact, whether drawn from a new or existing reference, a new legal theory, or a new application of law to facts.⁴¹ The test does not focus on what the PTO did, but the response—any “thrust” by the PTO that requires a different “fair opportunity to respond” is a “new ground.” A clear explanation was given in a non-precedential case in 1988:⁴²

The test for determining whether the board’s rejection is “new” centers on whether the “basic thrusts” of the board’s rejection and the examiner’s rejection are different. If the basic thrusts of the two rejections are not the same, then the applicants would not already have had a “fair opportunity” to respond to the thrust of the board’s rejection before the examiner, and the board’s rejection can fairly be said to warrant a further opportunity for response. *In re Kronig*, 539 F.2d 1300, 1302, 1303, 190 USPQ 425, 426, 427 (CCPA 1976). Denial of an opportunity to respond to a new rejection represents a deprivation of the applicants’ administrative due process rights. *Id.* at 1303, 190 USPQ at 426.

[The examiner had relied on Hodakowski and Bhatia. The Board relied on Hodakowski alone, drawing further inferences from “broad disclosure in Hodakowski consist[ing] of a general and brief description of what Hodakowski considered as prior art distinct from his invention”]

We cannot agree with the board that its reasoning does not represent a significant shift in the basic thrust of the rejection. Not only do the rejections at issue here represent different views of what the cited references teach, they also require the applicants to respond in quite different manners. The examiner’s rejection may encourage the applicants to attack both Hodakowski and Bhatia separately but still permits the applicants to accept the examiner’s view of the references and only attack the examiner’s conclusion that one of ordinary skill would be led to combine the teachings of the references. On the other hand, the board’s rejection necessitates a direct challenge to Hodakowski alone, as newly characterized by the board, since the new characterization, if not challenged, would serve to preclude the patenting of the claimed invention. *See In re Echerd*, 471 F.2d 632, 635, 176 USPQ 321, 323 (CCPA 1973) (board’s new reliance on only one of two references and on new portions of that reference to support an

⁴¹ *In re DeBlauwe*, 736 F.2d 699, 706 n. 9, 222 USPQ 191, 197 n.9 (Fed. Cir. 1984) (interpreting the term “new ground” in 37 C.F.R. § 1.196(b), now § 41.50(b): “Where the board makes a decision advancing a position or rationale new to the proceedings, an applicant must be afforded an opportunity to respond to that position or rationale” to the full extent permitted by the rules relevant to the procedural stage, citing 37 C.F.R. § 1.196(b)); *In re Eynde*, 480 F.2d 1364, 1370–71, 178 USPQ 470, 474 (CCPA 1973) (“We do agree with appellants that where the board advances a position or rationale new to the proceedings... the appellant must be afforded an opportunity to respond to that position or rationale” [to the full extent permitted by the relevant rule]. This court so held in *In re Moore*, [444 F.2d 572, 170 USPQ 260 (CCPA 1971)], and we expressly reaffirm that view. The board’s refusal to consider evidence which responds to such a new rationale is error.”).

⁴² *In re Ansel*, 852 F.2d 1294 (table), 1988 WL 63291 at * 1 (Fed. Cir. 1988) (nonprecedential); *In re Kronig*, 539 F.2d 1300, 1302–03, 190 USPQ 425, 426 (CCPA 1976) (“the ultimate criterion of whether a rejection is considered ‘new’ in a decision by the board is whether appellants have had fair opportunity to react to the thrust of the rejection. We agree with this general proposition, for otherwise appellants could be deprived of the administrative due process rights”); *In re Waymouth*, 486 F.2d 1058, 1060–61, 179 USPQ 627, 629 (CCPA 1973) (different rationale for “written description” rejection of the identical claim language, “the bases of their rejections were wholly different, necessitating different responses by appellants” and required “opportunity to provide a different and appropriate response”), *modified on rehearing* 489 F.2d 1297, 180 USPQ 453 (CCPA 1974).

alternative theory constitutes a new rejection and possibly even shifts the statutory basis for the rejection). *Compare In re Hughes*, 345 F.2d 184, 185-86, 145 USPQ 467, 469 (CCPA 1965) (where the statutory basis of the examiner's and board's rejections are 35 U.S.C. §§ 102 and 103, respectively, the issues raised may be vastly different, and may call for the production and introduction of quite different types of evidence).

Applicants who are met by a new rejection at the board level are permitted, as a matter of right, to submit an appropriate amendment of the claims and/or a showing of facts to the examiner, so that the examiner may consider new evidence on newly presented issues. 37 CFR § 1.196(b) (1987). In this case, by refusing to declare the rejection new, the board denied the appellants the opportunity to, if possible, “amend around” Hodakowski or show the examiner additional facts or evidence which might rebut the new rejection. The board's opinion noted that the record lacked evidence comparing the applicants' coating compositions with the compositions of Hodakowski. As discussed in appellants' request for reconsideration, however, their comparative evidence was available but was not particularly called for in response to the examiner's rejection. Supposedly, appellants' new evidence goes directly to whether, as the board said, the applicants' compositions and Hodakowski's compositions are in fact “difficult to distinguish.” In the context of the board's new rejection, such evidence is not only relevant, but its submission to the examiner is specifically provided for, as of right, under 37 CFR § 1.196(b).

Thus, to allow the appellants to respond to the board's new rejection with an appropriate amendment and/or showing of facts, the board's decision is *vacated* and the case is *remanded*.

This focus on the *applicant's* response, rather than some comparison between the PTO's successive positions, was clarified in a pair of precedential decisions in the fall of 2011, *In re Leithem* and *In re Stepan Co.* *Leithem* explained that a shift in rationale that changed the nature of an applicant's response was the touchstone for determining whether a “thrust” is new, and thus whether the ground is new:⁴³

Here, the examiner cited Novak as teaching [x]. *Leithem* appealed this rejection to the Board on the basis that Novak does not contain such a teaching. *Leithem* argued that Novak's [does not teach claim language x]. ... The Board agreed with *Leithem* but instead affirmed the examiner's rejection by finding that Novak teaches a pulp “which may be [modified to be x].” ... *Leithem* would certainly have responded differently had the examiner's original rejection been premised upon Novak teaching pulp “which may be [x]” as opposed to teaching [x for immediate use] ... The examiner never articulated, nor relied upon, the former rationale for combining Novak with Pociulyko, and *Leithem* was never given an opportunity to respond to this rejection. ... Accordingly, fairness dictates that the applicant, in this case *Leithem*, should be afforded an opportunity to respond to the Board's new rejection.

A rejection under the same statutory section, founded on identical art, may nonetheless be a “new ground of rejection.”⁴⁴ In litigation and in decisions on petition, the PTO has repeatedly asserted that the term “new ground of rejection” is limited to cases where either the statutory

⁴³ *In re Leithem*, 661 F.3d 1316, 1320, 100 USPQ2d 1155, 1159 (Fed. Cir. 2011) (citations and quotations omitted); *see also In re Stepan Co.*, 660 F.3d 1341, 1345, 100 USPQ2d 1489, 1492 (Fed. Cir. 2011).

⁴⁴ *Hyatt v. Dudas*, 551 F.3d 1307, 1312–13, 89 USPQ2d 1465, 1468–69 (Fed. Cir. 2008) (in the context of § 112 ¶ 1 rejections of claims with differing language, rejecting PTO's contention that “ground of rejection” is limited to the statutory ground, without regard to the facts or reasoning applied); *In re Kumar*, 418 F.3d 1361, 1367, 76 USPQ2d 1048, 1051 (Fed. Cir. 2005) (new inferences drawn from the same art, cast as “official notice,” was nonetheless a new ground).

section or the references applied differ; the Federal Circuit has stated its disagreement repeatedly:⁴⁵

The PTO argues that a “ground of rejection” is simply the statutory section under which a claim was rejected. ... Conversely, Hyatt argues that a “ground of rejection” includes both (1) the statutory section under which a claim was rejected and (2) the reason why the claim failed to meet that statutory requirement....

Thus, under section 1.192(c)(7), a commonly rejected group of claims—*i.e.*, a group of claims rejected on the same ground—is one in which the differences between the claims is “of no patentable consequence to a contested rejection.”

McDaniel establishes that a “ground of rejection” for purposes of Rule 1.192(c)(7) is not merely the statutory requirement for patentability that a claim fails to meet but also the precise reason why the claim fails that requirement....

We therefore conclude, as we did in *McDaniel*, that the PTO’s interpretation of section 1.192(c)(7) is plainly erroneous and inconsistent with the text of the regulation.

In addition to being faithful to the text of section 1.192(c)(7), this court’s interpretation of “ground of rejection” is consistent with the fact that the PTO “bears the initial burden ... of presenting a *prima facie* case of unpatentability.”</EXT>

*In re Kumar*⁴⁶ discussed a case where the Board analyzed the identical portion of the reference as relied on by the examiner, but applied a new analysis to determine inherent properties of that portion. That was a “new ground.”⁴⁷

The values identified by the Board’s calculations were not contained in the prior art or any examination record, but appeared for the first time in the Board’s opinion. Although the PTO argues that the calculations the Board included in its decision were not new evidence, but simply an *additional explanation* of the Board’s decision, these values produced and relied on by the Board *had not previously been identified by the examiner or the Board*. Kumar was entitled to respond to these calculations, and the Board committed procedural error in refusing to consider the evidence proffered in response. *See In re DeBlauwe*, 736 F.2d 699, 706 n. 9, 222 USPQ 191, 197 n.9 (Fed. Cir. 1984) (“Where the board makes a decision advancing a *position or rationale new to the proceedings*, an applicant must be afforded an opportunity to respond to that position or rationale by submission of contradicting evidence”). The PTO regulations so require. *See* 37 C.F.R. § 1.196(b) [a slightly different provision is now found at § 41.50(b)] (“when the Board ... makes a new rejection of an appealed claim, the appellant may ... submit ... a showing of fact ... and have the matter reconsidered”).

...

... In this case the overlapping values were identified for the first time in the decision of the Board, and are not themselves set forth in Rostoker or any other reference. In calculating the overlapping values, the Board found facts not found by the examiner regarding the differences between the prior art and the claimed invention, which in fairness required an opportunity for response. *See In re Kronig*, 539 F.2d 1300, 1302, 190 USPQ 425, 426 (CCPA 1976) (“the

⁴⁵ *Hyatt v. Dudas*, 551 F.3d 1307, 1311–12, 89 USPQ2d 1465, 1468–69 (Fed. Cir. 2008), *citing In re McDaniel*, 293 F.3d 1379, 1383–84, 63 USPQ2d 1462, 1465 (Fed. Cir. 2002).

⁴⁶ *In re Kumar*, 418 F.3d 1361, 76 USPQ2d 1048 (Fed. Cir. 2005).

⁴⁷ *In re Kumar*, 418 F.3d 1361, 1367–68, 76 USPQ2d 1048, 1051–52 (Fed. Cir. 2005) (emphasis added).

ultimate criterion of whether a rejection is considered ‘new’ in a decision by the board is whether appellants have had fair opportunity to react to the thrust of the rejection”).

On almost identical facts, the Board found a “new ground of rejection” when it introduced new calculations to analyze a reference.⁴⁸

The Federal Circuit has recently clarified in two cases that its definition of the term “new ground” is grounded in statute, the right of a person before an agency to receive advance notice of the factual and legal bases for a hearing, from 5 U.S.C. § 554(b)(3) of the Administrative Procedure Act.⁴⁹ The PTO has no statutory authority to redefine the term, nor is it entitled to *Chevron* deference for its interpretation of the APA.⁵⁰ The Federal Circuit has also suggested that its interpretation is governed by the text of the term “new ground of rejection”⁵¹—if the term has no ambiguity, the PTO has no latitude to reinterpret the term under *Chevron* or *Auer*.⁵² The Federal Circuit has reminded the PTO several times that it “is not free to refuse to follow [Federal Circuit] precedent.”⁵³

We have collected the relevant Federal Circuit decisions, and we offer a restatement of the definition of the term “new ground of rejection” in Attachment D.

In November 2010, the PTO proposed a draft statement of the definition of “new ground of rejection.”⁵⁴ Notice-and-comment letters pointed out a number of plain errors in the PTO’s formulation:⁵⁵

⁴⁸ *Ex parte Gately*, as described in *In re Gately*, 69 Fed. Appx. 993, 995–96 (Fed. Cir. 2003) (nonprecedential).

⁴⁹ *In re Stepan Co.*, 660 F.3d 1341, 1345, 100 USPQ2d 1489, 1492 (Fed. Cir. 2011) (“the PTO’s regulatory interpretation is due no deference in view of the agency’s statutory obligation under the Administrative Procedure Act (‘APA’) to provide prior notice to the applicant of all ‘matters of fact and law asserted’ prior to an appeal hearing before the Board. 5 U.S.C. § 554(b)(3). Allowing the Board unfettered discretion to designate a new ground of rejection—when it relies upon facts or legal argument not advanced by the examiner—would frustrate the notice requirements of the APA.”); *In re Leithem*, 661 F.3d 1316, 1319, 100 USPQ2d 1155, 1159 (Fed. Cir. 2011) (“Under the [APA], an applicant for a patent who appeals a rejection to the Board is entitled to notice of the factual and legal bases upon which the rejection was based. 5 U.S.C. § 554(b)(3)”).

⁵⁰ *Stepan*, quoted in footnote 49; *Adams Fruit Co. v. Barrett*, 494 U.S. 638, 649 (1990) (agency does not receive deference for statutes that are not specifically delegated to the agency to administer).

⁵¹ *Hyatt v. Dudas*, 551 F.3d 1307, 1313, 89 USPQ2d 1465, 1469 (Fed. Cir. 2008) (“the PTO’s interpretation ... is plainly erroneous and inconsistent with the text of the regulation.”).

⁵² *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984); *Auer v. Robbins*, 519 U.S. 452, 461 (1997)

⁵³ *In re Lee*, 277 F.3d 1338, 1344, 61 USPQ2d 1430, 1434 (Fed. Cir. 2002).

⁵⁴ Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals; Proposed Rule, 75 Fed. Reg. 69828, 69838 (Nov. 15, 2010)

⁵⁵ Kipman T. Werking and Jonathan R. Lee, letter of Jan. 14, 2011, http://www.uspto.gov/ip/boards/bpai/procedures/rules/rule_comment_nov2010_werking_lee_a.pdf; David Boundy, letter of Jan. 14, 2011, http://www.uspto.gov/ip/boards/bpai/procedures/rules/rule_comment_nov2010_boundy.pdf

- The term “new ground of rejection” has the same meaning in several contexts, not different meanings as the PTO implies
- Where the Federal Circuit uses words like “must” and “always” to describe rights in favor of applicants, the PTO attempted to rewrite the law using words like “may”
- Where the Federal Circuit provides a number of bright line rules that apply broadly and in favor of applicants, the PTO’s formulation presented only isolated facts, and asks examiners to draw their own analogies, and ignore the Federal Circuit’s reasoning
- Where the Federal Circuit has identified narrow exceptions that favor the PTO, the PTO’s proposed language broadened those narrow exceptions, in some cases to effectively swallow the rule
- In two cases, *In re Leithem*, 661 F.3d 1316, 100 USPQ2d 1155 (Fed. Cir. Sept. 19, 2011) and *In re Stepan Co.*, 660 F.3d 1341, 100 USPQ2d 1489 (Fed. Cir. Oct. 5, 2011) the Federal Circuit reiterated the principles of these comment letters.

In the November 2011 Final Rule notice, the PTO restated the November 2010 wording almost word-for-word—except to remove citation to two cases that favor applicants, *In re De Blauwe* 736 F.2d 699 (Fed. Cir. 1984) and *In re Moore*, 444 F.2d 572 (CCPA 1974), that had been cited in the November 2010 NPRM. Where the comment letters noted that the NPRM had not fairly characterized *In re DBC*, 545 F.3d 1373 (Fed. Cir. 2008), the Final Rule notice was changed to make the misquotation even worse. Several of the comments from the comment letters were mischaracterized in the “response to comments” section of the November 2011 Final Rule notice, and the Response to comment fails to answer the actual comment. The November 2011 Final Rule notice simply ignored *Leithem* and *Stepan*, in which the Federal Circuit squarely repudiated several positions that the PTO took in its two rulemaking notices. Needless to say, IEEE-USA is disappointed in the PTO’s apparent lack of careful consideration of the Federal Circuit’s case law.

IEEE-USA urges the PTO to carefully and fairly review the case law, and provide a careful and fair definition in the MPEP.

3.7. RCEs would be reduced if the PTO added a correct and fair explanation of the scope of appealable vs. petitionable subject matter in the MPEP

RCEs would be reduced if the PTO provided reliable enforcement of the rules that govern examiners, at least to the extent of compelling examiners to produce complete Office actions, and not prematurely designate rejections as final. This enforcement should be available though the ombudsman and by telephone call to SPEs and T.C Directors. However, the petitions process must likewise be available. The problem is that the Office of Petitions has a view of petitionable subject matter that is incompatible with the Federal Circuit’s and the Board’s. Both the Office of Petitions and Board insist that procedural issues during examination of claims are within the exclusive jurisdiction of the other. Both deny jurisdiction or responsibility to supervise to ensure procedurally complete written actions. Consequently, each individual examiner is left free to make up his or her own rejection standards.

The PTO could reduce RCEs by providing a correct written demarcation of the boundaries between appealable and petitionable subject matter. IEEE-USA proposes a draft for inclusion in MPEP § 1201 in Attachment E. In view of the Board’s and Petitions Office’s disagreement over the scope of each other’s jurisdiction, the current wording of § 1201 is insufficient to comply with

the Paperwork Reduction Act, 44 U.S.C. § 3506(c)(3)(D), which requires that the PTO's rules for petitions and appeals be "written using plain, coherent, and unambiguous terminology." The clarification we request—or something much like it—is required by law.

3.8. The MPEP should correctly state that its obligations of PTO personnel are mandatory and cannot be waived, and statements of obligations of applicants are only advisory

Many RCEs arise because the relative obligations of applicants and examiners are not well-understood by PTO employees. The law is clear on three points:

- The initial burden to provide a complete explanation of all material issues in a rejection is unambiguously on the examiner.⁵⁶
- When the MPEP or 37 C.F.R. states an obligation of an examiner (or other PTO personnel) in mandatory language, that obligation cannot be waived by the examiner without a written reformulation of the written guidance, and must be enforced by PTO supervisory staff.⁵⁷
- Obligations of applicants stated in the statute or in 37 C.F.R. formal regulations are binding on applicants, but purportedly-mandatory statements in the MPEP are at most advisory against applicants.⁵⁸

Chapter 2100 falls into the category of "agency staff manual" and "guidance" under the Administrative Procedure Act and various other laws. Much of the law of guidance was restated in a 2007 memorandum to all agencies from the Executive Office of the President, Office of Management and Budget, issued the *Final Bulletin for Agency Good Guidance Practices*.⁵⁹

3.8.1. RCEs would be reduced if the PTO reiterated to its employees that obligations stated in the MPEP are binding on and enforceable against examiners, and waiver requires formal clearance

Throughout Chapter 2100, the MPEP states disclaimers of any enforceability of any regular or complete procedure. For example, MPEP § 2141 begins the obviousness guidelines as follows:

These guidelines are intended to assist Office personnel to make a proper determination of obviousness under 35 U.S.C. 103, and to provide an appropriate supporting rationale in view of the recent decision by the Supreme Court in *KSR International Co. v. Teleflex Inc. (KSR)*, 550 U.S. 398, 82 USPQ2d 1385 (2007). The guidelines are based on the Office's current understanding of the law, and are believed to be fully consistent with the binding precedent of the Supreme Court. ... These guidelines do not constitute substantive rule making and hence do not have the force and effect of law. They have been developed as a matter of internal Office

⁵⁶ We explained this obligation in §§ 3.1, 3.3, and 3.4, starting at page 25.

⁵⁷ This is fully explained in § 3.8.1, particularly in the text above footnote 66.

⁵⁸ This is fully explained in § 3.8.2.

⁵⁹ Executive Office of the President, *Final Bulletin for Agency Good Guidance Practices*, OMB Memorandum M-07-07, <http://www.whitehouse.gov/omb/memoranda/fy2007/m07-07.pdf> (Jan. 18, 2007), 72 Fed. Reg. 3432 (Jan. 25, 2007).

management and are not intended to create any right or benefit, substantive or procedural, enforceable by any party against the Office. Rejections will continue to be based upon the substantive law, and it is these rejections that are appealable. Consequently, any failure by Office personnel to follow the guidelines is neither appealable nor petitionable.

This paragraph conveys a number of misunderstandings of basic principles of administrative law:

- The Guidelines correctly note that they are “a matter of internal Office management” and directed to “the Patent Examining Corps.” That is, the Guidelines are guidance promulgated under the Housekeeping Act.⁶⁰ The term “rulemaking” applies under the Administrative Procedure Act to rules that affect the public. “Guidance” and “rulemaking” are different things. The reference to “substantive rulemaking” in the context of guidance is a *non sequitur*.
- This paragraph overlooks the PTO’s *obligation* to provide examiners with mandatory “management and direction” for examination of patent applications (see footnote 67 and accompanying text).
- 37 C.F.R. § 1.181(a)(1) ensures that there is no such thing as an agency action by an examiner during *ex parte* prosecution that is “neither appealable nor petitionable”—the PTO may not use a guidance document to carve out exceptions to the procedural remedies granted the public by § 1.181(a). The Supreme Court has stated that it doubts that any such case could ever exist.⁶¹

Because of these points of confusion, this paragraph incorrectly states the rights, obligations, and duties of both the public and PTO personnel. The basic principle is simple: agency staff manuals promulgated without statutorily-required procedure has no binding effect on the public or on courts,⁶² but it *is* binding (asymmetrically) against the agency’s employees. Rules to bind the public require extensive procedure under the Administrative Procedure Act (5 U.S.C. § 553), the Regulatory Flexibility Act (5 U.S.C. § 501 *et seq.*), the Paperwork Reduction Act (44 U.S.C. § 3506 and 3507), and several Executive Orders, while rules to bind agency personnel are

⁶⁰ 5 U.S.C. § 301 (“The head of an Executive department ... may prescribe regulations for the government of his department, the conduct of its employees, [etc.]”).

⁶¹ *Bowen v. Michigan Academy of Family Physicians*, 476 U.S. 667, 672 n.3 (1986) (“Only in the rare—some say non-existent—case ... may review for ‘abuse’ be precluded”); *Vitarelli v. Seaton*, 359 U.S. 535, 546-47 (1959) (Frankfurter, J. concurring) (“An executive agency must be rigorously held to the standards by which it professes its action to be judged ... procedure must be scrupulously observed.”); *Peoples v. United States Department of Agriculture*, 427 F.2d 561, 567 (D.C. Cir.1970) (“[T]he general rule, subject only to rare exceptions, [is] that the action of a government agency ... is subject to judicial review for arbitrariness and abuse of discretion even though discretion may be broad.”).

⁶² 5 U.S.C. § 552(a), § 553, 44 U.S.C. § 3512; *Duchek v. National Transportation Safety Bd.* 364 F.3d 311, 314, 318 (D.C. Cir. 2004) (Roberts, J.) (agency may not act beyond the authority it grants itself in its written regulations, and enforcement beyond them is arbitrary and capricious).

governed by 5 U.S.C. § 301, and may be issued with essentially no procedure, but once issued, are binding against the agency and may be relied by the public.⁶³

IEEE-USA suggests the following replacement (and replacement of the analogous disclaimers stated at various points throughout Chapter 2100 of the MPEP):

These examination guidelines are issued to the Patent Examining Corps pursuant to the Office's authority and obligation to manage and direct the conduct of its own employees, under 5 U.S.C. § 301, 35 U.S.C. § 2(b)(2), § 3(a)(2)(A).

The PTO has no statutory authority to interpret substantive patent law. These guidelines are therefore limited to instructing the Patent Examining Corps as a matter of internal Office management. These Guidelines also advise the public of the ascertainable and consistent standards that the Office expects examiners to use in examination. However, the Office takes no position on the interpretation of these statutes to be applied in any court. The public is advised that they are not official agency interpretation, nor are they entitled to deference in any court.

The Guidelines set forth reasoning that examiners are required and authorized to use, and minimum procedural standards for setting forth a statement of a rejection. Examiners are bound by these Guidelines, and the public is entitled to rely on them, to the following extent. Because the Guidelines state procedural obligations of examiners to set forth specific findings, these guidelines are enforceable against examiners during examination under 35 U.S.C. § 131 and § 132. An action may not be made final if it omits explanation of a required finding. The public may seek enforcement of the Guidelines via the examiner's supervisory chain, via the ombudsman, via pre-appeal brief review, via petition to withdraw premature finality of rejection, and via petition to invoke the supervisory duty of the Commissioner under 37 C.F.R. § 1.181(a)(1) or (a)(3). These Guidelines are enforceable by petition only as to procedural issues, where an examiner departs from these Guidelines in the following respects:

- examiner silence where the Guidelines require that a finding or explanation be set forth;
- application of a legal test by the examiner that is unauthorized by any written law;
- failure to answer material traversed; and
- similar departures recognized as “procedural” under administrative law principles.

Petitionable subject matter jurisdiction is limited to disagreements between an examiner and the Office's instructions, and to breaches of procedural law such as 37 C.F.R. § 1.104 and the Administrative Procedure Act. However, once a written rejection is procedurally complete (even if wrong), the petitions process has no further jurisdiction. Resolution of any disagreement

⁶³ *Service v. Dulles*, 354 U.S. 363, 373–76 (1957) (agency's procedures must be “scrupulously observed”); *Vitarelli v. Seaton*, 359 U.S. 535, 545 (1959) (an agency action in violation of the agency's internal procedural handbook is “illegal and of no effect”); *Lopez v. Federal Aviation Administration*, 318 F.3d 242, 246–47 (D.C. Cir. 2003) (explaining the relevant Supreme Court cases and the obligation of agencies to follow and enforce their own rules); *Powell v. Heckler*, 789 F.2d 176, 178 (3d Cir. 1986) (courts have no tolerance “in matters pertaining strictly to an agency's observance and implementation of its self-prescribed procedures”); *In re Kaghan*, 387 F.2d 398, 401, 156 USPQ 130, 132 (CCPA 1967) (“we feel that an applicant should be entitled to rely not only on the statutes and Rules of Practice but also on the provisions of the MPEP in the prosecution of his patent application.”); see also *Allentown Mack Sales & Serv., Inc. v. Nat'l Labor Reln's Bd.*, 522 U.S. 359, 376 (1998) (under the APA's scheme of reasoned decisionmaking, an administrative agency “must be required to apply in fact the clearly understood legal standards that it enunciates in principle.”).

between an applicant and an examiner's written findings is exclusively appealable to the Patent Trial and Appeals Board under 35 U.S.C. § 134 and 37 C.F.R. Part 41.

The PTO would be in violation of the law if it did *not* issue mandatory, binding, enforceable instructions to examiners. The Director and Commissioner are obligated to “manage and direct *all* activities” relating to examination, 5 U.S.C. § 3(b)(2)(A), § 3(a)(2)(A), to cause examination to be made “under the law,” § 131, and to ensure that examination is carried out in a “fair, impartial, and equitable manner,” § 3(a)(2)(A). The obligation to “manage and direct *all* activities” is an *extraordinary* charge, nearly unique among agency heads or supervisory staff. The Administrative Procedure Act requires agencies to have written procedures that specify ascertainable standards for agency adjudication.⁶⁴

These duties *obligate* the PTO to issue written, uniformly-applied, standards, *and to enforce them during examination*. Applicants have both the substantive rights arising under § 102 *et seq.* of the Patent Act, *and also* rights to proper *procedure* during examination, rights arising under the Administrative Procedure Act, and §§ 2, 3, and 131 of the Patent Act, in the form of predictable, complete examination. If an examiner skips a step in the Guidelines, or makes up an alternative analysis that has no basis in the Guidelines or any other law, the PTO is required to “manage and direct” during §§ 131/132 examination to get proceedings back on track.⁶⁵

⁶⁴ “[D]ue process requires that [government programs] be administered to ensure fairness and freedom from arbitrary decision-making ... [An agency head] has the responsibility to administer the program to ensure the fair and consistent application of eligibility requirements. ... At the hearing [the agency head] admitted that he and his staff determine eligibility based upon their own unwritten personal standards. Such a procedure, vesting virtually unfettered discretion in [the agency head] and his staff, is clearly violative of due process.” *White v. Roughton*, 530 F.2d 750, 753–54 (7th Cir. 1976); *see also Holmes v. New York City Housing Auth.*, 398 F.2d 262, 265 (2d Cir. 1968) (“It hardly need be said that the existence of an absolute and uncontrolled discretion in an agency of government vested with the administration of a vast program ... would be an intolerable invitation to abuse. For this reason alone due process requires that selections among applicants be made in accordance with ‘ascertainable standards.’”). *Holmes* goes on to explain that the existence of a reasonable regulation is insufficient, if it isn’t followed, if some applicants are rejected for secret reasons, and never informed. *See also Moon v. U.S. Dep’t of Labor*, 727 F.2d 1315, 1318 (D.C. Cir. 1984) (“an agency must provide a reasoned explanation for its actions and articulate with some clarity the standards that governed its decision.”); *Duchek v. National Transportation Safety Bd.* 364 F.3d 311, 314, 318 (D.C. Cir. 2004) (Roberts, J.) (agency may not act beyond the authority it grants itself in its written regulations, and enforcement beyond them is arbitrary and capricious); *Batterton v. Marshall*, 648 F.2d 694, 707 n.68 (D.C. Cir.1980) (“The drafters [of the APA] specifically wanted publication of [agencies’ practices and procedures] to permit full public awareness of them.”); *In re Henriksen*, 399 F.2d 253, 261–62, 158 USPQ 224, 231 (CCPA 1968) (when the Board acted without written rules, “The action of the board is akin to a *retroactive* rule change which may have the effect of *divesting* applicants of valuable rights to which, but for the change in Patent Office position brought about by the board’s decision, they were entitled. Nothing appears in the Patent Office Rules of Practice or the Manual of Patent Examining Procedure which sanctions such a result.”).

⁶⁵ The PTO agreed with this analysis in its recent First-to-File draft Guidelines, 77 Fed. Reg. 43742, 43763, col. 1, emphasis added:

Office personnel should note that the introductory phrase “[a] person shall be entitled to a patent unless” remains unchanged from the pre-AIA version of 35 U.S.C. 102. Thus, 35 U.S.C. 102 continues to provide that *the Office bears the initial burden of explaining* why the applicable

The MPEP errs in attempting to disclaim any obligation to enforce its guidance during examination. The PTO is required by both the Administrative Procedure Act⁶⁶ and the Patent Act⁶⁷ to give its examiners binding guidance on *prima facie* elements of various rejections and objections. Once guidance is issued and made public, the PTO is required by Presidential directive and the Administrative Procedure Act to enforce that guidance.⁶⁸ All too many SPEs, T.C. Directors, and petitions decision-makers read the disclaimer, that the Guidelines “are not intended to create any right or benefit, substantive or procedural, enforceable by any party against the Office,” to imply that examiners are totally off-leash, free to do *anything*, and an applicant’s only remedy is appeal. It is difficult to see how such a disclaimer can possibly be either legal, consistent with the President’s Good Guidance instructions, or consistent with Director Kappos’ focus on efficiency and backlog reduction.

The analytical error in the Guidelines is a failure to recognize that “rejection” and “failure of Office personnel to follow the guidelines” are two different agency actions.⁶⁹ “Rejection” is

statutory or regulatory requirements have not been met if a claim in an application is to be rejected. The AIA also does not change the requirement that in rejecting any claim of an application, *the Office must establish a prima facie case of unpatentability*.

IEEE-USA agrees—as we explained in § 3.1 of this letter, the law *requires* the examiner to “explain,” to frame that explanation within the applicable law, and to touch on every material issue in that explanation (see footnotes 33, 34, and 35). An explanation that omits consideration of an essential claim element or legal element is inadequate to meet the examiner’s procedural obligation, under the Patent Act, Administrative Procedure Act, and Paperwork Reduction Act.

⁶⁶ See footnote 63.

⁶⁷ 35 U.S.C. § 3(b)(2)(A) (Commissioner for Patents shall be “responsible for the management and direction of all aspects of the activities of the Office that affect the administration of patent . . . operations”). This duty is apparently unique among civilian agencies—the only other officer in the United States government with a similar duty to prospectively “direct” and currently “manage” *all aspects* of subordinates’ activities are combat commanders.

⁶⁸ Agencies may not relieve themselves of rules “intended primarily to confer important procedural benefits upon individuals in the face of otherwise unfettered discretion.” *American Farm Lines*, 397 U.S. at 538; *City of Fredericksburg Virginia v. Federal Energy Comm’n*, 876 F.2d 1109, 1112 (4th Cir. 1989) (“*American Farm Lines* held that an administrative agency has discretion to relax or modify internal housekeeping regulations . . . However, the exception announced in *American Farm Lines* does not apply if the agency regulations were intended ‘to confer important procedural benefits upon individuals’ or other third parties outside the agency. . . . The applicability vel non of *American Farm Lines* thus turns on whether the regulation . . . was designed to aid [the agency] or, instead, to benefit outside parties”).

⁶⁹ It is commonplace that a single body of facts or single agency decision may give rise to separate “agency actions,” 5 U.S.C. § 551(13), with corresponding separate claims for relief under different bodies of law, and those claims for relief may require parallel proceedings in different fora. *E.g.*, *Federal Communications Comm’n v. Nextwave Personal Communications*, 537 U.S. 293, 303–04 (2003) (bankruptcy proceeding on the merits originated in New York bankruptcy court, APA review of same facts originated in D.C. Circuit. The earlier case denied relief under bankruptcy, but the APA case resulted effectively in discharge of the debt, which the Supreme Court affirmed). Any notion that all issues relating to rejections of claims must necessarily all go to the same tribunal would have few if any analogies elsewhere in the law, and has no support in any known case from any appellate court, and is contradicted by dozens of cases issued by the Board of Patent Appeals, noted in the footnotes to Attachment E.

one agency action; IEEE-USA agrees with the PTO that this agency action is substantive and appealable. “Perceived failure by Office personnel to follow the guidelines” is a *separate agency action*, one that is *not* appealable.⁷⁰ 37 C.F.R. § 1.181(a)(1) ensures that there is no such thing as an agency action by an examiner during *ex parte* prosecution that is “neither appealable nor petitionable”—the PTO may not use a guidance document to carve out exceptions to the procedural remedies granted the public by § 1.181(a). Therefore, an examiner’s failure to follow mandatory instructions is petitionable and subject to management oversight, just as any other employee’s misconduct and failure to follow a supervisor’s instructions that may injure a third party are the responsibility of the supervisor to correct.⁷¹

The analytical error has immense practical consequences for applicants and for the Office. The erroneous statement of the effect of the Guidelines creates immense burdens that are inconsistent with the Administrative Procedure Act, Paperwork Reduction Act, Regulatory Flexibility Act, Executive Order 12,866, and the *Good Guidance Bulletin*. When examiners are not held accountable for failure to follow instructions, abuses and unpredictable examination are likely to occur. When applicants have no means to enforce procedurally-correct and complete examination, prosecution will drag on—IEEE-USA believes this is a major contributor to extended RCE practice and the PTO’s backlog. IEEE-USA urges the PTO to follow the *procedural* and *administrative* law, and to carry out its obligation to ensure examiner compliance with guidance, so that applicants and examiners can proceed from a common set of assumptions, and under predictable procedures, for the efficiency of all concerned.

As we discuss in § 3.7 of this Attachment A, ambiguity in the scope of petitionable vs. appealable subject matter, and the disagreement between the Board and the Office of Petitions as to how to treat breaches of procedure relating to examination of claims, is an “ambiguity” that must be clarified pursuant to the Paperwork Reduction Act.⁷²

⁷⁰ The Board lacks jurisdiction to hear issues that “dispute the administrative processing of [a rejection alleged to be procedurally improperly raised during] the prosecution.” The Board insists that “the proper procedure is to seek review by way of petition...” *Ex parte Edwards*, Appeal No. 98-1396, <http://des.uspto.gov/Foia/RetrievePdf?system=BPAI&fNm=fd981396> at 4, 1998 WL 1736081 at *2 (BPAI Apr. 27, 1999) (non-precedential). In its decisions, the Board has often reiterated that “The board does not exercise supervisory authority over examiners.” Board of Patent Appeals, Frequently Asked Questions page, <http://www.uspto.gov/web/offices/dcom/bpai/bpaifaq.htm>; *Ex parte Gambogi*, 62 USPQ2d 1209, 1212 (BPAI 2001) (“We decline to tell an examiner precisely how to set out a rejection”). This is further explained in § 3.7 and Attachment E.

⁷¹ Restatement 2d (Agency) § 214 (“A ... principal who is under a duty to ... to have care used to protect others or their property and who confides the performance of such duty to a servant or other person is subject to liability to such others for harm caused to them by the failure of such agent to perform the duty.”); *Allentown Mack Sales & Serv., Inc. v. NLRB*, 522 U.S. 359, 376–77 (1998) (“Because reasoned decisionmaking demands it, and because the systemic consequences of any other approach are unacceptable, the [agency] must be required to apply in fact the clearly understood legal standards that it enunciates in principle... Reviewing courts are entitled to take those standards to mean what they say...”).

⁷² 44 U.S.C. § 3506(c)(3)(D) (the PTO must certify that its regulations are “written using plain, coherent, and unambiguous terminology and [are] understandable to those who are to respond”)

The *Good Guidance Bulletin* requires the PTO to create a process for examiners to request waivers from MPEP requirements.⁷³ This would have three important advantages: (a) creating a culture of procedural regularity and compliance with written PTO instructions, (b) increasing uniformity of examination policy, and (c) bringing errors in the MPEP promptly to the attention of the Office of Patent Examination Policy and the editors of the MPEP, so that errors can be corrected.

3.8.2. RCEs would be reduced if the PTO instructed its employees in the legal effect of the MPEP vis-à-vis applicants, and removed statements that imply obligations on applicants

Several statutes provide that agencies may not enforce rules against the public unless the agency has gone through full-dress rulemaking.⁷⁴ Agencies may not create enforceable rules against the public by stating them in the MPEP, memoranda to examiners, or the like.

The MPEP errs in a number of points by stating “rules” that purport to bind applicants. Except when the MPEP is simply restating obligations that arise under other law, mandatory statements against applicants are simply incorrect.

In the *Good Guidance Bulletin*, the President reminded agencies that guidance manuals cannot be treated as binding law against the public: Guidance, such as the MPEP and the Guidelines, may not be cited as primary authority to impose any requirement on applicants, and *may not* be applied as “law” against applicants:⁷⁵

§ II(2)(h): Each significant guidance document shall: ... not include mandatory language such as “shall,” “must,” “required” or “requirement,” unless the agency is using these words to describe a statutory or regulatory requirement, or the language is addressed to agency staff and will not foreclose consideration by the agency of positions advanced by private parties.²³

²³ As the courts have held, agencies need to follow statutory rulemaking requirements, such as those of the APA, to issue documents with legally binding effect, *i.e.*, legislative rules. ...

§ III(2)(b). Each agency shall designate an office (or offices) to receive and address complaints by the public that the agency ... is improperly treating a significant guidance document as a

⁷³ *Good Guidance Practices* (footnote 92) § II(1)(b), 72 Fed. Reg. 3440 col. 1; <http://www.whitehouse.gov/omb/memoranda/fy2007/m07-07.pdf> at 20 (“Agency employees should not depart from significant guidance documents without appropriate justification and supervisory concurrence.”).

⁷⁴ For example, 5 U.S.C. § 552(a), § 553, 44 U.S.C. § 3506, 44 U.S.C. § 3512 all contain language to the effect that “a person may not in any manner be required to resort to, or be adversely affected by” an agency’s rule issued without the procedures required by statute.

⁷⁵ *Good Guidance Practices* (footnote 92) § II(2)(h), 72 Fed. Reg. 3440 col. 1; 72 Fed. Reg. at 3436 col. 3; <http://www.whitehouse.gov/omb/memoranda/fy2007/m07-07.pdf> at 12–13, 20. Note that the President has imposed an additional requirement on agencies, above the requirements of statute, because 5 U.S.C. § 552(a)(2) permits agencies to apply a “staff manual” against a member of the public if “if has been indexed and either made available or published as provided by this paragraph.” The President has authority over agencies to limit authority granted by Congress, and agencies are bound by whichever requirement is more rigorous. In any event, the PTO cannot rely on § 552(a)(2), because (as far as we know) it has never published the required notice in the Federal Register.

binding requirement. The agency shall provide, on its website, the name and contact information for the office(s).⁷⁶

RCEs would be reduced if the PTO carefully reviewed the MPEP to remove regulatory content, and educated all PTO employees that the MPEP has only advisory effect against the public. The PTO should rescind several attempts at rulemaking that were promulgated without required procedure. Everyone needs to agree on the rules of the game, and Congress has set those rules.

3.9. RCEs would be reduced if the rejection form paragraphs were updated to provide more “handholding”

Several of the rejection form paragraphs should be supplemented, to guide examiners to consider all material issues. For example:

- The § 101 subject matter paragraph should be supplemented, so that the examiner must identify a specific law of nature, natural principle, or abstract principle, and then must look for the best possible “application” claim language and explain why it is insufficient.⁷⁷
- The § 112(a) “enablement” form paragraph should require the examiner to explain “undue experimentation” (rather than the *ad hoc* rationales often seen today, often relating to “no *in haec verba* disclosure in the specification”), and should be seeded with the eight *Wands* factors with an “examiner note” that an action must discuss at least some of them.
- The § 112(a) “written description” form paragraph should track MPEP § 2163.04.⁷⁸

3.10. MPEP § 2144.03(C) creates unwarranted RCEs and delay by misstating the law of intra-agency Official Notice

Many unnecessary RCEs are filed because MPEP § 2144.03(C) misstates the law of Official notice. The law is simple: the PTO always has the burden of proof to show each element of unpatentability, and to support each element with substantial evidence. 37 C.F.R. § 1.104(d)(2) is clear that all an applicant has to do to traverse an issue of fact supported by no more than examiner explanation is to “call for” substantial evidence. MPEP § 2144.03(C) is incompatible with multiple provisions of law, and was promulgated without required rule making procedure (see § 3.8.2).⁷⁹

⁷⁶ *Good Guidance Practices* (footnote 92) § III(2)(b), 72 Fed. Reg. 3440 col. 2; <http://www.whitehouse.gov/omb/memoranda/fy2007/m07-07.pdf> at 21.

⁷⁷ A specific suggestion was offered by the Boston Patent Law Association in its comments on the 2009 *Bilski* Guidelines, <http://www.uspto.gov/patents/law/comments/bpla.pdf> at page 18.

⁷⁸ See 09/611,548 from 2011 to 2012 for one particularly abusive set of “written description” rejections. This abuse has been brought to the attention of the SPE, ombudsman, and T.C. Director—all refuse to enforce the PTO’s written description guidelines to compel the examiner to make the required findings, or to answer all material traversed.

⁷⁹ To be clear, we do not doubt that the PTO has *some* authority to rely on Official notice. However, MPEP § 2144.03(C) misstates that law. And as we note in the last paragraph of this section, Official notice is almost always a net loss of efficiency for both the Office and for applicants.

MPEP § 2144.03(B)—as guidance issued pursuant to the Director’s authority to issue regulations for the examining corps, 5 U.S.C. § 301, 35 U.S.C. § 2(b)(2)(A), § 3(b)(3)(B)—is binding on the examining corps (emphasis added):

B. If Official Notice Is Taken of a Fact, Unsupported by Documentary Evidence, the Technical Line of Reasoning Underlying a Decision To Take Such Notice Must Be Clear and Unmistakable

... If such notice is taken, the basis for such reasoning must be set forth explicitly. The examiner must provide specific factual findings predicated on sound technical and scientific reasoning to support his or her conclusion of common knowledge. ... The applicant should be presented with the explicit basis on which the examiner regards the matter as subject to official notice so as to adequately traverse the rejection in the next reply after the Office action in which the common knowledge statement was made.

MPEP § 2144.03(B) makes clear that when an examiner simply states a bald fact, and waves an “Official notice” magic wand with no showing of “sound technical and scientific reasoning,” the examiner has acted outside the authority delegated by the PTO, and raised no rejection at all.⁸⁰ In such cases, all an applicant has to do to traverse Official notice is demand the showing of “sound technical and scientific reasoning” (and that, of course, is a “new ground of rejection” as we discuss in § 3.6 and Attachment D), and may then further traverse by calling for evidence under 37 C.F.R. § 1.104(d)(2).

The problem is MPEP § 2144.03(C), which most examiners interpret to mean that an applicant must make an affirmative showing to rebut an assertion of Official notice. This is not correct. The PTO always bears the burden of proof to establish all facts to a preponderance of evidence supported by substantial evidence.⁸¹

First, a shift of a burden of proof is a “substantive” rule.⁸² The PTO has no substantive rule making authority.⁸³ It is beyond the PTO’s authority to require an applicant to show “why the noticed fact is not considered to be common knowledge or well-known in the art.”

⁸⁰ See 09/611,548 from 2003-2005 for particularly abusive reliance on Official Notice—the action asserted Official Notice for 65 propositions, with no explanation.

⁸¹ *In re Oetiker*, 977 F.2d 1443, 1445-46, 24 USPQ2d 13443, 1444 (Fed. Cir. 1992) (“the examiner bears the initial burden, on review of the prior art or on any other ground, of presenting a *prima facie* case of unpatentability. ... 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 ... We think that the PTO is correct in treating the concept of the *prima facie* case as of broad applicability, for it places the initial burden on the examiner, the appropriate procedure whatever the technological class of invention” emphasis added)

⁸² *Director, Office of Workers Compensation Programs, Dept. of Labor v. Greenwich Colliers*, 512 U.S. 267, 271 (1994) (“assignment of the burden of proof is a rule of substantive law”)

⁸³ *Koninklijke Philips Electronics N.V. v. Cardiac Science Operating Co.*, 590 F.3d 1326, 1337, 93 USPQ2d 1227, 1235 (Fed. Cir. 2010) (“We remind ... the Board that they must follow judicial precedent instead of [PTO-formulated substantive rules] because the PTO lacks the substantive rulemaking authority to administratively set aside judicial precedent.”); *Merck & Co. v. Kessler*, 80 F.3d 1543, 1549–50, 38 USPQ2d 1347, 1351 (Fed. Cir. 1996) (statute “does NOT grant the Commissioner the authority to issue substantive rules.”).

Second, MPEP § 2144.03(C) is unlawful because it conflicts with 37 C.F.R. § 1.104(d)(2), which permits an applicant to traverse official notice by simply “calling for” substantial evidence. Agencies do not have authority to attenuate a regulation that runs in favor of the public by stating exceptions in guidance documents.

Third, the PTO also neglected all rule making requirements when it promulgated MPEP § 2144.03(C). If the PTO wants to impose a mandatory requirement on applicants relating to burdens of proof or substantive patentability, it must do so through the rulemaking procedures of 5 U.S.C. §§ 552 and 553, which—at a minimum—require publication in the Federal Register under § 552(a), and notice and comment under § 553. Further, the PTO has never observed the procedural requirements of the Regulatory Flexibility Act or Paperwork Reduction Act as to MPEP § 2144.03.

The error in MPEP § 2144.03(C) is demonstrated by reliance (in different editions of the MPEP) on *In re Chevenard*, 139 F.2d 711, 713, 60 USPQ 239, 241 (CCPA 1943) and *In re Boon*, 439 F.2d 724, 727, 169 USPQ 231, 234 (CCPA 1971). *Chevenard* and *Boon* are court/agency review cases—at the time, the CCPA’s law created a presumption in favor of the PTO, and required an appellant to show “clear error.” In contrast, during intra-PTO proceedings, the presumption is in favor of the applicant, and the burden is on the PTO to support any adverse finding by substantial evidence. *Chevenard* and *Boon* are simply inapplicable to an intra-agency setting.

The PTO should reform Official notice practice.

The best way to reduce RCEs and paperwork burden is to simply rescind examiners’ authority to rely on Official Notice. This will *reduce* cost to the PTO: after all, in *every* case that an examiner *properly* relies on Official notice, the examiner could just as well have *instantly* demonstrated the same fact. Official notice creates essentially zero benefit to the PTO. On the other hand, the overwhelming majority of assertions of Official notice are *not* within the permissible scope of noticeable facts, and these improper assertions of Official notice create paperwork burden for applicants and costs for the PTO. Each improper assertion of Official notice creates unwarranted paperwork, is incompatible with “the proper performance of the agency’s functions” (44 U.S.C. § 3506(c)(3)(A)), and is a non-compliance with legal requirements. Requiring an applicant to make an affirmative rebuttal to an improper assertion of Official notice is to require an applicant to submit information with no practical utility, in breach of 44 U.S.C. § 3506(c)(3)(A) and 5 C.F.R. § 1320.3(l).

Second best would be to amend 37 C.F.R. § 1.104 as we propose in Attachment B, and to amend MPEP § 2144.03(C) to accurately state several basic principles of administrative law:

- Any assertion of Official notice requires the examiner to present “specific factual findings predicated on sound technical and scientific reasoning” and “the explicit basis on which the examiner regards the matter as subject to official notice.” This is absolutely mandatory, and no application advances toward finality unless this requirement is met.
- Official notice is adequately traversed by a mere “call for” substantial evidence under 37 C.F.R. § 1.104(d)(2). The mere filing of a new paper raising new challenges to the

examiner’s position is sufficient to create a new record that requires reevaluation of all contested facts and conclusions.⁸⁴

- No supposed “admission” under MPEP § 2144.03(C) is ever conclusive, until the case reaches an Article III court.
- Challenges to Official Notice as late as appeal to the Board is not only permitted; if the examiner or Board comes forward with substantial evidence, then that shift of position is always a “new ground of rejection” that triggers an applicant’s rights to come forward with new amendments or affidavits.⁸⁵ Any time an action reaches final rejection with a faulty assertion of Official notice (either lacking the “specific factual findings” of MPEP § 2144.03(B), or without substantial evidence provided in reply to a call under § 1.104(d)(2)), MPEP § 706.07 should make clear that a petition to rescind premature finality will be granted *per se*.

3.11. RCEs could be reduced if 37 C.F.R. § 1.111(a)(2) were returned to its pre-2004 state, allowing supplementary amendments until the time that the amendment would affect PTO efficiency

Until 2004, 37 C.F.R. § 1.111(a) permitted supplemental amendments until the date that it would “unduly interfere with the” examiner’s next action. In 2004, § 1.111(a)(2) was amended to set a six-month deadline. Any application of new Rule 111 creates unwarranted RCEs, almost by definition.

Until 2004, 37 C.F.R. § 1.111(a) read as follows (emphasis added):

§ 1.111 Reply by applicant or patent owner to a non-final Office action.

...

⁸⁴ *In re Oetiker*, 977 F.2d 1443, 1445, 24 USPQ2d 1443, 1444 (Fed. Cir. 1992) (“After ... argument is submitted by the applicant in response, patentability is determined on the totality of the record, by a preponderance of evidence with due consideration to persuasiveness of argument.”); *Ex parte Scroggie*, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&filNm=fd20062100-01-29-2008-1> at 5, 2008 WL 258368 at *2 (BPAI Jan. 29, 2008) (even after a previous decision by the Board, “the record before this panel has been supplemented by Appellants’ current briefs, and thus constitutes a record different from that upon which the earlier panel based its determinations”).

The Board has, on occasion, misapprehended the different legal standards that apply during court/agency review and the Board’s agency/agency review. That was error on the part of the Board. The Board is an intra-agency tribunal that reviews findings of fact *de novo*. In an intra-agency appeal examiners do not receive court/agency deference, as discussed in *Ex parte Frye*, 94 USPQ2d 1072 (BPAI 2010) and *Ex parte Quist*, 95 USPQ2d 1140, 1145 (BPAI 2010) (Board must consider the evidence “anew”).

⁸⁵ *In re Ahlert*, 424 F.2d 1088, 1092 n. 4, 165 USPQ 418, 421 n. 4 (CCPA 1970) (commenting on a new reference to buttress an assertion of official notice, “it is not uncommon for the board itself to cite new references, in which case a new ground of rejection is always stated,” emphasis added); *Ex parte Skinkiss*, Appeal No. 2000-0226, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&filNm=fd000226.pdf> at 4 n. 1, 2002 WL 99652 at *1 n.1 (BPAI June 14, 2001) (unpublished) (“new piece of evidence,” even an assertion of “well-known custom,” constitutes “a new ground of rejection”).

(2) A second (or subsequent) supplemental reply will be entered unless disapproved by the Commissioner. A second (or subsequent) supplemental reply may be disapproved if the second (or subsequent) supplemental reply unduly interferes with an Office action being prepared in response to the previous reply. Factors that will be considered in disapproving a second (or subsequent) supplemental reply include:

(i) The state of preparation of an Office action responsive to the previous reply as of the date of receipt (§ 1.6) of the second (or subsequent) supplemental reply by the Office; and

(ii) The nature of any changes to the specification or claims that would result from entry of the second (or subsequent) supplemental reply.

In 2004, § 1.111(a)(2) was changed to read:

(2) *Supplemental replies.* (i) A reply that is supplemental to a reply that is in compliance with § 1.111(b) will not be entered as a matter of right except as provided in paragraph (a)(2)(ii) of this section. The Office may enter a supplemental reply if the supplemental reply is clearly limited to:

(A) Cancellation of a claim(s);

(B) Adoption of the examiner suggestion(s);

(C) Placement of the application in condition for allowance;

(D) Reply to an Office requirement made after the first reply was filed;

(E) Correction of informalities (*e.g.*, typographical errors); or

(F) Simplification of issues for appeal.

(ii) A supplemental reply will be entered if the supplemental reply is filed within the period during which action by the Office is suspended under § 1.103(a) or (c).

In 2004, several of the comment letters noted that this rule creates almost no benefit for the Office relative to the old rule, but creates inefficiencies for both applicants and for the Office. By restricting amendments this tightly, Rule 111(a)(2) requires the PTO to examine claims that the applicant no longer wishes to pursue (because of changes in the law, discovery of new prior art, and the like). The comment letters in 2004 noted that excluding amendments that were filed well before the examiner had begun preparation of a new action, but after expiration of the six month period, created no savings whatsoever for the PTO, but created substantial burden for the public.

In the notice of Final Rulemaking,⁸⁶ the PTO disregarded burden on applicants or questions of practical utility, and stated that it was adopting the new form of Rule 111(a)(2) solely for its own convenience:

Comment 90: Several comments suggested that the Office should not require that a supplemental reply must be filed within the statutory period. The comments further suggested that a supplemental reply should be entered if it is filed and associated with the application file before the examiner begins considering the original reply. One of the comments also suggested that the Office should adopt a guideline similar to the PCT Regulation 66.4bis which states “[a]mendments or arguments need not be taken into account by the International Preliminary Examining Authority for the purposes of a written opinion or the international preliminary examination report if they are received after that Authority has begun to draw up that opinion or report.”

⁸⁶ Patent and Trademark Office, Changes To Support Implementation of the United States Patent and Trademark Office 21st Century Strategic Plan, 69 Fed. Reg. 56881, 56516 (Sept. 21, 2004).

That explanation concedes that this amendment to Rule 111 both avoids the facts, and focuses on factors that Congress did not intend the PTO to consider.⁸⁷ The six-month limit hampers the ability of the PTO to “proper[ly] perform[] the functions of the agency.” The PTO is required by the Paperwork Reduction Act and by Executive Order 12,866 to minimize burden on the public, and to impose the least regulatory burden possible. The 2004 version of § 1.111(a)(2) violates these principles.

37 C.F.R. § 1.111(a)(2) should be returned to the pre-2004 “unduly interferes” standard.

3.12. RCEs could be reduced if MPEP §§ 2106(II)(C) and 2111.04 were corrected to accurately state the law of “wherein” clauses, and to give ascertainable standards for other claim language

An error in MPEP §§ 2103(I)(C), 2106(II)(C), and 2111.04 create unnecessary RCEs. These two sections of the MPEP suggest that “wherein” clauses “may raise a question.” This is not correct: “wherein” clauses are limiting on the same basis as any other claim language.⁸⁸

Cases frequently turn on “wherein” clauses, either to find nonanticipation, nonobviousness, or noninfringement, or to find that the “wherein” clause is given weight in the context of claim differentiation.⁸⁹ We know of no case that has ever denied weight to a “wherein” clause.

Beyond the substantive error, this exhibits two failures of basic regulatory practice. First, MPEP § 2111.04 states that “wherein clauses may raise a question,” but the MPEP gives no ascertainable standard, no test, no analytical guidance. Asking examiners to make decisions with no guidance invites inconsistent decision making, inefficiency, abuse, and illogical examination, which can only be resolved by RCE. If the PTO believes that there are circumstances under which “wherein” clauses might not be limiting, the PTO must at least give examiners an ascertainable standard that can be applied. Second, examiners often misunderstand the role of the MPEP:

⁸⁷ *Motor Vehicle Mfrs. Ass’n v. State Farm Mutual Auto. Ins. Co.*, 463 U.S. 29, 42 (1983) (“Normally, an agency rule would be arbitrary and capricious if the agency has relied on factors which Congress has not intended it to consider...”)

⁸⁸ The distinction between “whereby” and “wherein” is touched on in *Griffin v. Bertina*, 285 F.3d 1029, 1033–34, 62 USPQ2d 1431, 1434–35 (Fed. Cir. 2002). The MPEP staff appears to have misread *Griffin*, by relying on the losing party’s *argument*, rather than the court’s holding a few paragraphs later, which rather dismissively rejects the challenge to “wherein” language.

⁸⁹ In contrast, “whereby” clauses are sometimes not given weight, which may be the source of the confusion in the MPEP. Another source of the PTO’s confusion is that a party once argued the point, and it appears that the editors of the MPEP confused the statement of the losing party’s argument with the court’s rather derisive dismissal of the argument. If “wherein” clauses were not given weight, they could not contribute to these outcomes: *Shanghai Meihao Electric Inc. v. Leviton Mfg. Co. Inc.*, 212 Fed. Appx. 977 (2007) (finding noninfringement because “wherein activation of the reset device activates the circuit interrupter to be in the operational state” clause not satisfied); *Sunrace Roots Enterprise Co. v. SRAM Corp.*, 336 F.3d 1298, 1303, 67 USPQ2d 1438, 1442 (Fed. Cir. 2003) (“wherein” clause of a dependent claim given weight to construe an independent claim under the doctrine of claim differentiation); *In re Roemer*, 258 F.3d 1303, 1310, 59 USPQ2d 1527, 1532 (Fed. Cir. 2001) (reversing the Board, and holding claim 33 patentable because of a “wherein . . . the resultant magnetic field on the opposite side of the second coil to the first coil is substantially zero” clause); *In re Kotzab*, 217 F.3d 1365, 1370–71, 55 USPQ2d 1313, 1317–18 (Fed. Cir. 2000) (reversing the Board based on a “wherein” clause).

agency staff manuals are binding against agency employees, but not against the public (see § 3.8). This provision of the MPEP generates unnecessary RCEs and considerable paperwork burden.

The current MPEP language, “may raise a question,” unaccompanied by any “ascertainable standard” for deciding the “question” raised, violates the ban on ambiguous language of the Paperwork Reduction Act, and probably violates the Administrative Procedure Act and Constitutional Due Process as well.⁹⁰

“Wherein” should be removed from the lists of “questionable” claim language in MPEP §§ 2106(II)(C) and 2111.04. For the other items in the lists, the MPEP should provide ascertainable standards for evaluating the claim language.

- MPEP § 2114 on “functional” language should be revised to clearly state that functional language is almost always entitled to weight, unless the language covers only subjective intent. Functional language introduced by “configured to” or “designed to” is entitled to weight, to the extent that it requires at least the *capability* of the prior art device to perform the function. “Programmed to” likewise requires that the computer be programmed to be capable of performing the function. Too many examiners believe that functional language (including “programmed to”) is entitled to no weight.
- MPEP § 2103(I)(C), § 2111.02(II), § 2114(II), and § 2115 correctly note that “intended use” or “field of use” language is generally not entitled to weight, but give no analytical guidance to distinguish “field of use” from other language that *is* entitled to weight, for example, functional language. After these largely-redundant sections are consolidated, the surviving instance should make clear that the “intended use” exception only applies when the claim recites *solely* subjective intent, in contrast to the examples we note in the previous bullet.
- MPEP § 2111.05 on “descriptive matter” and “printed matter” should accurately advise examiners that there is *no* broad “descriptive matter” rule, only a narrow “printed matter” rule directed to “arrangements of *printed lines or characters*, useful and intelligible *only* to the human mind.” *In re Lowry*, 32 F.3d 1579, 1582–83, 32 USPQ2d 1031, 1034 (Fed. Cir. 1994). The recent revision (Rev. 9, August 2012) has already been of some assistance; a clearer and more direct statement of that there is no “descriptive matter” rule would be even more helpful.

⁹⁰ *Satellite Broadcasting Co. v. Federal Communications Comm’n*, 824 F.2d 1, 3 (D.C. Cir. 1987) (“Traditional concepts of due process incorporated into administrative law preclude an agency from penalizing a private party for violating a rule without first providing adequate notice of the substance of the rule.”); *White v. Roughton*, 530 F.2d 750, 754 (7th Cir. 1976) (state welfare program’s use of unwritten personal standards of eligibility struck down because “fair and consistent” application of eligibility requirements mandates “written standards and regulations”); *Holmes v. New York City Housing Auth.*, 398 F.2d 262, 265 (2d Cir. 1968) (“[d]ue process requires that selections among applications [in a housing program] be made in accordance with ascertainable standards”); *Martinez v. Ibarra*, 759 F.Supp. 664, 668 (D. Colo. 1991) (due process denied when the procedure for reviewing Medicaid application “is never articulated in clear, written standards” ...).

- MPEP § 2103 and § 2112(I) on “new use of known apparatus” should advise examiners that an apparatus that is merely capable of the new use does not anticipate a “new use” *method* claim; the reference must show actual practice of the new use.
- We urge that the claim interpretation guidance given in MPEP § 2103(I)(C), § 2106(II), § 2111.02(II), and § 2111.04 be consolidated in one place. The redundancy introduces errors. § 2103 or § 2111 are the best places.

3.13. RCEs would be reduced if Form PTOL-303, the “Advisory Action Before Filing an Appeal Brief,” were amended to conform to 37 C.F.R. 1.116

37 C.F.R. § 1.116 permits entry of an after-final amendment on the following conditions:

(b) After a final rejection or other final action (§ 1.113) in an application ... but before or on the same date of filing an appeal (§ 41.31 or § 41.61 of this title):

(1) An amendment may be made canceling claims or complying with any requirement of form expressly set forth in a previous Office action;

(2) An amendment presenting rejected claims in better form for consideration on appeal may be admitted; or

(3) An amendment touching the merits of the application or patent under reexamination may be admitted upon a showing of good and sufficient reasons why the amendment is necessary and was not earlier presented.

In contrast, the PTO’s Form PTOL-303 has the following check boxes:

AMENDMENTS

3. The proposed amendments filed after a final rejection, but prior to the date of filing a brief, will not be entered because
- They raise new issues that would require further consideration and/or search (see NOTE below);
 - They raise the issue of new matter (see NOTE below);
 - They are not deemed to place the application in better form for appeal by materially reducing or simplifying the issues for appeal; and/or
 - They present additional claims without canceling a corresponding number of finally rejected claims.

NOTE: _____. (See 37 CFR 1.116 and 41.33(a)).

Boxes 3(a), 3(b), and 3(c) have nothing to do with any provision of § 1.116(b), are simply *ultra vires*. They should be removed. Box 3(c) misquotes § 1.116(b)(2), and should be corrected.

A box should be added to track § 1.116(b)(3). The most common reason for “an amendment touching the merits of the application” with “good and sufficient reasons why the amendment is necessary and was not earlier presented” is that the examiner’s earlier papers were insufficient, and the first complete articulation of a rejection came in the last action. Under the Federal Circuit’s “new ground” jurisprudence,⁹¹ a new explanation in a final action requires a *full* opportunity to respond, and that in turn is a “good and sufficient reason” for entry of an amendment.

⁹¹ See discussion of *In re Leithem* and *In re Stepan Co.* at footnotes 32, 43, 49, and accompanying text.

3.14. RCEs would be reduced if the PTO published its internal examination memoranda

Attorneys from time to time hear mention of memoranda issued to examiners, either by a T.C. Director, by the Office of Patent Examination Policy, or by other offices within the PTO. These memoranda are not published on the PTO's web site, and when the attorney requests a copy, most often the examiner declines to provide a copy.

Secrecy increases RCEs for several reasons:

- If applicants don't know the standards that are actually being applied by examiners, it is impossible for an applicant to meet that secret standard, and that in turn makes it extremely difficult to reach agreement.
- Examiners may misinterpret the memorandum, and without access to the memorandum, the applicant cannot urge a correct reading.
- If an attorney has one view of the law and the memorandum states a different view that is skewed in favor of rejection, a thoughtful attorney will not surrender subject matter that he believes due to his client.
- If the memorandum is incorrect, the public needs to know, so that the public can request correction pursuant to 5 U.S.C. § 553(e). Until the memorandum is corrected, many attorneys will file unnecessary RCEs, and others will surrender subject matter to which the law conveys an entitlement.

The PTO is under two obligations to make these memoranda public:

- The *Bulletin on Agency Good Guidance Practices*, issued by the Executive Office of the President, which we discuss further in § 5 at page 57.
- 5 U.S.C. § 552:

5 USC § 552 - Public information; agency rules, opinions, orders, records, and proceedings

(a) Each agency shall make available to the public information as follows:

(1) Each agency shall separately state and currently publish in the Federal Register for the guidance of the public—...

(B) statements of the general course and method by which its functions are channeled and determined, including the nature and requirements of all formal and informal procedures available; ...

(D) substantive rules of general applicability adopted as authorized by law, and statements of general policy or interpretations of general applicability formulated and adopted by the agency; and

(E) each amendment, revision, or repeal of the foregoing.

Except to the extent that a person has actual and timely notice of the terms thereof, *a person may not in any manner be required to resort to, or be adversely affected by, a matter required to be published in the Federal Register and not so published.* For the purpose of this paragraph, matter reasonably available to the class of persons affected thereby is deemed published in the Federal Register when incorporated by reference therein with the approval of the Director of the Federal Register.

(2) Each agency, in accordance with published rules, shall make available for public inspection and copying—...

(B) those statements of policy and interpretations which have been adopted by the agency and are not published in the Federal Register;

(C) administrative staff manuals and instructions to staff that affect a member of the public; ...

(E) a general index of the records referred to under subparagraph (D);

4. THE PTO SHOULD ENFORCE ITS EXISTING GUIDANCE AND REGULATIONS—EXISTING REGULATIONS AND GUIDANCE SPECIFYING MINIMUM STANDARDS FOR EXAMINER CONDUCT ARE TO BE ENFORCED, NOT WAIVED

The best regulatory structure in the world will be ineffective if it is not enforced, and enforced “in a fair, impartial, and equitable manner” as required by 35 U.S.C. § 3(a)(2)(A). Procedural regularity turns on an attitude of respect for the rule of law—written rules matter.

The problem is that PTO supervisory, legal, and policy staff all too often apply double standards—obligations of *applicants* are enforced, while obligations of PTO personnel are brushed aside. Administrative law statutes and OMB Bulletins are not bureaucratic nuisance; they set policy that is crucial to fair treatment of the public and efficient PTO process.

While we can only speak from the experience of the authors of this letter, attorneys talk to each other, and there is a remarkably broad and uniform consensus of experiences and views: that asking supervisory staff (SPEs, T.C. Directors, and personnel in the Office of Patent Examination Policy) to enforce the PTO’s written regulations against examiners is at best wasted effort, and at worst counterproductive because it invites retaliation. .

The PTO supervisory staff is crucial to driving examiner compliance with PTO guidance and regulations. They are the group most familiar with PTO process and procedure and with the examiners themselves, and for the most part, they do an excellent job. However, some supervisors appear to be unwilling to compel examiners to comply with PTO guidance and regulations, especially those regulations that would require examiners to spend “quality time” to ensure that rejections are well-founded and helpfully communicated. Attorney and agent input is a poor substitute for effective in-agency supervision of work product. Since several applications in a client’s portfolio are likely to be assigned to the same examiner, SPE, and/or T.C. Director, attorneys know that calling individual PTO staff to task for failure to follow PTO written regulations can be counter-productive—some examiners and PTO supervisory staff may retaliate for the sin of asking a supervisor to supervise. Therefore, patent attorneys and patent agents are often hesitant to elevate an issue “up the chain of command.” For this reason alone, attorneys and agents should not be expected to drive compliance with PTO guidance and regulations.

The PTO’s decision making process for petitions seeking enforcement of the PTO’s own rules is extremely troubling: The following errors arise with some consistency, in decisions on petitions where the petitioner sought either to confine the PTO’s ability to collect fees to only those authorized by law, or to require the PTO to carry out the procedures to which it has bound itself. In these two areas, petitions decisions consistently make one of the following errors:

- The Office of Petitions has been known to use selective delay, effectively denying relief. Where most petitions are decided in a few weeks, IEEE-USA’s members report several

instances of petitions directed to seeking enforcement of the PTO's own regulations and guidance, or to seek protection of procedural laws that favor the applicant, take much longer. One petition directed to premature final rejection sat for over four years. We know of one case where a petition has been held for over a decade, despite the applicant's regular writing to request a decision.

- IEEE-USA's members report several instances of decisions in which the Office of Petitions reframes the issue presented in the petition. In one example, a petition directed to a specific breach of the PTO's own restriction regulations was reframed as if it were a challenge to the PTO's authority to restrict at all.
- IEEE-USA's members report several instances of petitions examiners misquoting legal sources. One common class of error has been to insert a single word like "only," or to reorder the words of a sentence, to convert a necessary condition to a sufficient condition, or vice-versa. This particular error is remarkably consistent and pervasive.
- IEEE-USA's members report several instances of petitions decisions disregarding key facts that are presented in the petition, with no discussion in the petition decision. The Administrative Procedure Act permits PTO employees to explain their views in light of the facts that the petitioner considers most relevant, or to show that those factual assertions are incorrect, but not to ignore those facts.
- IEEE-USA's members report several instances of decision makers ignoring Supreme Court and Federal Circuit definitions of legal terms of art such as "moot," "procedural," "substantive" "new ground of rejection," and the like, or ignoring the consequences that the Supreme Court attaches to mootness. Legal concepts of general applicability must be honored by the PTO.
- IEEE-USA's members report several instances of petitions examiners mishandling petitioned issues arising outside Title 35 United States Code or Title 37 Code of Federal Regulations. Issues arising under the Administrative Procedure Act, Paperwork Reduction Act, or Supreme Court authority are often simply ignored. In one instance reported by an IEEE-USA member, in a telephone conference with a Petitions Examiner from the Office of Petitions, the Petitions Examiner stated his view with no reservations, "I'm not getting into the United States Supreme Court."

IEEE-USA asserts that the behavior of some examiners as described above, the failure of some supervisory chain to stop the described examiner misconduct, and the reported operation of the Office of Petitions outside the requirements of law is representative of a decline of observance of PTO procedure, and that that in turn is a major cause of RCE churning.

IEEE-USA suggests a formal survey to determine whether the experiences of the IEEE-USA members that contributed to this letter are representative. IEEE-USA offers to assist the PTO in crafting such a survey that would solicit information to either confirm or rebut our impressions.

5. THE PTO SHOULD IMPLEMENT THE *GOOD GUIDANCE BULLETIN* ISSUED BY THE EXECUTIVE OFFICE OF THE PRESIDENT IN 2007

The Executive Office of the President issued the *Bulletin on Agency Good Guidance Practices*, in 2007.⁹² Implementation of the *Good Guidance Bulletin* would contribute to predictability and efficiency for both the PTO and for the public. The *Bulletin* required the PTO to take the following steps, which remain unperformed five years after the issuance of the *Bulletin*:

- The PTO is to instruct its employees that the MPEP may not be cited as primary authority to impose any requirement on applicants.⁹³ Despite this presidential instruction, examiners continue to cite MPEP language as binding requirements against applicants. In telephone conversations with officials in the Office of Petitions in the Office of Patent Examination Procedure, we have observed that this misunderstanding of the law persists to the highest levels of the PTO's career staff.
- When the MPEP uses mandatory language with respect to the PTO or a PTO employee, that language is binding against the PTO or employee, and the employee needs supervisory preclearance, probably from a Technology Center Director or above, to depart.⁹⁴ The PTO has not implemented this. Examiners frequently disregard MPEP instructions, for example, for restriction requirements and for setting out rejections. When applicants complain, personnel in the Office of Patent Examination Procedure state their belief that the MPEP is only "guidelines" for examiners, and examiners are free to depart at personal discretion. This is not the law. It is a major contributor to excessive costs for both the PTO and for applicants, impermissible under multiple laws.
- Modifications to "economically significant guidance documents," such as the MPEP, require notice and comment, and release of a robust response to comments document.⁹⁵ The PTO has not complied with this requirement—there was no response-to-comments document for the *KSR* or *Bilski* guidelines, and no request for comment for revisions of the MPEP since the *Bulletin* was issued.
- The PTO is to maintain a current list of its significant guidance documents, including the effective status, name, issuance, revision, and withdrawal date, to remove ambiguity as to current status of guidance documents.⁹⁶ No such page exists.

⁹² Executive Office of the President, *Final Bulletin for Agency Good Guidance Practices*, OMB Memorandum M-07-07, <http://www.whitehouse.gov/omb/memoranda/fy2007/m07-07.pdf> (Jan. 18, 2007), 72 Fed. Reg. 3432 (Jan. 25, 2007).

⁹³ *Good Guidance Practices* (footnote 92) Introduction, § II(2)(h) and § III(2)(b). This is merely a restatement of 35 U.S.C. § 2(b)(2)(B) and 5 U.S.C. § 553 and § 552(a)—when the PTO wishes to issue rules that bind the public, it must observe statutory procedures for rule making. § 2(b)(2)(B) specifically revokes any authority the PTO may have had to regulate through informal means.

⁹⁴ *Good Guidance Practices* (footnote 92), § II(1)(b). The *Good Guidance Bulletin* merely reminds agencies of obligations arising under administrative law, for example, 5 U.S.C. § 301 and *Service v. Dulles*, 354 U.S. 363, 387–88 (1957).

⁹⁵ *Good Guidance Practices* (footnote 92) Introduction, at page 16 ("The agency also must prepare a robust response-to-comments document and make it publicly available."); § IV(1)(d).

⁹⁶ *Good Guidance Practices* (footnote 92), § III(1).

- The PTO must designate an office (or offices) to receive and address complaints that the PTO is not following proper procedures relating to its guidance documents, or is improperly treating a guidance document as binding against the public. The PTO should provide, on its website, the name and contact information for the office(s).⁹⁷ No such office exists, and no such contact information exists on the PTO’s web site.

These administrative laws exist for the benefit of the public and the agency. The PTO’s failure to implement these procedural laws creates unpredictability. That unpredictability is a significant cause of the RCE rate, application backlog, and appeal backlog.

6. THE PTO’S “IN PROCESS REVIEW” IS NOT CURRENTLY A HELPFUL METRIC

The PTO reviews rejections in an “in process review,” a quality review of rejections. year after year, this “in process review” notes a compliance or quality rate in the high 90 percent range. With due respect, if the “in process review” process is finding 95% quality of rejections, and the appeal process is finding an 80% reversal rate⁹⁸ and our impression as practitioners is that the quality of rejections is haphazard at best and generally declining over years, IEEE-USA suggests that the “in process review” is a flawed metric.

However, other than to note that the final number is not correlated to our impressions as practitioners, we cannot comment, because, as far as IEEE-USA is aware, there is no public transparency into the “in process review.”

The “in process review” metric is clearly “influential information” and “statistical information” covered by the PTO’s Information Quality Guidelines.⁹⁹ As such, the PTO is obligated to observe its commitments to transparency, objectivity, and reproducibility. The fact that we cannot meaningfully comment on the “in process review” metric reflects the PTO’s noncompliance with its Information Quality Guidelines.

One member of IEEE-USA requested documents under the Freedom of Information Act relating to the “in process review” to attempt to understand what the flaws were in the metric. The PTO provided only non-meaningful documents.

If the “in process review” is to be relied on by PTO management, it must be a reliable metric. To be reliable, it should measure the attributes of actions that lead to conclusion or prolongation, and should comply with the Information Quality Guidelines. IEEE-USA stands ready to provide knowledgeable practitioners to help reengineer a meaningful and transparent “in process review” process.

7. INTERVIEWS

IEEE-USA offers the following comments on interviews.

⁹⁷ *Good Guidance Practices* (footnote 92), § III(2)(b).

⁹⁸ See the two studies mentioned in footnote 3.

⁹⁹ United States Patent and Trademark Office, Information Quality Guidelines, <http://www.uspto.gov/products/catalog/infoqualityguide.jsp>.

7.1. Question 3: What effect(s), if any, does the Office’s interview practice have on your decision to file an RCE?

Examiner interviews are usually helpful in the advancement of prosecution. RCEs are more likely when an examiner interview request is refused. Examiner interviews before the first action, and after the first Office action but before filing a response to the action, are particularly helpful to expedite prosecution and minimize the need for an RCE application.

In some art units, interviews after final rejection are often refused by the examiner, though on no ground authorized in the MPEP. This makes an RCE necessary.

Applicants are more likely to file an RCE if there is a high expectation of eventually prevailing. An interview can provide more certainty as to an examiner’s position on patentability, and therefore a better understanding of applicant’s likelihood of prevailing in the end.

7.2. Question 4: If, on average, interviews with examiners lead you to file fewer RCEs, at what point during prosecution do interviews most regularly produce this effect?

The opportunity to conduct an examiner interview reduces the likelihood that an RCE filing will be required.

The most productive time for an examiner interview is either before the first action (to ensure that the examiner understands the claim language) or promptly after the first Office action to clarify issues well before the final action. However, IEEE-USA member responses support that conducting examiner interviews at any time reduces the need to file an RCE. A number of the responses indicate that progress can be made after final rejection if the examiner is willing to consider clarifying amendments, evidence, and/or other clarification regarding a misunderstanding.

In cases where the examiner’s compliance with procedures has been incomplete, a telephone interview with a SPE, ombudsman, or T.C Director can be productive. However, many SPEs and T.C. Directors are reluctant to reopen prosecution or to enforce procedural requirements in contexts that appear to influence their compensation (see § 2.5, above).

7.3. Pre-first Action interviews could be made more productive by providing examiners with incentives to initiate them

In our experience, the *best* time for an interview is before the first Action. At this time, the applicant can make sure the examiner understands the invention and what’s important in the claim, and the examiner can give the applicant a “heads up” as to possible surprising broadest reasonable interpretations of the claim, before either goes on a wild goose chase, and before either digs into a position. However, examiners have little incentive to pick up the phone to initiate that call, and indeed, today’s count system affirmative *disincentivizes* it (see §§ 2.2 and 2.3 starting at page 18).

One IEEE-USA member recounts that an examiner opined that it would be much easier for the examiner to do a quality job if the applicant could voluntarily elect a subset of the dependent claims for examination, and to hold others in abeyance, thus narrowing the initial focus of examination. If a broader linking claim were found allowable, then the dependent claims could be rejoined. It may well be that the applicant can identify a subset of dependent claims that are most important to examine carefully, to relieve the examiner of the obligation to search and reject the “less important” claims. If examiners have this *quid pro quo*, pre-first-action interviews will occur

more often. If it's optional with the applicant, rather than compulsory as the PTO proposed in 2006-08, there may be sufficient benefit to both sides that both will exercise the option of pre-first-action interviews.

7.4. Can the process be refocused from papers to interviews?

Negotiations and written briefing create fundamentally different mindsets. In a negotiation, information flows in both directions, with the goal to find common ground. In proceedings on written papers, the mindset is to simply show that the other side is wrong on all points.¹⁰⁰ Prosecution could be made much more efficient if it could be moved from a papers model and mindset to a negotiation mindset.

We see three major factors and possible resolutions at work:

- Examiners apparently have strong incentives to *not* disclose—some arising out of the misguided incentives of the “count” compensation system (see 2.2 at page 18), some arising out of natural human nature, that no one likes to be caught in an incorrect statement.
- IEEE-USA believes that one large part of the solution is a shift at the PTO—the PTO must instill a mindset in which it's OK for an examiner to put a complete analysis on paper and be incorrect, and not OK to be silent. An incomplete Office action should not be the shortest path to the next count. When the examiner bears the burden of proof and the burden of going forward, the PTO must make *clear* that the examiner is obligated to meet it. Silence must be discouraged in the strongest terms. (See our recommendations throughout § 3, starting at page 23).
- A second part of the solution is interviews.
- A third part of the solution is an examiner's suggestion of allowable subject matter. Usually a telephone interview is the best forum for this, so that the examiner can communicate a rationale for *allowance* (usually written Actions only communicate rationale for *rejection*.) Applicants are often left to guess at what the examiner feels to be allowable, and many RCEs are essentially “interrogatories” simply to get that information. Many amendments go in a direction opposite to the examiner's wishes, or address an issue that does not really exist, only due to incomplete explanation by the examiner.

Many of our members find that an application that is “stuck” moves forward after an appeal brief (indeed, the PTO's own statistics show that examiners only respond with an Examiner's Answer well under half the time).¹⁰¹ IEEE-USA members find that after an appeal brief, interviews are

¹⁰⁰ This is particularly aggravated when the examiner writes a poor action—a poor action (e.g., skips a claim limitation entirely, throws a “shotgun blast” of many paragraphs at a claim limitation with no clear designation of what in those paragraphs matters, no plausible reason to combine references, misapplication of the burden of proof, or misreading of the prior art, etc.) convinces the applicant that the examiner is not only wrong on the procedure, but wrong on the merits. Where the examiner has a good rejection in mind, a poor action obscures it, and prolongs prosecution. When examiners are clear and complete, problems resolve quickly. Applicants have strong financial incentives not to fight losing battles.

¹⁰¹ See the two studies mentioned in footnote 3.

more likely to result in agreement—very often on claims that *should* have been allowed much earlier.

IEEE-USA perceives that the problem exists because examiners do not know either the commercial or legal issues that are important to the applicant, and can't know what limitations will be acceptable to the applicant. While suggestions from examiners are immensely valuable as an aid to identifying real issues, examiners must have the modesty to accept that their precise suggestions might not be commercially acceptable.

Attachment B

Proposed amendments to 37 C.F.R. § 1.104

§ 1.104 Nature of examination.

(a) *Examiner's action.*

(1) On taking up an application for examination or a patent in a reexamination proceeding, the examiner shall make a thorough study thereof and shall make a thorough investigation of the available prior art relating to the subject matter of the claimed invention. The examination shall be complete with respect both to compliance of the application or patent under reexamination with the applicable statutes and rules and to the patentability of the invention as claimed, as well as with respect to matters of form, unless otherwise indicated.

(2) The applicant, or in the case of a reexamination proceeding, both the patent owner and the requester, will be notified of the examiner's action. The reasons for any adverse action or any objection or requirement will be stated in an Office action and such information or references will be given as may be useful in aiding the applicant, or in the case of a reexamination proceeding the patent owner, to judge the propriety of continuing the prosecution.

(3) An international-type search will be made in all national applications filed on and after June 1, 1978.

(4) Any national application may also have an international-type search report prepared thereon at the time of the national examination on the merits, upon specific written request therefor and payment of the international-type search report fee set forth in § 1.21(e). The Patent and Trademark Office does not require that a formal report of an international-type search be prepared in order to obtain a search fee refund in a later filed international application.

(b) *Completeness of examiner's action.* (i) The examiner's action will be complete as to all matters, except that in appropriate circumstances, such as misjoinder of invention, fundamental defects in the application, and the like, the action of the examiner may be limited to such matters before further action is made. However, matters of form need not be raised by the examiner until a claim is found allowable.

(ii) It is the examiner's obligation to clearly communicate all findings adverse to the applicant in the written action. The action must be sufficiently detailed to communicate the examiner's view on all material issues, and must give the applicant full notice and the opportunity to apprise the examiner of any errors thought to exist, and must facilitate further review.

(iii) Requirements for Office personnel stated in mandatory terms in the MPEP or other significant guidance documents are binding on Office personnel. Office employees may not depart from the MPEP or other significant guidance documents without a waiver from the Office of Patent Examination Policy or the Commissioner of Patents. The Office of Patent Examination Policy may grant a waiver only by publication on the Office's web page of guidance currently in effect, followed by incorporation into the MPEP. When extraordinary interests of justice require, a sui generis waiver may be authorized by the personal signature of the Commissioner of Patents or the Director.

(iv) Binding requirements for applicants are stated in statute and regulation, judicial interpretations thereof, and Office interpretative rules to the extent authorized by statute. The MPEP and other guidance documents are not binding except when describing a statutory or regulatory requirement, or the language is addressed to agency staff and will not foreclose agency consideration of positions advanced by affected private parties.

(c) *Rejection of claims.*

(1) If the invention is not considered patentable, or not considered patentable as claimed, the claims, or those considered unpatentable will be rejected.

(2) In any rejection of claims, the examiner bears the initial burden of going forward, to provide a written explanation that states the examiner's view of all material issues. In rejecting claims for want of novelty or for obviousness, the examiner must cite the best references at his or her command. When a reference is complex or shows or describes inventions other than that claimed by the applicant, the written action must show correspondence between each claim limitation and the content of the references relied on, on a limitation-by-limitation basis, and each particular part relied on must be designated as nearly as practicable. The pertinence of each reference, if not facially apparent, must be clearly explained and each rejected claim specified. Where the MPEP lists findings that must be set forth, that listing is obligatory on the examiner.

(3) In rejecting claims the examiner may rely upon admissions by the applicant, or the patent owner in a reexamination proceeding, as to any matter affecting patentability and, insofar as rejections in applications are concerned, may also rely upon facts within his or her knowledge pursuant to paragraph (d)(2) of this section.

(4) Subject matter which is developed by another person which qualifies as prior art only under 35 U.S.C. 102(e), (f) or (g) may be used as prior art under 35 U.S.C. 103 against a claimed invention unless the entire rights to the subject matter and the claimed invention were commonly owned by the same person or subject to an obligation of assignment to the same person at the time the claimed invention was made.

(i) Subject matter developed by another person and a claimed invention shall be deemed to have been commonly owned by the same person or subject to an obligation of assignment to the same person in any application and in any patent granted on or after December 10, 2004, if:

(A) The claimed invention and the subject matter was made by or on behalf of parties to a joint research agreement that was in effect on or before the date the claimed invention was made;

(B) The claimed invention was made as a result of activities undertaken within the scope of the joint research agreement; and

(C) The application for patent for the claimed invention discloses or is amended to disclose the names of the parties to the joint research agreement.

(ii) For purposes of paragraph (c)(4)(i) of this section, the term "joint research agreement" means a written contract, grant, or cooperative agreement entered into by two or more persons or entities for the performance of experimental, developmental, or research work in the field of the claimed invention.

(iii) To overcome a rejection under 35 U.S.C. 103(a) based upon subject matter which qualifies as prior art under only one or more of 35 U.S.C. 102(e), (f) or (g) via 35 U.S.C. 103(c)(2), the applicant must provide a statement to the effect that the prior art and the claimed invention were made by or on the behalf of parties to a joint research agreement, within the meaning of 35 U.S.C. 103(c)(3) and paragraph (c)(4)(ii) of this section, that was in effect on or before the date the claimed invention was made, and that the claimed invention was made as a result of activities undertaken within the scope of the joint research agreement.

(5) The claims in any original application naming an inventor will be rejected as being precluded by a waiver in a published statutory invention registration naming that inventor if the same subject matter is claimed in the application and the statutory invention registration. The claims in any reissue application naming an inventor will be rejected as being precluded by a waiver in a published statutory invention registration naming that inventor if the reissue application seeks to claim subject matter:

(i) Which was not covered by claims issued in the patent prior to the date of publication of the statutory invention registration; and

(ii) Which was the same subject matter waived in the statutory invention registration.

(6) Where law or guidance specify particular legal elements for a ground of rejection, the action must make showings on each such legal element.

(7) Any second or further action in an application must clearly and specifically respond to every issue traversed in the applicant's previous paper. The examiner may offer additional insight into his or her views, but must in all cases respond to the issue as framed by the applicant.

(d) Citation of references.

(1) If domestic patents are cited by the examiner, their numbers and dates, and the names of the patentees will be stated. If domestic patent application publications are cited by the examiner, their publication number, publication date, and the names of the applicants will be stated. If foreign published applications or patents are cited, their nationality or country, numbers and dates, and the names of the patentees will be stated, and such other data will be furnished as may be necessary to enable the applicant, or in the case of a reexamination proceeding, the patent owner, to identify the published applications or patents cited. In citing foreign published applications or patents, in case only a part of the document is involved, the particular pages and sheets containing the parts relied upon will be identified. If printed publications are cited, the author (if any), title, date, pages or plates, and place of publication, or place where a copy can be found, will be given.

(2) When a rejection in an application is based on facts within the personal knowledge of an employee of the Office or on Official notice, the data shall be as specific as possible. ~~and~~ The reference must be supported, when called for by the applicant, by the affidavit of such employee or by other substantial evidence, and such affidavit or evidence shall be subject to contradiction or explanation by the affidavits of the applicant and other persons.

(e) Reasons for allowance. If the examiner believes that the record of the prosecution as a whole does not make clear his or her reasons for allowing a claim or claims, the examiner may set forth such reasoning. The reasons shall be incorporated into an Office action rejecting other claims of the application or patent under reexamination or be the subject of a separate communication to the applicant or patent owner. The applicant or patent owner may file a statement commenting on the reasons for allowance within such time as may be specified by the examiner. Failure by the examiner to respond to any statement commenting on reasons for allowance does not give rise to any implication.

Attachment C

Suggested addition to MPEP § 706.07

Attachment C

Suggested addition to MPEP § 706.07 to define the term “clear issue developed for appeal”

706.07 Final Rejection

[37 CFR 1.113. Final rejection or action unchanged]

Before final rejection is in order a clear issue should be developed between the examiner and applicant. To bring the prosecution to as speedy conclusion as possible and at the same time to deal justly by both the applicant and the public, the invention as disclosed and claimed should be thoroughly searched in the first action and the references fully applied in a written action; and in reply to this action the applicant should amend with a view to avoiding all the grounds of rejection and objection. Switching from one subject matter to another in the claims presented by applicant in successive amendments, or from one set of references to another by the examiner in rejecting in successive actions on claims of substantially the same subject matter, or an action’s omission of written findings on essential *prima facie* legal elements, will alike tend to defeat attaining the goal of reaching a clearly defined issue for an early termination, i.e., either an allowance of the application or a final rejection.

While the rules no longer give to an applicant the right to “amend as often as the examiner presents new references or reasons for rejection,” present practice does not sanction incomplete written actions or hasty and ill-considered final rejections. The applicant who is seeking to define his or her invention in claims that will give him or her the patent protection to which he or she is justly entitled should receive the cooperation of the examiner to that end, and not be prematurely cut off in the prosecution of his or her application. But the applicant who dallies in the prosecution of his or her application, resorting to technical or other obvious subterfuges in order to keep the application pending before the primary examiner, can no longer find a refuge in the rules to ward off a final rejection.

The examiner should never lose sight of the fact that in every case the applicant is entitled to a full and fair written statement of grounds on all material issues ~~hearing~~, and that a clear issue between applicant and examiner must ~~should~~ be developed, unless new grounds are necessitated by applicant’s amendment or new art cited in an applicant’s IDS if possible, before final rejection and appeal. However, it is to the interest of the applicants as a class as well as to that of the public that prosecution of an application be confined to as few actions as is consistent with a thorough consideration of its merits.

Neither the statutes nor the Rules of Practice confer any right on an applicant to an extended prosecution; Ex parte Hoogendam, 1939 C.D. 3, 499 O.G.3, 40 USPQ 389 (Comm’r Pat. 1939), but statute and regulation alike guarantee an applicant a right to two thorough actions before final rejection.

STATEMENT OF GROUNDS

In making the final rejection, all outstanding grounds of rejection of record should be carefully reviewed, and any such grounds relied on in the final rejection should be reiterated. They must also be clearly developed to such an extent that applicant may readily judge the advisability of an appeal, and identify the point of disagreement for appeal, unless a single previous Office action contains a complete statement supporting the rejection.

However, where a single previous Office action contains a complete statement of a ground of rejection, the final rejection may refer to such a statement and also should include a rebuttal of any arguments raised in the applicant's reply. If appeal is taken in such a case, the examiner's answer should contain a complete statement of the examiner's position.

The following checklist includes (but is not an exhaustive list of) issues that must be addressed in a final action. An applicant's traverse noting a procedural omission of any of the following issues *must* result in withdrawal of finality:

1. 37 C.F.R. § 1.104(c)(2) has two separate requirements for rejections over prior art: particular parts relied on must be designated "as nearly as practicable," and (for any § 102 reference that shows anything more than the claim, and for all § 103 rejections) "clearly explain" the pertinence of that prior art:
 - 1.1. All rejections over prior art must include a limitation-by-limitation mapping between the claim and the prior art, designating parts of references "as nearly as practicable." Paragraph-by-paragraph treatment of either claims or references is sufficient only when correspondence between individual claim terms and specific elements of the designated reference is unmistakably and facially apparent.¹⁰²
 - 1.2. Unless the mapping is facially "apparent" from the designation alone, the action must identify a specific item in the reference by name or reference numeral. A designation of a large range of text is insufficient. It is never appropriate to shift the burden to the applicant to reconstruct the examiner's thinking.
2. If there is some possible disagreement on claim interpretation, the examiner must state the claim interpretation applied, and supply a reason to show that that interpretation is "reasonable" in light of the factors specified at MPEP § 2112 *et seq.* If there is any dispute as to claim interpretation, the interpretation and comparison steps must be separate and stated expressly; the mere statement of correspondence is not sufficient.¹⁰³
3. All anticipation rejections must satisfy these procedural elements:
 - 3.1. All elements must be shown explicitly, inherently, by multi-reference situation of MPEP § 2131.01, a species-within-disclosed-genus showing of MPEP § 2131.02(III), or species-within-disclosed-range of MPEP § 2131.03. There are *no* other bases for identifying corresponding components of the prior art for anticipation. Official notice is never applicable to anticipation. The action must unambiguously designate the legal basis on which each claim element is met.
 - 3.2. All reliance on inherency must include "a basis in fact and/or technical reasoning to reasonably support the determination that the allegedly inherent characteristic *necessarily* flows from the teachings of the applied prior art" in compliance with MPEP § 2112.
 - 3.3. The burden of proof favors the applicant. If a reference is equally amenable to two readings, the reading favoring the applicant is the applicable reading.

¹⁰² Incidentally, the Office would do well to publish Pre-Grant Publications in column and line number format – the paragraph number format has led to a noticeable decline in care and precision in examiners' consideration of references.

¹⁰³ See *In re Baker Hughes, Inc.*, 215 F.3d 1297, 1301, 55 USPQ2d 1149, 1152 (Fed. Cir. 2000) ("claim construction by the PTO is a question of law that we review *de novo*"); *Ex parte Ogawa*, Appeal No. 95-1628, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&flNm=fd951628>, 1997 WL 1897874 at *1 (BPAI Oct. 24, 1997).

4. All obviousness rejections must satisfy these procedural elements:
 - 4.1. Every obviousness rejection must either use one of the seven rationales of MPEP § 2143, or bear the personal signature of a [lawyer from the Office of Patent Examination Policy]. Individual examiners do not have authority to rely on new rationales for obviousness in a final action.
 - 4.2. The action must show that all elements are known or suggested in the art. “Suggested” requires some affirmative statement in a reference pointing specifically in the direction of the claim element. Examiner explanation is insufficient to meet a claim limitation (except for “species within disclosed genus” of MPEP § 2144.08).
 - 4.3. “Inherency” is applicable in anticipation, but plays only a limited role in obviousness. “Inherency” may never be relied on to meet direct claim language in an obviousness rejection.
 - 4.4. The action must make some showing corresponding to “motivation to combine,” whether that showing is designated “use of known technique to improve similar devices,” “improve similar devices,” “ready for improvement to yield predictable results,” “design need or market pressure,” design incentives or other market forces, or the like, and that showing must be supported by substantial evidence.¹⁰⁴
 - 4.5. The reason or rationale to combine or modify references must be specific to the references and the claim, not boilerplate like “reduces cost and improves functionality.”
 - 4.6. The action must make some showing corresponding to “reasonable expectation of success,” whether that showing is designated “predictable results,” “predictable solutions,” “anticipated success”, “variations [that] are predictable to one of ordinary skill in the art,” or the like.¹⁰⁵
 - 4.7. When an applicant makes a request for a reference or affidavit under 37 C.F.R. § 1.104(d)(2) for an issue of fact, the examiner must come forward with one or the other. Further explanation without citation to substantial evidence is insufficient.¹⁰⁶
 - 4.8. All assertions of Official notice must make a showing of “such instant and unquestionable demonstration as to defy dispute,” and include “specific factual findings predicated on sound technical and scientific reasoning to support his or her conclusion of common knowledge. ... The applicant should be presented with the explicit basis on which the examiner regards the matter as subject to official notice so as to adequately traverse the rejection.” See MPEP § 2144.03(B).
 - 4.9. A call for evidence under § 1.104(d)(2) is a sufficient traverse of Official notice; the examiner must meet such a call with substantial evidence.
 - 4.10. It is never allowable to use the phrase “because it would have been obvious” within an obviousness rejection. The law nowhere authorizes circular reasoning. Obviousness is established by showing all *prima facie* elements.

¹⁰⁴ All of the *KSR* tests include some corresponding showing. The PTO does not have authority to grant examiners the discretion to reject on lesser grounds.

¹⁰⁵ All of the *KSR* rationales include some corresponding showing.

¹⁰⁶ Commonly, examiners either totally ignore such requests, or give a more emphatic and longer explanation based solely on examiner opinion. Neither of these constitutes “substantial evidence” or compliance with 37 C.F.R. § 1.104(d)(2).

5. Any rejection for indefiniteness under § 112(b) must include one of two showings:
 - 5.3. The claim is capable of two significantly different interpretations (this is not a sufficient condition for a rejection, but is a necessary condition).
 - 5.2. The claim has no reasonable interpretation.

...

10. The obligation to “answer all material traversed” is absolute, and no rejection may be made final, or survive Pre-Appeal, if any material traversed is left unanswered.¹⁰⁷

The final rejection letter should conclude with Form Paragraph 7.39: ... [rest of MPEP § 706.07 continues]

¹⁰⁷ 5 U.S.C. § 555(e) (agency decision must include a “brief statement of grounds”); *Mulloy v United States*, 398 US 410, 418 (1970) (“Since the petitioner presented a nonfrivolous, *prima facie* claim for a change in the [agency decision] based on new factual allegations which were not conclusively refuted by other information in his file, it was an abuse of discretion for the board not to reopen [the decision], thus depriving him of his right to an administrative appeal.”)..

Attachment D

**Suggested addition to MPEP § 706.07(a)
restating the Federal Circuit’s definition of
“new ground of rejection”**

Attachment D

Edits to MPEP § 706.07(a) to state definition of “new ground of rejection”

706.07(a) Final Rejection, When Proper on Second Action

I. The Second Action may only be final if the first was complete

[existing text]

II. Definition of “New Ground of Rejection”

The term “new ground of rejection” is defined as any “position or rationale new to the proceedings,” including new evidence, citation to a new portion of existing evidence, any new finding of fact, whether drawn from a new or existing reference, a new legal theory, or a new application of law to facts.¹⁰⁸ The test does not focus on what the PTO did, but the response—any “thrust” by the PTO that requires a different “fair opportunity to respond” is a “new ground.” For example:

¹⁰⁸ *In re DeBlauwe*, 736 F.2d 699, 706 n. 9, 222 USPQ 191, 197 n.9 (Fed. Cir. 1984) (interpreting the term “new ground” in 37 C.F.R. § 1.196(b), now § 41.50(b): “Where the board makes a decision advancing a position or rationale new to the proceedings, an applicant must be afforded an opportunity to respond to that position or rationale” to the full extent permitted by the rules relevant to the procedural stage, citing 37 C.F.R. § 1.196(b)); *In re Eynde*, 480 F.2d 1364, 1370–71, 178 USPQ 470, 474 (CCPA 1973) (“We do agree with appellants that where the board advances a position or rationale new to the proceedings... the appellant must be afforded an opportunity to respond to that position or rationale” [to the full extent permitted by the relevant rule]. This court so held in *In re Moore*, [444 F.2d 572, 170 USPQ 260 (CCPA 1971)], and we expressly reaffirm that view. The board’s refusal to consider evidence which responds to such a new rationale is error.”); *Ex parte Whitcomb*, Appeal 2006-1187, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&flNm=fd2006118706-29-2006> at 6, 2006 WL 1876480 at *3 (BPAI Jun. 29, 2006) (unpublished) (“we provide the following rationale to support our decision to affirm the examiner’s rejection of claim 1 under 35 U.S.C. § 101 and as our rationale differs from that relied upon by the examiner we designate it as a new grounds of rejection”); *Ex parte Teeple*, Appeal No. 97-0943, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&flNm=fd970943> at 7, 9, 1997 WL 1883925 at *2–3 (BPAI Feb. 17, 1998) (unpublished) (new explanation for § 112 ¶ 2 rejection of same claim language is “new ground” of rejection); MPEP § 1207.03(III) (8th ed. rev. 3, Aug. 2005) (deferring to the *Kronig* line of case law for the definition of the term “new ground”); MPEP § 1208.01 (7th ed. and 8th ed. Jul. 1998–May 2004) (likewise deferring to *Kronig*); Final Rule, 62 FR 53132, 53168 (Oct. 10, 1997) (likewise deferring to *Kronig*).

Attachment D—edits to MPEP § 706.07(a) to state definition of “new ground of rejection”

1. designating a new “particular part relied on” or relying on a “different portion” of a reference is a new ground of rejection,¹⁰⁹ unless the new portion “goes no farther than, and merely elaborates on” the old portion because the new facts in the new portion do not relate to the claim, or supports or rebuts only the “same arguments” already made by one party or the other.¹¹⁰

¹⁰⁹ *In re Wiechert*, 370 F.2d 927, 933, 152 USPQ 247, 251–52 (CCPA 1967) (“An applicant’s attention and response are naturally focused on that portion of the reference which is specifically pointed out by the examiner. ... [W]hen a rejection is factually based on an entirely different portion of an existing reference the appellant should be afforded an opportunity to make a showing of unobviousness vis-à-vis such portion of the reference”); *see also In re Echerd*, 471 F.2d 632, 635, 176 USPQ 321, 323 (CCPA 1973) (“We find the new reliance [to be] a new ground of rejection. New portions of the reference are relied upon to support an entirely new theory... appellants should have been accorded an opportunity to present rebuttal evidence as to the new assumptions of inherent characteristics made by the board”), *reaffirmed by Kronig*, 539 F.2d at 1303, 190 USPQ at 427. The PTO’s more-recent decisions regularly reinforce this principle. *E.g.*, *Ex parte Kelcher*, Appeal No. 1999-1899, <http://des.uspto.gov/Foia/RetrievePdf?system=BPAI&fNm=fd991899> at 9–10, 2002 WL 63644 at *3–4 (BPAI Feb. 28, 2001) (unpublished) (new reliance on an arrow in a figure of an existing reference is a “new ground of rejection”); *Ex parte D’Andrade*, Appeal No. 1999-1235, <http://www.uspto.gov/go/dcom/bpai/decisions/fd991235.pdf> at 7, 10, 1999 WL 33224326 at *3 (BPAI Sep. 30, 1999) (unpublished) (shift from examiner’s reliance on tension spring 59 to Board’s reliance on tension spring 61 in the same single reference is a “new ground of rejection”); *In re Intine*, 162 USPQ 192, 192 (Comm’r of Patents 1969) (a shift from references A and B to references A, B, and C, where C had previously been relied upon, prevented final rejection).

¹¹⁰ *In re DBC*, 545 F.3d 1373, 1382 n.5, 89 USPQ2d 1123, 1130 n.5 (Fed. Cir. 2007) (when a new portion “goes no farther than” the originally cited abstract, the new portion is not a new ground of rejection); *In re Hedges*, 783 F.2d 1038, 1039-40, 228 USPQ 685, 686 (Fed. Cir. 1986) (“The Solicitor should not be constrained from pointing to other portions of these same references [that Hedges relied on for rebuttal] in contravention of Hedges’ position. ... The Solicitor has done no more than search the references of record for disclosures pertinent to *the same arguments* for which Hedges cited the references,” emphasis added).

Attachment D—edits to MPEP § 706.07(a) to state definition of “new ground of rejection”

2. A new reference, even one offered to back up a previous assertion of official notice or “well-known prior art,” is always a new ground of rejection.¹¹¹
3. A new reference offered to show “level of skill in the art” or “motivation to modify” or “motivation to combine” is a new ground.¹¹²
6. A new finding of fact, or new inference, even one drawn from the identical portions of existing references, or a new application of the law to the identical facts, is a new ground of rejection.¹¹³
5. A new finding of fact, supporting position, or rationale is a new ground, even if it is simply offered to buttress a previous analysis or inference.¹¹⁴

¹¹¹ *In re Ahlert*, 424 F.2d 1088, 1092 n. 4, 165 USPQ 418, 421 n. 4 (CCPA 1970) (commenting on a new reference to buttress an assertion of official notice, “it is not uncommon for the board itself to cite new references, in which case a new ground of rejection is *always* stated,” emphasis added); *Ex parte Skinkiss*, Appeal No. 2000-0226, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fNm=fd000226> at 4 n. 1, 2002 WL 99652 at *1 n.1 (BPAI Jun. 14, 2001) (unpublished) (“new piece of evidence,” even an assertion of “well-known custom,” constitutes “a new ground of rejection”); *Ex parte Kelley*, Appeal No. 94-1550, [.../fd941550](http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fNm=fd941550) at 5–6, 1994 WL 1709525 at *2, *4, (BPAI 1994) (unpublished); *but see In re Boon*, 439 F.2d 724, 727, 169 USPQ 231, 234 (CCPA 1971) (exception: a new reference is not a new ground, when (a) the new reference is a standard reference work (like Webster’s Dictionary), (b) the fact noticed “plays a minor role,” and (c) the applicant has had at least one prior opportunity (apparently before the final action) “to challenge either the correctness of the fact asserted or the notoriety or repute of the reference cited in support of the assertion”); *see also In re Leithem*, 661 F.3d 1316, 1321, 100 USPQ2d 1155, 1160 (Fed. Cir. 2011) (“While the Office assured this court that Martin was in the record and is ‘a piece of prior art,’ Martin was not relied upon in the instant rejection. The Office’s reliance upon additional facts and grounds, some of which were raised for the first time to this court at oral argument, rings hollow when the entire basis for this appeal is whether Leithem was afforded the opportunity to respond to the Board’s new ground of rejection.”).

¹¹² *Ex parte Mathur*, Appeal No. 95-4103, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fNm=fd954103> at 7, 9–10, 15–16, 1996 WL 1795838 at *3–4, 6 (BPAI Jun. 26, 1996) (unpublished) (new references offered by the examiner to support “level of skill in the art” but not directly applied, and relied upon by the Board to support “motivation to combine” the original references, were “new grounds of rejection”).

¹¹³ *In re Leithem*, 661 F.3d 1316, 1320, 100 USPQ2d 1155, 1159 (Fed. Cir. 2011) (“The Board thus found new facts concerning the scope and content of the prior art. ... These facts were the principal evidence upon which the Board’s rejection was based. ... The thrust of the Board’s rejection changes when, as here, it finds facts not found by the examiner regarding the differences between the prior art and the claimed invention, and these facts are the principal evidence upon which the Board’s rejection was based. ... Accordingly, fairness dictates that the applicant ... should be afforded an opportunity to respond to the Board’s new rejection.”); *In re Kumar*, 418 F.3d 1361, 1368, 76 USPQ2d 1048, 1052 (Fed. Cir. 2005) (“In calculating the overlapping values, the Board found facts not found by the examiner regarding the differences between the prior art and the claimed invention, which in fairness required an opportunity for response.”); *In re Moore*, 444 F.2d 572, 574–75, 170 USPQ 260, 263 (CCPA 1971) (*any* new “finding of a new fact,” even from the same reference, even solely in support of an alternative to the preexisting rationale, requires that the applicant be given an opportunity to respond), *reaffirmed by In re Eynde*, 480 F.2d at 1364, 1370–71, 178 USPQ 470, 474 (CCPA 1973); *In re Meyer*, 599 F.2d 1028, 1031, 202 USPQ 175, 179 (CCPA 1979) (holding that the Board’s § 102 rejection is a “new ground of rejection” even though based on the same art as the examiner’s § 103 rejection).

Attachment D—edits to MPEP § 706.07(a) to state definition of “new ground of rejection”

6. Relying on *fewer* references can be a “new ground,” if the new rejection is based on “different views of what the cited references teach” or “require the applicants to respond in quite different manners”¹¹⁵
7. A new application of the law to the facts is a new ground, if the “basic thrust” differs.¹¹⁶
8. A new claim interpretation is a new ground.¹¹⁷

¹¹⁴ *In re Stepan Co.*, 660 F.3d 1341, 1344–45, 100 USPQ2d 1489, 1491 (Fed. Cir. 2011) (“By making and relying on new fact findings regarding an issue the examiner did not raise, *i.e.*, the sufficiency of Stepan’s Declaration to swear behind the Singh reference as § 102(a) prior art, the Board relied on a new ground of rejection. ... Mere reliance by the Board on the same type of rejection or the same prior art references relied upon by the examiner, alone, is insufficient to avoid a new ground of rejection where it propounds new facts and rationales to advance a rejection—none of which were previously raised by the examiner.”); *Hyatt v. Dudas*, 551 F.3d 1307, 1312–13, 89 USPQ2d 1465, 1468–69 (Fed. Cir. 2008) (“a ‘ground of rejection’ ... is not merely the statutory requirement for patentability that a claim fails to meet but also the precise reason why the claim fails that requirement”); *In re Kumar*, 418 F.3d 1361, 1367–68, 76 USPQ2d 1048, 1051 (Fed. Cir. 2005) (a new calculation applied to a reference is not “simply an additional explanation of the Board’s decision,” it is a new ground of rejection, “the Board found facts not found by the examiner regarding the differences between the prior art and the claimed invention, which in fairness required an opportunity for response”); *In re Waymouth*, 486 F.2d 1058, 1061, 179 USPQ 627, 629 (CCPA 1973) (“merely advanc[ing] ‘an additional reason’ for affirming the examiner” is a “new rejection”), *modified* 489 F.2d 1297, 180 USPQ 453 (CCPA 1974); *Moore*, 444 F.2d at 574–75, 170 USPQ at 263, *reaffirmed by In re Eynde*, 480 F.2d at 1364, 1370–71, 178 USPQ 470, 474 (CCPA 1973); *Ex parte Lachut*, Appeal No. 2001-0933, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&flNm=fd010933> at 9, 2002 WL 31257834 at *5 (BPAI Mar. 14, 2002) (unpublished) (new analysis and inferences drawn from the same portion of Hazen reference is a new point); *Ex parte Hanlon*, Appeal No. 98-2033, <http://des.uspto.gov/Foia/RetrievePdf?system=BPAI&flNm=fd982033> at 6, 1998 WL 1748535 at *2–3 (BPAI Apr. 22, 1999) (unpublished) (Board’s different analysis of the same portion of the same reference is a “new ground of rejection”).

¹¹⁵ *In re Ansel*, 852 F.2d 1294 (table), 1988 WL 63291 at *2 (Fed. Cir. 1988) (nonprecedential).

¹¹⁶ *Ex parte Albrecht*, Appeal No. 2000-0460, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&flNm=fd000460> at 4, 2002 WL 1801026 at *2 (BPAI Oct. 31, 2001) (unpublished) (vacating the examiner, and ordering him to give the applicant “a full and fair opportunity to respond,” because the examiner raised a “new ground of rejection” by shifting emphasis within a group of references, without introducing a new reference); *Ex parte Mattel Inc.*, Appeal No. 1999-2373, <http://www.uspto.gov/go/dcom/bpai/decisions/fd992373.pdf> at 13–14, 23–24, 2003 WL 22282332 at *6, *10 (BPAI Oct. 29, 1999) (unpublished) (different analysis of claims 10 and 11, on the same Adachi and Kimura references, is a new ground of rejection); *Ex parte Coe*, Appeal No. 95-4526, .../fd954526.pdf at 13–14, 16, 1995 WL 1747721 at *5 (BPAI May 28, 1998) (unpublished) (a different analysis of the same two references, Sukiennik and Nosaki, of the same claim, claim 4, is a “new ground of rejection”).

¹¹⁷ *Ex parte American Academy of Science*, remand in Appeal No. 1998-1483, App. Ser. No. 90/003,463, <http://www.uspto.gov/go/dcom/bpai/decisions/rc981483.pdf> (retrieved May 2, 2007), 2003 WL 23014678 at *2 (BPAI Mar. 9, 1999) (unpublished) (“We admit that our introduction of new definitions, while legally correct, has dramatically changed the issues under Section 102 as argued by appellant and the examiner. Therefore, we agree with appellant that the affirmance of the rejections under Section 102 should be designated a new ground of rejection.”).

Attachment D—edits to MPEP § 706.07(a) to state definition of “new ground of rejection”

Any notion that a “new ground” requires a new reference or shift from one statutory section to another has been expressly rejected by the Federal Circuit, the CCPA, and by the Board, and is inconsistent with the plain language of MPEP § 706.07(a).¹¹⁸

The following are *not* exceptions to the definition of “new ground:”

1. Continued reliance on the same statutory section and same prior art references may nonetheless be a new ground of rejection, if the new reliance falls within the above categories, or supports a new finding of fact¹¹⁹
2. A new finding of fact is a new ground, even if designated “official notice,”¹²⁰
3. Any position or rationale new to the proceedings is a new ground, even if that new position or rationale is “simply an additional explanation of the Board's decision,” or a response to an applicant’s argument.¹²¹

¹¹⁸ *In re Kumar*, 418 F.3d 1361, 1367, 76 USPQ2d 1048, 1051 (Fed. Cir. 2005); *In re Ahlert*, 424 F.2d 1088, 1098, 165 USPQ 418, 421 (CCPA 1970) (newly “found facts ... regarding the differences between the prior art and the claimed invention,” even if cast as “official notice,” “in fairness required an opportunity for response”); *In re Bulina*, 362 F.2d 555, 558–59, 150 USPQ 110, 113 (CCPA 1966). The difference cuts both ways—when a new single-reference § 102 rejection is based on the identical portions of one reference from a multi-reference § 103 combination, that shift is not a “new ground.”

¹¹⁹ *In re Leithem*, 661 F.3d 1316, 1319, 100 USPQ2d 1155, 1158 (Fed. Cir. 2011) (“Mere reliance on the same statutory basis and the same prior art references, alone, is insufficient to avoid making a new ground of rejection when the Board relies on new facts and rationales not previously raised to the applicant by the examiner.”); *In re Stepan Co.*, 660 F.3d 1341, 1344, 100 USPQ2d 1489, 1491 (Fed. Cir. 2011) (“By making and relying on new fact findings regarding an issue the examiner did not raise...t, the Board relied on a new ground of rejection. ... Mere reliance by the Board on the same type of rejection or the same prior art references relied upon by the examiner, alone, is insufficient to avoid a new ground of rejection where it propounds new facts and rationales to advance a rejection—none of which were previously raised by the examiner.”). “Same reference, same statute” was the law over forty years ago, *In re Meinhardt*, 392 F.2d 273, 280, 157 USPQ 270, 275 (CCPA 1968), but has not been the law since the CCPA’s *en banc* decision in *Kronig* in 1976.

¹²⁰ *In re Leithem*, 661 F.3d 1316, 1319, 100 USPQ2d 1155, 1158 (Fed. Cir. 2011) (“This court’s predecessor long acknowledged the right of the Board to make additional findings of fact But the Board’s power to do so is construed narrowly and when reliance upon such facts changes the thrust of the rejection, the Board’s action ‘does everything but cry out for an opportunity to respond.’ *In re Moore*, 444 F.2d 572, 575, 170 USPQ 260, 263 (CCPA 1971) ... The thrust of the Board’s rejection changes when, as here, it finds facts not found by the examiner regarding the differences between the prior art and the claimed invention, and these facts are the principal evidence upon which the Board’s rejection was based. *In re Kumar*, 418 F.3d 1361, 1368, 76 USPQ2d 1048, 1052 (Fed. Cir. 2005)”; *Hyatt v. Dudas*, 551 F.3d 1307, 1312–13, 89 USPQ2d 1465, 1468–69 (Fed. Cir. 2008) (in the context of § 112 ¶ 1 rejections of claims with differing language, rejecting PTO’s contention that “ground of rejection” is limited to the statutory ground, without regard to the facts or reasoning applied); *In re Kumar*, 418 F.3d 1361, 1367, 76 USPQ2d 1048, 1051 (Fed. Cir. 2005) (new inferences drawn from the same art, cast as “official notice,” was nonetheless a new ground).

¹²¹ *In re Leithem*, 661 F.3d 1316, 1321, 100 USPQ2d 1155, 1160 (Fed. Cir. 2011) (“at oral argument the Office said that Leithem was making ‘a shift in argument’ and not presenting the same argument as the one presented to the Board. This begs the question and highlights the problem when the Board relies on a new ground of rejection. Leithem’s argument to the Board was in response to the grounds relied upon by the examiner... When the Board affirmed the rejection on [a different basis], of course Leithem’s argument had to shift—the thrust of the Board’s rejection had shifted. The Board cannot play it so fast and loose in affirming an examiner’s rejection that it disregards procedural safeguards afforded to the applicant.”); *In re DeBlauwe*, 736 F.2d 699, 705–06, 222 USPQ 191, 196–97 (Fed. Cir. 1984) (when an applicant has argued a point, the examiner and Board are obligated to respond to those arguments, and their new response requires giving an applicant a new opportunity to respond):

... Appellants complain, however, that the PTO challenges their assertions of unexpected results for the first time in the Solicitor’s brief. ...

Despite appellants’ arguments throughout prosecution that heat shrinkable articles with the claimed expansion ratios overcome the longstanding splitting problem, the board and the examiner merely concluded that these ratios would have been obvious without properly responding to appellants’ allegations of unexpected results. ... if the board or the examiner had considered this point when the case was pending before them and had pointed out that there was no objective evidence of unexpected results, appellants would, at least, have had notice and would have had an opportunity to file objective evidence.⁹ Neither the board nor the examiner, however, gave such notice, and, therefore, appellants were led to believe, albeit erroneously, that they had satisfied their burden of going forward with objective evidence to rebut the prima facie case of obviousness. ... In view of the PTO’s failure to challenge the sufficiency of appellants’ rebuttal evidence until this appeal, when appellants could no longer offer evidence, we conclude that it is necessary to vacate the board’s decision... and to remand the case to afford appellants the opportunity to submit objective evidence of unexpected results.

⁹ Where the board makes a decision advancing a position or rationale new to the proceedings, an applicant must be afforded an opportunity to respond to that position or rationale by submission of contradicting evidence. *In re Eynde*, 480 F.2d 1364, 178 USPQ 470 (CCPA 1973). Accordingly, if the board or the examiner in this case had stated that there was no objective evidence, appellants would have been entitled to respond by filing such evidence.

See also In re Kumar, 418 F.3d 1361, 1367, 76 USPQ2d 1048, 1051–52 (Fed. Cir. 2005) (“Although the PTO argues that the calculations the Board included in its decision were not new evidence, but simply an additional explanation..., these values ... had not previously been identified by the examiner or the Board. Kumar was entitled to respond to these calculations, and the Board committed procedural error in refusing to consider the evidence proffered in response.”); *In re Waymouth*, 486 F.2d 1058, 1061, 179 USPQ 627, 629 (CCPA 1974) (different rationale on the same reference was a new ground, rejecting the PTO’s argument that new grounds are exempt when the Board “merely advanced ‘an additional reason’”), *modified on rehearing* 489 F.2d 1297, 180 USPQ 453 (CCPA 1974).

Attachment D—edits to MPEP § 706.07(a) to state definition of “new ground of rejection”

4. An examiner’s silence in an earlier paper can lead to a finding of a “new ground of rejection” if subsequent events make relevant any reply issue that an applicant would have raised had the examiner not been silent.¹²²
5. The number of claims in an application does not change any threshold for recognizing a “new ground of rejection” or any other aspect of examination procedure.

The Federal Circuit noted that the definition of “new ground” flows from basic principles of examination: it is always the examiner’s duty to take the first step of articulating all elements of a *prima facie* case of unpatentability.¹²³ Prosecution can only be closed to force an appeal when “the record reflects the results of a proceeding in the PTO during which the applicant has been afforded an opportunity to bring forth the facts thought necessary to support his or her position.”¹²⁴ For example, 37 C.F.R. § 1.104(c)(2) states that it is the examiner’s duty to designate the “particular part relied on” “as nearly as practicable,” and “clearly explain” the

¹²² *In re Stepan*, 660 F.3d 1341, 1345, 100 USPQ2d 1489, 1491 (Fed. Cir. 2011) (“By making and relying on new fact findings regarding an issue the examiner did not raise, ... the Board relied on a new ground of rejection. ... It is crucial that the examiner issue a rejection (even if that rejection is subsequently withdrawn) so the applicant is on notice that it is obligated to respond. Mere reliance by the Board on the same type of rejection or the same prior art references relied upon by the examiner, alone, is insufficient to avoid a new ground of rejection where it propounds new facts and rationales to advance a rejection—none of which were previously raised by the examiner. ... Here, the mere fortuity that Stepan addressed the validity of the Declaration on its own, without the issue being raised by the examiner, does not permit the Board to [decide against the appellant] without designating its decision as a new ground of rejection.”); *Ex parte Mathur*, Appeal No. 95-4103, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fINm=fd954103> at 20–21, 1996 WL 1795838 at *9 (BPAI Jun. 26, 1996) (unpublished) explains as follows:

The examiner did not notify appellants that the arguments premised upon so-called unexpected properties were deficient since they were not supported by objective evidence. As set forth in *In re De Blauwe*, 736 F.2d 699, 705–06, 222 USPQ 191, 197 (Fed. Cir. 1984), if the examiner had previously pointed this out to appellants, “appellants would, at least, have had notice and would have had an opportunity to file objective evidence” (footnote omitted). The examiner’s failure to put appellants on notice as to the lack of objective evidence in support of their argument concerning unexpected properties constitutes a second separate reason to denominate our affirmance of the examiner’s decision as a new ground of rejection under 37 C.F.R. § 1.196(b) [now § 41.50(b)].

See also quote from *In re DeBlauwe* in footnote 121.

¹²³ *Hyatt v. Dudas*, 551 F.3d 1307, 1313, 89 USPQ2d 1465, 1469 (Fed. Cir. 2008) (“this court’s interpretation of ‘ground of rejection’ is consistent with the fact that the PTO ‘bears the initial burden ... of presenting a prima facie case of unpatentability.’ ... Thus, to be consistent with the PTO’s *prima facie* burden in rejecting claims, section 1.192(c)(7) must be interpreted such that, when a claim is rejected under 35 U.S.C. § 112 ¶ 1, the relevant ‘ground of rejection’ is the PTO’s identification of a specific limitation that lacks written description support.”); *see also* 35 U.S.C. § 102 (patent “shall” be granted, “unless” PTO establishes unpatentability); 37 C.F.R. §§ 1.104, 1.113 (actions must be “complete” and “clearly state” reasons); MPEP § 2142 (burden rests with examiner to “show” unpatentability); 5 U.S.C. §§ 551–559; *Wiechert*, 370 F.2d at 963–64, 152 USPQ at 251–52, *citing* 37 C.F.R. § 1.106, now § 1.104(c)(2); *see also In re Oetiker*, 977 F.2d 1443, 1449, 24 USPQ2d 1443, 1447 (Fed. Cir. 1992) (Plager, J., concurring) (“The examiner cannot sit mum, leaving the applicant to shoot arrows into the dark hoping to somehow hit a secret objection harbored by the examiner.”).

¹²⁴ *In re Gartside*, 203 F.3d 1305, 1316, 53 USPQ2d 1769, 1774–75 (Fed. Cir. 2000).

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correspondence of any reference to any claim being rejected, except a pure § 102 rejection on a reference that is co-extensive with the claims.¹²⁵ The courts and the Board have noted that applicants cannot, and therefore are not obligated to, reply to issues that the examiner has not raised (see 37 C.F.R. § 1.111(b) (reply must “point[] out the supposed errors *in the examiner’s action* and must reply to every ground of objection and rejection *in the prior Office action*”—no duty to go beyond the written action)). Applicants are under no duty to anticipate issues that an examiner could have raised—even should have raised—but did not.¹²⁶ The rules provide only one procedural mechanism for an examiner when an applicant’s arguments or evidence require a new position or rationale from the examiner: nonfinal rejection.

Applicants must be given a fair opportunity to react to the thrust of any new ground,¹²⁷ regardless of the time or context in which the examiner’s “new position or rationale” arises. For example, if the examiner introduces the new ground in response to an applicant’s showing that an old ground of rejection is weak or untenable, any shift or buttressing is still a “new ground,” and the applicant must be given full opportunity to reply.¹²⁸

Purely formal characterizations of a rejection, with no analytical substance, are not “new grounds of rejection.”¹²⁹

¹²⁵ See also *Wiechert*, 370 F.2d at 963–64, 152 USPQ at 251–52 (“This point seems to be appreciated by the Patent Office itself as its Rule 106(b) [now 37 C.F.R. § 1.104(c)(2)] provides, *inter alia*, that: “When a reference is complex or shows or describes inventions other than that claimed by the applicant, the particular part relied on must be designated as nearly as practicable.”).

¹²⁶ *Wiechert*, 370 F.2d at 933, 152 USPQ 251–52 (applicants “cannot practically” address all that “might be mentioned in a particular reference”); *Ex parte Lachut*, Appeal No. 2001-0933, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fINm=fd010933> at 9, 2002 WL 31257834 at *5 (BPAI Mar. 14, 2002) (unpublished) (“The entire [new analysis of existing references] is new and *should have and could have* been raised earlier,” emphasis added); see also *Ex parte Mehta*, Appeal No. 1999-2683, ...&fINm=fd992683 at 11, 2002 WL 1801560 at *4 (BPAI Jul 30, 2001) (unpublished) (Board rejects examiner’s attempt to untimely “twist the rejection around,” even though based on the same references).

¹²⁷ *Kronig*, 539 F.2d at 1303, 190 USPQ at 426.

¹²⁸ *In re Eynde*, 480 F.2d 1364, 1371, 178 USPQ 470, 475 (CCPA 1973) (even though Board’s new rationale, based on the Eynde patent, was in response to arguments made in the appeal Reply Brief, it was nonetheless a “new ground”), *reaffirmed by Kronig*, 539 F.2d at 1303, 190 USPQ at 427; *Ex parte Kozek*, Appeal No. 95-4678, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fINm=fd954678> at 7–9, 1995 WL 1747751 at *3–4 (BPAI Sep. 16, 1997) (unpublished) (expressly acknowledging that appellant’s argument overcomes the examiner’s stated reasons, but entering a “new ground of rejection” based on a different analysis of the identical references).

¹²⁹ *In re Bush*, 296 F.2d 491, 760, 131 USPQ 263, 267 (CCPA 1961) (“we deem it to be of no significance, but merely a matter of exposition, that the rejection is stated to be on A in view of B instead of on B in view of A, or to term one reference primary and the other secondary”).

Attachment E

**Suggested addition to MPEP § 1201 to restate
the law of intra-PTO jurisdiction for appeals
and petitions**

Attachment E

Draft statement of intra-PTO jurisdiction for MPEP § 1201

1201 Introduction

The United States Patent and Trademark Office (Office) in administering the Patent Laws makes many decisions of a substantive nature which the applicant may feel deny him or her the patent protection to which he or she is entitled. The differences of opinion on such matters can be justly resolved only by prescribing and following judicial procedures. Where the differences of opinion concern the denial of patent claims because of prior art or other patentability issues, the questions thereby raised are said to relate to the merits, and appeal procedure within the Office and to the courts has long been provided by statute (35 U.S.C. § 134). Where the differences of opinion lie between the examiner and mandatory instructions issued pursuant to supervisory obligations of the Director of the U.S. Patent and Trademark Office (Director) and Commissioner for Patents (Commissioner), or the procedural rulemaking authority of the Office, relief by petition is provided by rule (37 C.F.R. § 1.181).¹³⁰

The line of demarcation between appealable matters for the Board of Patent Appeals and Interferences (Board) and petitionable matters for the Director of the U.S. Patent and Trademark Office (Director) should be carefully observed. The Board will not ordinarily hear a question that should be decided by the Director on petition, and the Director will not ordinarily entertain a petition where the question presented is a matter appealable to the Board. On appeal, the Board reviews only “adverse decisions of examiners upon applications for patents.” 35 U.S.C. § 6(b), § 134(a). This has two important implications, first that appealable issues relate to “rejections,” second, that only “decisions” are appealable. Both of these are explained further below.

~~However, since~~ Since 37 C.F.R. § 1.181(f) states that any petition not filed within 2 months from the action complained of may be dismissed as untimely and since 37 C.F.R. § 1.144 states that petitions from restriction requirements must be filed no later than appeal, petitionable matters will rarely be present in a case by the time it is before the Board for a decision. *In re Watkinson*, 900 F.2d 230, 14 USPQ2d 1407 (Fed. Cir. 1990).

This chapter is primarily directed to *ex parte* appeals. For appeals in *inter partes* reexamination proceedings, see 37 C.F.R. §§ 41.60 to 41.81 and MPEP §§ 2674 to 2683.

A. “Rejection” is a Necessary But Not Sufficient Condition For Appealability

The Board cannot have jurisdiction over issues where there is no rejection of claims. *In re Volk*, 634 F.2d 607, 609-10, 207 USPQ 1086, 1087-88 (CCPA 1980).

The mere label “rejection” vs. something else is not determinative of the Board’s jurisdiction, in either direction. For example, an apparently-procedural limit may be so restrictive that no claim of a given scope could ever be examined, let alone issued, even though not denominated a “rejection.” Such *de facto* rejections are appealable. *In re Haas*, 486 F.2d 1053, 1056, 179 USPQ 623, 625 (CCPA 1973) (labeling a requirement “rejection” or not cannot be determinative of jurisdiction; when prosecution of claims is closed such that “[the claims] were never to be considered on the bases of § 102, § 103 and § 112” then a requirement not phrased as a rejection may nonetheless be appealable).

¹³⁰ If the Office ever had authority to decline to enforce its internal guidance, that authority was revoked by the President in January 2007.

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Similarly, the mere label “reject” does not create jurisdiction in the Board, as discussed in sections (B), (C) and (D). Existence of a rejection is only a necessary condition to appealability (and ouster of petitions jurisdiction), not a sufficient condition.

B. The Board Only Has Jurisdiction to Review “Decisions” of Ultimate Statutory Patentability, not Underlying Reasons or Issues of Examination Procedure

Appeal to the Board is from a “decision” of the examiner, not from the reasons upon which such decision is based. 35 U.S.C. § 6(b), § 134(a); 37 C.F.R. § 41.31(a); *Ex parte Maas*, 14 USPQ2d 1762, 1764 (BPAI 1987); *see also* 37 C.F.R. § 41.50(a)(1) (“The Board, in its decision, may affirm or reverse the decision of the examiner in whole or in part on the grounds and the claims specified by the examiner.”); *In re Priest*, 582 F.2d 33, 37, 199 USPQ 11, 14 (CCPA 1978) (rejecting the PTO’s argument that “opinions” merge with “decisions” for review, holding that an “opinion” is almost always distinct from a “decision,” and only the single sentence “decision” is reviewable by the Board, with only “narrowly defined” exceptions).¹³¹ If the issue in dispute relates to a breach of *procedure* by which a claim is rejected, antecedent to the rejection itself, the issue is petitionable.¹³²

C. The Board has Supplemental Jurisdiction over Many but Not All Issues Underlying Ultimate Decisions of Non-Patentability

Decisions of patentability involve underlying issues. Some are reviewable by the Board as part of the review of the ultimate decision, some are not. If the final action states an examiner’s position on an issue of fact, the Board has jurisdiction to review the examiner’s finding, on a *de novo* application of a preponderance of evidence standard. The Board likewise has jurisdiction to review issues of law.

However, the Board does *not* have jurisdiction to review examiner compliance with procedures set by the Director (for example, 37 C.F.R. § 1.104 and the MPEP). The Board lacks jurisdiction

¹³¹ *Ex parte Miller*, 1995 WL 1768479 (BPAI 1995) (“We review the decision, not the reasoning...”).

¹³² The Board has often noted its inability to decide cases because of omissions in the examiner’s half of the record. *E.g.*, *Ex parte Daleiden*, Appeal 2007-1003, fd2007100303-14-2007.pdf (Mar. 14, 2007) (remanding because examiner failed to respond to arguments in the Appeal Brief); *Ex parte Rozzi*, 63 USPQ2d 1196, 1200-03 (BPAI 2002) (McKelvey, J.) (remanding without decision because of a host of examiner omissions and procedural errors); *Ex parte Gambogi*, 62 USPQ2d 1209, 1212 (BPAI 2001) (“We decline to tell an examiner precisely how to set out a rejection.”); *Ex parte Jones*, 62 USPQ2d 1206, 1208 (BPAI 2001) (refusing to adjudicate an issue that the examiner has not developed); *Ex parte Schricker*, 56 USPQ2d 1723, 1725 (BPAI 2000) (“The examiner has left applicant and the board to guess as to the basis of the rejection ... We are not good at guessing; hence, we decline to guess.”); *Ex parte Braeken*, 54 USPQ2d 1110, 1112-13 (BPAI 1999) (noting that the appeal is “not ripe” because of omissions and procedural defects in the examiner’s analysis). Other appellate tribunals frequently state that they are unable to review decisions when inferior tribunals have not stated the necessary findings, or otherwise present an undeveloped record. *E.g.*, *Dennison Mfg. Co. v. Panduit Corp.*, 475 U.S. 809, 811, 229 USPQ2d 478, 479 (1986) (obviousness has separate “procedural” and “substantive” aspects, and the Supreme Court cannot review the substantive issue when the underlying decision is procedurally incomplete); *Warner-Lambert Co. v. Teva Pharmaceuticals USA, Inc.*, 418 F.3d 1326, 1337-38, 75 USPQ2d 1865, 1872-73 (Fed. Cir. 2005) (remanding because of district court’s failure to make findings, rendering appellate review impossible); *Nazomi Communications Inc v. ARM Holdings Inc.*, 403 F.3d 1364, 1371-73, 74 USPQ2d 1458, 1463-64 (Fed. Cir. 2005) (same)

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to hear issues that “dispute the administrative processing of [a rejection alleged to be procedurally improperly raised during] the prosecution.” “[T]he proper procedure is to seek review by way of petition....”¹³³

The Board does not have jurisdiction over the following issues:

- (a) Premature final rejection, MPEP § 706.07(c).
- (b) Issues arising under sources of law other than the substantive patent law, 35 U.S.C. §§ 101, 102, 103, 112, and 135(b). The Board only has jurisdiction to determine whether a patent may lawfully be granted on the claims presented.¹³⁴ Issues of proper examination procedure arising under other law, such as 35 U.S.C. §§ 131 and 132 (a renewed rejection must state “reasons”), 37 C.F.R. §§ 1.104 and 1.113, the Manual of

¹³³ *Ex parte Edwards*, Appeal No. 98-1396, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fNm=fd981396> at 4, 1998 WL 1736081 at *2 (BPAI Apr. 27, 1999) (unpublished); *Ex parte Dutton*, Appeal No. 2009-014442, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fNm=fd2009014442-09-10-2010-1> at 7, 2010 WL 3803762 at *3 (BPAI Sep. 10, 2010) (unpublished) (“Dutton complains that the Examiner failed to follow guidelines set out in the Manual of Patent Examining Procedure (‘MPEP’). The MPEP, however, provides guidance for Examiners: ... Failure to comply with guidance is not *per se* appealable to the Board, as the jurisdiction of the Board is limited to review of rejections. Relief regarding the conduct of the examination must be sought via the supervisory chain of authority over the Examiner.”); *Ex parte Danninger*, Appeal No. 2009-005966, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fNm=fd2009005966-05-26-2010-1> at 11, 2010 WL 2150083 at *5 (BPAI May 26, 2010) (unpublished) (“Appellants’ assertion that they were not given an opportunity to be heard during examination ... is a petitionable matter under 37 C.F.R. § 1.181, and will therefore not be addressed on appeal.”); *Ex parte Franklin*, Appeal No. 2009-010199, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fNm=fd2009010199-09-29-2009-1> at 21, 2009 WL 3151080 at *10 (BPAI Sept. 29, 2009) (unpublished) (“We do not superintend the manner in which examiners carry on prosecution or conduct patent examination. If Poly was dissatisfied with the Examiner’s treatment of the [reply] to the Final Rejection, then Poly should have called that matter to the attention of the Examiner. In the event of an unlikely unacceptable response from the Examiner, Poly’s avenue of relief was a petition.”); *Ex parte Hottovy*, Appeal No. 2008-4938, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fNm=fd20084938-03-24-2009-1> at 22–23, 2009 WL 798882 at *11 (BPAI Mar. 24, 2009) (unpublished) (“As a first matter, we note Appellants take issue with the manner in which the Examiner has conducted the examination [for obviousness]. ... Appellants should address their concerns in a petition to the Director of the USPTO under 37 C.F.R. § 1.181. ... The Director, rather than the Board, has supervisory authority over Examiners.”); *Ex parte Global Patent Holdings*, Appeal No. 1006-0698, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fNm=fd2006069812-26-2006> at 9, 2006 WL 3824921 at *5 (BPAI Apr. 5, 2006) (unpublished) (“questions regarding the conduct of an examiner are petitionable rather than appealable.”); *Ex parte Maniar*, Appeal No. 96-2697, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fNm=fd962697> at 4–5, 1996 WL 1749256 at *2 (BPAI Oct 21, 1998) (unpublished) (“Although we are sympathetic to appellant’s frustration caused by the course of prosecution in this application and the parent application, our jurisdiction does not extend to these matters. Our jurisdiction is limited to a consideration of the propriety of rejections on the merits. The issues raised by appellant regarding the prosecution of this application should have been raised by appropriate and timely petition to the Commissioner.”); see also footnotes 139, 140, 141, 144, 145.

¹³⁴ *Ex parte Vander Wal*, 109 USPQ 119, 123 (1955).

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- Patent Examining Procedure¹³⁵ (including requirements that the examiner address all elements of *prima facie* unpatentability), the Administrative Procedure Act¹³⁶, constitutional procedural guarantees¹³⁷, and similar procedural law are not within the Board's jurisdiction.
- (c) Questions regarding the conduct of an examiner in abusive rejections of claims are petitionable rather than appealable.¹³⁸ Supervision of examiners – including examiners' rejection of claims – is committed by statute to the Director and Commissioner of Patents, 35 U.S.C. § 131 (“the Director shall cause an examination to be made...”); 35 U.S.C. § 3(b)(2)(A) (Commissioner for Patents is responsible “for the management and direction of all aspects of the activities of the Office that affect the administration of patent . . . operations.”), not the Board.
- (d) Issues of propriety of an examiner's conduct, even if relating to rejection of claims¹³⁹
- (e) 37 C.F.R. § 1.104(c)(2) to “designate” portions relied on, and “clearly explain” the pertinence of references¹⁴⁰

¹³⁵ *Sehgal v. Revel*, 81 USPQ2d 1181, 1186-87 (BPAI 2005) (MPEP is “directed to patent examiners conducting normal examination,” not to the Board); *Ex parte Haas*, 175 USPQ 217, 220 (Bd. Pat. App. 1972) (*Haas I*) (“If the examiner fails to follow the Commissioner's directions in the M.P.E.P., appellant's remedy is by way of petition to the Commissioner since this Board has no jurisdiction over the examiner's action.”) (Lidoff, EIC, concurring), *rev'd on other grounds*, 486 F.2d 1053, 179 USPQ 623 (CCPA 1973) (*Haas II*). The Board's Standard Operating Procedure No. 2 (revision 6, Aug. 10, 2005) § VI, lists the authority by which the Board considers itself bound. The MPEP is not even on the list. Similarly, in *Ex parte Holt*, 19 USPQ2d 1211, 1214 (Bd. Pat. App. & Interf. 1991), the MPEP is absent from the list of precedent by which the Board considers itself bound.

¹³⁶ *See In re Wiechert*, 370 F.2d 927, 938, 152 USPQ 247, 255 (CCPA 1967) (jurisdiction for APA review lies with district court, not the Board).

¹³⁷ *See Ex parte Kimbell*, 226 USPQ 688, 690 (BPAI 1985) (Board does not have jurisdiction to evaluate constitutionality of statutes, breaches of due process, or alleged harassment by examiner).

¹³⁸ *Ex parte Global Patent Holdings LLC, U.S. Pat. No. 5,235,341*, Appeal No. 2006-0698, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fNm=fd2006069812-26-2006>, at p. 9 (BPAI Dec. 26, 2006).

¹³⁹ *Ex parte Dupont*, Appeal No. 2009-010871, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fNm=fd2009010871-04-22-2010-1> at 9–10, (BPAI 2010) (unpublished) (“[the appellant] appears to argue that the Examiner's rejection is too obscure ... and that as a consequence, [the appellant] has been unfairly compromised in its ability to rebut the rejections. We do not sit to review the propriety of an Examiner's conduct of the examination. Such matters are petitionable ... under 37 C.F.R. §§ 181–183.”); *Ex parte White*, Appeal 2009-004737, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fNm=fd2009004737-11-17-2009-1> at 9 n.6, 2009 WL 4001915 at *5 n.6 (BPAI Nov. 17, 2009) (unpublished) (“Appellant complains ... that prolonged prosecution failed to comply with the MPEP (App. Br. 7-8). The prolonged prosecution ... relate[s] to petitionable matters and not to appealable matters. *See In re Schneider*, 481 F.2d 1350, 1356-57 (CCPA 1973); *In re Mindick*, 371 F.2d 892, 894 (CCPA 1967); Manual of Patent Examining Procedure (MPEP) (8th Ed., Rev. 2, May 2004) § 1002 et seq. Thus, any relief sought by Appellants would have been properly requested by a petition to the Director under 37 CFR § 1.181 instead of by appeal to the Board.”); see also footnotes 133, 140, 141, 144, 145.

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- (f) MPEP requirements to state findings on all essential *prima facie* elements, and analogous obligations arising under the Administrative Procedure Act to provide a written decision sufficient to apprise the applicant of the reasons for rejection¹⁴¹
- (g) § 1.113 and MPEP § 706.07 (premature final rejection)¹⁴²

¹⁴⁰ *Ex parte Allen*, Appeal No. 2009-012564, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fNm=fd2009012564-07-22-2010-1> at 7–8, 2010 WL 2985349 at *4 (BPAI Jul. 22, 2010) (unpublished) (“Appellants further argue that the Examiner’s anticipation rejection fails to comply with 37 C.F.R. § 1.104(c) because the Examiner has failed to clearly identify how the prior art’s elements correspond to the individual claim elements. However, any question of whether the Examiner has complied with the requirements of 37 C.F.R. § 1.104(c) is not a matter properly considered by the [Patent Trial and Appeal Board] in an appeal under 35 U.S.C. § 134.”); *Ex parte Conte*, Appeal No. 2008-3533, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fNm=fd20083533-03-02-2009-1> at 12, 2009 WL 529822 at *6 (BPAI Mar. 2, 2009) (unpublished) (“Appellant’s Brief presents arguments relating to 37 C.F.R. § 1.104. It is not the province of the Board to superintend the examination process. This issue relates to petitionable subject matter under 37 CFR § 1.181 and not to appealable subject matter. See MPEP §1002 and § 1201.”); *Ex parte Bodin*, Appeal No. 2008-4559, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fNm=fd20084559-02-04-2009-1> at 2 n.2, 2009 WL 288210 at *1 n.2 (BPAI Feb. 5, 2009) (unpublished) (“The Appellants have also argued the Examiner erred in: 1) re-opening prosecution of the application, and 2) failing to fully support the rejection under 37 CFR 1.104(c)(2) by failing to designate the parts relied upon in the reference. Both of these issues raised by the Appellants are not reviewable in this Appeal since they do not involve the merits of the claims (See MPEP 706.01 which lists appropriate subject matter for an Appeal.”); *Ex parte Sams*, Appeal No. 2008-1630, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fNm=fd20081630-09-12-2008-1> at 6, 2008 WL 4198143 at *3 (BPAI Sep. 12, 2008) (unpublished) (“The Appellants protest that one or more Office Actions prepared by the Examiner have not complied with 37 C.F.R. § 1.104(c)(2) (2007) because the Examiner has not explained the pertinence of the teachings of each reference to the subject matter of each rejected claim. ... [T]he Board’s authority is limited to reviewing adverse decisions of examiners upon applications for patents. § 6(b). We do not address whether Office Actions in the present application complied procedurally with § 1.104(c)(2) or exercise supervisory authority over the Examining Corps.”). See also footnotes 133, 139, 141, 144, 145.

¹⁴¹ *Ex parte Youngpeter*, Appeal No. 2009-6636, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fNm=fd2009006636-09-09-2010-1> at 10, 2010 WL 3534507 at *5 (BPAI Sep. 9, 2010) (unpublished) (“Applicants argue that the Examiner did not follow certain provisions of the MPEP. The MPEP describes the procedures examiner may follow in conducting examination. If the examiner failed to follow procedural requirements, Applicants remedy was by way of petition. This board has no supervisory authority over the procedures used by patent examiners during examination.”); *Ex parte Rees*, Appeal No. 2009-005593, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fNm=fd2009005593-08-31-2010-1> at 3, 2010 WL 3448863 at *2 (BPAI Aug. 31, 2010) (unpublished) (“Appellant alleges that the Examiner’s rejection is not in compliance with 35 U.S.C. § 132 as it is ‘not understandable.’ ... [T]his issue relates to petitionable subject matter under 37 C.F.R. § 1.181 and not to appealable subject matter.”). Those duties are lodged by statute with the Director. 35 U.S.C. § 132 (“Whenever, on examination, any claim for a patent is rejected, or any objection or requirement made, the *Director* shall notify the applicant thereof, stating the reasons...”). See also footnotes 133, 139, 140, 144, 145.

¹⁴² *Ex parte Fine*, 217 USPQ 76, 79 n. 5 (BPAI 1981) (“We are likewise not concerned with the allegedly premature nature of the final rejection... This is an administrative matter subject to petition, not a substantive matter within our jurisdiction.”).

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- (h) the MPEP¹⁴³—for example, the Board does not have jurisdiction to review piecemeal examination¹⁴⁴
- (i) whether Office actions before the last action were complete and clear, and followed procedural law to develop a clear issue for appeal and give the applicant an opportunity to reply¹⁴⁵
- (j) the Administrative Procedure Act,¹⁴⁶ *e.g.*, whether the agency complied with its own regulations and procedures¹⁴⁷
- (k) constitutional issues such as whether the agency is providing due process¹⁴⁸
- (l) “The failure of an examiner to follow a prior decision by this Board [relating to a rejection] is not a matter for appeal, but the remedy is by way of a petition to the [Director]...”¹⁴⁹
- (m) the procedural correctness of rejecting claims added to adopt the grounds for allowance previously stated by the examiner.¹⁵⁰ The Board can proceed to *the merits* of patentability of the claim, but the Board ignores anomalies in the procedural history.¹⁵¹

¹⁴³ *Ex parte Haas*, 175 USPQ 217, 220 (Bd. Pat. App. 1972) (“If the examiner fails to follow the Commissioner’s directions in the M.P.E.P., appellant’s remedy is by way of petition to the Commissioner since this Board has no jurisdiction over the examiner’s action.”) (Lidoff, EIC, concurring), *rev’d on other grounds*, 486 F.2d 1053, 179 USPQ 623 (CCPA 1973)..

¹⁴⁴ *Ex parte Tarenskeen*, Appeal No. 2008-005079, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fINm=fd2008005079-02-16-2010-1> at 3, 2010 WL 581985 at *2 (BPAI Feb. 17, 2010) (unpublished) (piecemeal examination is “petitionable matter under 37 C.F.R. § 1.181 and will not be addressed on appeal”); *Ex parte Vanderzee*, Appeal No. 2009-003518, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fINm=fd2009003518-01-29-2010-1> at 8 n.2, 2010 WL 363232 at *4 (BPAI Jan. 29, 2010) (unpublished) (“Appellants present two arguments (improperly engaging in piecemeal examination, and improperly issuing the final action) which are petitionable, not appealable, issues. Therefore, these arguments will not be addressed.”). See also footnotes 133, 139, 140, 141, 145.

¹⁴⁵ *Ex parte Fisher*, Appeal No. 2009-006321, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fINm=fd2009006321-09-21-2010-1> at 12 n. 4. 2010 WL 3719118 at *6 n.4 (BPAI Sep. 22, 2010) (unpublished) (“Appellants make numerous arguments related to office actions preceding the Final Office Action. ... The rejections in the Final Office Action are the only rejections before the BPAI on appeal. Accordingly, the rejections made in the preceding office actions and any corresponding [replies] by Appellants are not before the BPAI, and we will not address any arguments related to prosecution preceding the Last Office Action.”); *Ex parte Aggarwal*, Appeal No. 2009-004113, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fINm=fd2009004113-05-27-2010-1> at 4 n.3, 2010 WL 2157839 at *3 n.3 (BPAI May 28, 2010) (unpublished) (same); see also footnotes 133, 139, 140, 141, 144.

¹⁴⁶ *See In re Wiechert*, 370 F.2d 927, 938, 152 USPQ 247, 255 (CCPA 1967) (jurisdiction for APA review lies with district court, not the Board).

¹⁴⁷ See footnotes 133, 139, 140, 141, and 145..

¹⁴⁸ *See Ex parte Kimbell*, 226 USPQ 688, 690 (BPAI 1985) (expanded panel) (Board does not have jurisdiction to evaluate constitutionality of statutes, breaches of due process, or alleged harassment by examiner).

¹⁴⁹ *Ex parte Barley*, 116 USPQ 592, 592 (Pat. Off. Bd. App. 1957).

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(n) “new matter” is sometimes appealable, sometimes not (MPEP § 608.04(c)).

D. Available Relief and Supervisory Authority of the Board

An issue is not appealable when the Board lacks power to grant the relief requested.¹⁵²

The relief available in an appeal to the Board is a reversal of rejections. A reversal is not a declaration of patentability; it is only a reversal on the issues then pending. The examiner has authority to re-open prosecution on different issues, though under narrow limits prescribed by the Director. *See, e.g.*, MPEP § 1214.04; *see also Blacklight Power Inc. v. Rogan*, 295 F.3d 1269, 1273-74, 63 USPQ2d 1534, 1537 (Fed. Cir. 2002) (PTO may withdraw a patent from issue, but only after it fully presents a *prima facie* case of unpatentability).

The Board may also remand an application to the examiner, 37 C.F.R. § 41.50(a)(1), but only when the parties have not provided the Board with sufficient information to make a final adjudication. 5 U.S.C. § 555 (agency appellate tribunals are required “within a reasonable time, ... to conclude a matter presented to it,” and may not “bounce” matters to lower-level adjudicators when the information necessary to reach a final decision is available).¹⁵³ The Board

¹⁵⁰ *Ex parte Edwards*, Appeal No. 98-1396, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&flNm=fd981396> at 4, 1998 WL 1736081 at *2 (BPAI Apr. 27, 1999) (unpublished).

¹⁵¹ *Ex parte Fisher*, Appeal No. 2009-006321, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&flNm=fd2009006321-09-21-2010-1> at 12 n. 4, 2010 WL 3719118 at *6 n.4 (BPAI Sept. 22, 2010) (unpublished) (“Appellants make numerous arguments related to office actions preceding the Final Office Action. ... The rejections in the Final Office Action are the only rejections before the BPAI on appeal. Accordingly, the rejections made in the preceding office actions and any corresponding [replies] by Appellants are not before the BPAI, and we will not address any arguments related to prosecution preceding the Last Office Action.”); *see also* footnotes 133, 139, 140, 141, 144, 145.

¹⁵² A particular set of facts may give rise to rights to different kinds of relief, and different claims for relief on the same facts may have different jurisdictional paths. *E.g.*, *Federal Communications Comm’n v. NextWave Personal Communications Inc.*, 537 U.S. 293, 302-03 (2001) (same facts gave rise to New York bankruptcy action and D.C. Administrative Procedure Act action, and decision in favor of agency in one court did not preclude discharge of debt in the other). An agency may not require that an issue be presented to a tribunal that has no power to grant the type of relief requested. *McCarthy v. Madigan*, 503 U.S. 140, 148 (1992); *Maggitt v. West*, 202 F.3d 1370, 1377 (Fed. Cir. 2000). Thus, issues of examiner non-compliance with PTO procedural rules are not appealable as stand-alone issues (and only rarely within the Board’s supplemental jurisdiction), only the ultimate rejection.

¹⁵³ *British Airways Board v. Port Authority of New York and New Jersey*, 564 F.2d 1002, 1012 (2d Cir. 1977) (an agency must pursue some path that will “resolve those issues in the reasonably foreseeable future.”); *Deering-Milliken Inc. v. Johnston*, 295 F.2d 856, 865 (4th Cir. 1961); *McDonnell Douglas Corp. v. National Aeronautics and Space Admin.*, 895 F.Supp. 316, 319 (D.D.C. 1995) (condemning “second bites” and an agency’s “never ending loops”)

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does not have authority to issue mandatory supervisory instructions in a remand order.¹⁵⁴ For a non-exhaustive list of bases for remand, see MPEP § 1211.

The Board's jurisdictional statutes (35 U.S.C. §§ 6 and 134) do not charge the Board with supervision of the patent examining operation. The Board does not exercise supervisory authority over examiners,¹⁵⁴ and has no management power over the examining corps. In examining claims under §§ 131 and 132, an examiner acts as an agent of the Director, not of the Board. Statements framed in mandatory language in the MPEP or Code of Federal Regulations are binding on examiners and enforceable by the examiner's supervisory chain. Executive Order 13,422; Executive Office of the President, Final Bulletin for Agency Good Guidance Practices, 72 Fed. Reg. 3432 (Jan. 25, 2007).¹⁵⁵ Thus, actions of an examiner that violate written mandatory language in the MPEP or 37 C.F.R. § 1.104 are outside of the delegation of authority from the Director principal to the examiner agent.¹⁵⁶ These relate to examination procedure rather than ultimate issues of patentability, and the appropriate relief is supervisory oversight, which should be obtained by telephone calls to the examiner's supervisory chain, or by Petition under 37 C.F.R. § 1.181.¹⁵⁷ Supervisory oversight is not within the Board's powers of relief.

Several other forms of relief are solely within the authority of the Commissioner and Director: reopening of prosecution, *In re Oku*, 25 USPQ2d 1155, 1157 (Comm'r Pats. & TM 1992), and withdrawal of premature final rejection, MPEP § 706.07(c). Thus, issues seeking these forms of relief are not appealable. In *Oku*, the Director determined that the Board had breached procedural law, and determined that he had jurisdiction to review that breach and to remand for a

¹⁵⁴ Even on remand, “The board does not exercise supervisory authority over examiners.” Board of Patent Appeals, Frequently Asked Questions page, <http://www.uspto.gov/web/offices/dcom/bpai/bpaifaq.htm>, “Answer to Question 8, Part One.” This attorney has searched diligently, and in the history of the Board, there appears to be only one instance in which the Board has ever issued a mandatory order to an examiner. Note that the remand cases listed in footnote 132 consistently remand with no mandatory order. The Board's acknowledges that it lacks power to compel an examiner's compliance with any rule on further examination. *E.g.*, *Gambogi*, 62 USPQ2d at 1212 (“We decline to tell an examiner precisely how to set out a rejection”). The Board at most offers non-binding “suggestions,” with nothing like the detail set out in the MPEP.

¹⁵⁵ *See also Ethicon Inc. v. Quigg*, 849 F.2d 1422, 1425, 7 USPQ2d 1152, 1154 (Fed. Cir. 1988) (“The MPEP states that it is a reference work on patent practices and procedures and does not have the force of law, but it ‘has been held to describe procedures on which the public can rely.’”); *PerSeptive Biosystems Inc. v. Pharmacia Biotech, Inc.*, 225 F.3d 1315, 1321, 56 USPQ2d 1001, 1005 (Fed. Cir. 2000) (MPEP sets out “required” actions, and “details the ‘rules’ ... to be used by examiners”).

¹⁵⁶ Restatement 2d (Agency), § 33 (“An agent is authorized to do, and to do only, what it is reasonable for him to infer that the principal desires him to do in the light of the principal's manifestations...”); Restatement 2d (Agency) § 214 (“A ... principal who is under a duty to ... to have care used to protect others or their property and who confides the performance of such duty to a servant or other person is subject to liability to such others for harm caused to them by the failure of such agent to perform the duty.”)

¹⁵⁷ The Federal Circuit recently clarified the distinction between merits issues and procedural issues, in a way that clarifies that procedural issues underlying rejections of claims are within the scope of the Director's supervisory obligations: “The scope of APA review is not, as the district court feared, to test the examiner's theory of the case or the examiner's findings of fact. The district court, on APA review, does not enmesh itself in the decision-making process of the examiner. Its function, instead, is simply to guard against the possibility of arbitrary or capricious behavior by examiners in seeking information.” *Star Fruits S.N.C. v. United States*, 393 F.3d 1277, 1285, 73 USPQ2d 1409, 1415 (Fed. Cir. 2005)

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procedurally-correct decision, even if he did not have jurisdiction to review the ultimate decision on the merits.

Appeals are “manifestly not ready for a decision” and “not ripe”¹⁵⁸ – that is, the Board lacks jurisdiction to render a final decision – where the examiner has omitted findings on an element of the relevant *prima facie* case. The Board cannot efficiently perform its adjudicatory functions unless applicants and examiners, possibly with the assistance of the supervisory authority of the Director and Commissioner, ensure that prosecution and examination are complete before an appeal commences. To ensure appeals are fully ripe, and that a “clear issue for appeal” is developed before appeal, MPEP § 706.07, final rejection and issues of examination procedure should be addressed by telephone conference with the examiner, or the examiner’s supervisor, by request for correction pursuant to MPEP § 710.06, or by petition under 37 C.F.R. § 1.181, to clarify the following types of omissions from examiners’ actions:

- (a) complete omission of comparison of one or more claim elements to any reference;
- (b) mere designation of a “portion” of a reference, without “clear explanation” when required by 37 C.F.R. § 1.104(c)(2);
- (c) reliance on facts within the personal knowledge of an employee of the Office, or reliance on Official Notice, after an applicant calls for evidence under 37 C.F.R. § 1.104(d)(2);
- (d) omission of discussion of one or more *prima facie* elements as defined in the relevant portions of MPEP Chapters 700 or 2100, or substitution of an unauthorized legal test for a test stated in mandatory terms in the MPEP;
- (e) failure to answer all material traversed, 5 U.S.C. § 555(e), MPEP § 707.07(f).

Generally, an applicant is entitled to receive some written notice of the examiner’s position on each *prima facie* element of non-patentability, and each claim element. It is the responsibility of the Director and Commissioner to ensure that the examiner does not “sit mum, leaving the applicant to shoot arrows into the dark.” *In re Oetiker*, 977 F.2d 1443, 1449, 24 USPQ2d 1443, 1447 (Fed. Cir. 1992) (Plager, J., concurring)¹⁵⁹ However, once those positions are articulated to at least some minimal degree, appeal to the Board is the appropriate resolution of disagreements.

E. Jurisdiction to Determine the Board’s Jurisdiction Lies with the Board

Like almost all other statutorily-constituted tribunals, the Board of Patent Appeals and Interferences has jurisdiction to determine its own jurisdiction. *Ex parte Lemoine*, 46 USPQ2d 1432, 1434 (BPAI 1995) and cases cited therein. Decisions regarding the Board’s jurisdiction by other portions of the PTO, while worthy of serious consideration, are not, and can not be, binding on the Board. *Lemoine*, 46 USPQ2d at 1434. The Board’s jurisdiction does not attach until the examining corps has finished its job and transfers the application file to the Board. The examining operation can not create jurisdiction where none exists. *Lemoine*, 46 USPQ2d at 1434.

¹⁵⁸ See footnote 132.

¹⁵⁹ *In re Deuel*, 51 F.3d 1552, 1557, 34 USPQ2d 1210, 1214 (Fed. Cir. 1995) (“The examiner bears the burden of establishing a *prima facie* case of obviousness,” emphasis added); *In re Oetiker*, 977 F.2d 1443, 1445-46, 24 USPQ2d 13443, 1444 (Fed. Cir. 1992) (“the examiner bears the initial burden, on review of the prior art or on any other ground, of presenting a *prima facie* case of unpatentability. ... 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 ... We think that the PTO is correct in treating the concept of the *prima facie* case as of broad applicability, for it places the initial burden on the examiner, the appropriate procedure whatever the technological class of invention” emphasis added).

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Since 37 C.F.R. § 1.181(a)(1) obligates the Director to exercise subject matter jurisdiction over any petition directed to “any action or requirement of any examiner in the *ex parte* prosecution of an application, or in the *ex parte* or *inter partes* prosecution of a reexamination proceeding which is not subject to appeal to the Board,” the Office of Petitions is bound by the Board’s determination of jurisdiction, and lacks jurisdiction to decline subject matter jurisdiction.