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February 26, 2010

The Honorable David J. Kappos
Under Secretary of Commerce for Intellectual Property
and Director of the United States Patent and Trademark Office (USPTO)
Mail Stop Interference
P.O. Box 1450
Alexandria, VA 22313-1450
Attention: Linda Horner, BPAI Rules

RE: Comments on Proposed Rules: "Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals: Request for Comments on Potential Modifications to Final Rule and Notice of Roundtable During Comment Period," 74 Fed. Reg. 67987 (December 22, 2010)

Dear Under Secretary Kappos:

Intellectual Property Owners Association (IPO) submits the following comments in response to the Office's request contained in its notice of proposed rule making, "Rules of Practice Before the Board of Patent Appeals and Interferences in *ex parte* Appeals: Request for Comments on Potential Modifications to Final Rule and Notice of Roundtable During Comment Period," 74 Fed. Reg. 67987 (December 22, 2010). We appreciate the opportunity to comment.

IPO is a trade association representing companies and individuals in all industries and fields of technology who own or are interested in intellectual property rights. IPO's membership includes more than 200 companies and more than 10,000 individuals who are involved in the association either through their companies or as IPO inventor, author, executive, law firm or attorney members. Our corporate members file about 30 percent of the patent applications filed in the USPTO by U.S. nationals.

The proposed patent rules make changes to requirements regarding procedures and briefs filed in support of an *ex parte* appeal before the Board of Patent Appeals and Interferences (BPAI). These proposed rule changes will impose significant procedural and financial burdens on applicants seeking to pursue their statutory right of appeal to the BPAI. Our general comments are below followed by more specific comments on selected sections of the proposed rules.

GENERAL COMMENTS

Procedures for *ex parte* appeals to the BPAI should be just, speedy and inexpensive. IPO understands that the BPAI had 13,378 appeals pending as of December 31, 2009, an increase from 3,956 as of September 2008. One reason for the surge in pending appeals is the delayed processing of appeals in the PTO. Another

reason is the well documented drop in the number of patent applications being allowed by patent examiners. While there is now a new direction in the PTO, the backlog at the BPAI remains. The BPAI has long been viewed as providing an independent review of the examiner's rejection. The PTO should ensure that the rules governing *ex parte* appeals provide that independent review and a process in accordance with the patent statute and relevant judicial precedent.

The rules of practice before the BPAI in regard to *ex parte* appeals were significantly amended in September 2004. There is no indication that patent examiners and managers have difficulty in considering arguments on appeal under the existing rules. Nor has there been any indication that appeal briefs filed under the 2004 rules have been difficult to review by the BPAI. Difficulties encountered by patent applicants in complying with the existing rules governing appeal briefs before the BPAI are for the most part due to formatting requirements present in the existing rules. To the extent the proposed rules will add additional costs to the front end of the appeals process and make *ex parte* appeals more burdensome and expensive without offsetting benefits to either the appellant or the USPTO, IPO recommends that the USPTO not add such additional costs to this process.

The proposed rules would be better suited for an appeal proceeding where all parties are bound by the same rules. There is no indication in the proposal that examiners will be under similar constraints in preparing an Examiner's Answer. The rules governing appeals to the BPAI should provide symmetry between the rules governing briefings for appellants and the rules governing Examiner's Answers. For example, the rules provide "Any arguments or authorities not included in the brief or a reply brief filed pursuant to § 41.41 will be refused consideration by the Board, unless good cause is shown." 37 CFR § 41.37(c)(1)(vii). As discussed below, the proposed rules would provide for an absolute waiver on the part of the appellant. The rules do not provide a similar provision regarding the examiner's position as set forth in the Examiner's Answer, i.e., that any arguments or authorities not included in the answer will be refused consideration by the BPAI unless good cause is shown. Symmetry in rules so that both appellant and the examiner are subject to the same requirements will provide a fairer and more consistent procedure.

SPECIFIC COMMENTS

Proposed Board Rule 41.37(o) Presumption of Examiner Correctness

In relevant part, this rule states "The argument shall explain why the examiner erred as to each ground of rejection to be reviewed. Any explanation must address all points made by the examiner with which the appellant disagrees. Any finding made or conclusion reached by the examiner that is not challenged will be presumed to be correct."

This new provision was first set forth in: “Rules of Practice Before the Board of Patent Appeals and Interferences in *ex parte* Appeals,” 72 Fed. Reg. 41472 (July 30, 2007). In making the rules final (Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals,” 73 FR 32938-32977 (June 10, 2008)), the PTO provided an explanation for this new provision. *Id.*, 73 FR at 32960-961. Apart from the Roundtable held on the new proposed rules on January 20, 2010, this is the first time the public has been able to comment on the PTO’s justification for this new provision.

We question whether the new presumption of examiner correctness and the error standard of review adopted by the BPAI are consistent with 35 U.S.C. § 102 (“A person shall be entitled to a patent unless--...”) and Federal Circuit authority that patentability in the PTO is to be determined based upon the totality of the evidence and relative persuasiveness of argument. In addition, clarification is needed as to how the rule will be implemented by the BPAI.

To support the new presumption of examiner correctness the 2008 commentary states the “Director is not aware of any CCPA or Federal Circuit opinion which states that the decision of the office on appeal is presumed to be erroneous.” 73 FR at 32960. We are unaware of any CCPA or Federal Circuit opinion which states the decision of the office on appeal is presumed to be correct.

The 2008 commentary relies upon *Morgan v. Lewis*, 123 U.S. 120, 125 (1894) for the proposition “a decision of the Office must be accepted as controlling unless the contrary is established.” *Id.* *Morgan*, however, involved review of an interference proceeding decision, not an *ex parte* appeal. In fact, the passage in *Morgan* did not comment upon all decisions made by Office personnel but only instances in which “the question decided in the Patent Office is one between contesting parties as to priority of invention,” stating “unless the contrary is established by testimony which in character and amount carries thorough conviction.” *Id.* at 129. Because the issue in *Morgan* was what was “controlling” in the context of a “subsequent suit between the parties,” an issue not involved in an *ex parte* appeal before the BPAI, its holding is not on point in the context of *ex parte* appeals.

The 2008 commentary’s citation of *American Hoist & Derrick Co. v. Sowa & Sons*, 725 F.2d 1350, 1360 (Fed. Cir. 1984), 73 FR at 32960, is also of limited value because it involved an issued patent to which the presumption of validity under 35 U.S.C. § 282 attached, not an *ex parte* appeal where there is no such presumption. The 2008 commentary cites this case for the proposition that deference is due to PTO examiners who are assumed to have some expertise in interpreting the references and to be familiar from their work with the level of skill in the art and whose duty it is to issue only valid patents. *Id.* However, the court concluded that “[d]eference is due the Patent and Trademark Office decision to issue the patent.” *Id.* Moreover, the court held that deference to be of a limited nature, and that “[a]ll evidence bearing on the validity issue, whether considered by the PTO or not, is to be taken into account by the tribunal in which validity is attacked.” *Id.*

It is not apparent how decisions discussing the deference that federal courts give in reviewing decisions of the PTO in contested proceedings are relevant to a presumption of examiner correctness. The BPAI is not a federal court reviewing a final PTO determination. It is an internal administrative tribunal tasked with reviewing adverse determinations by examiners. 35 U.S.C. § 6. The differences between procedural rules and tools used in a patent litigation and *ex parte* examination were considered in *In re Etter*, 756 F.2d 852 (Fed. Cir. 1985). In *Etter*, the court decided that the presumption of validity under 35 U.S.C. § 282 does not apply during an *ex parte* reexamination proceeding in the PTO. Specifically the court stated:

It is at best incongruous to apply a trial court procedural rule to the examination of claims in the PTO. Moreover, because this court and one of its predecessors has consistently held that the PTO examiner has the burden of showing a basis under the statute, 35 U.S.C., for each rejection, ***injection of the presumption into the examination process could add nothing but legalistic confusion.***

Id., 756 F.2d at 857 (emphasis added). In a concurring opinion, Judge Nies, noted “[t]he PTO acknowledges that it bears [the burden of proof of facts, as well as the ultimate burden of persuasion] in examination of an original application or in reexamination of patent claims.” 756 F.2d at 861.

The new presumption of examiner correctness fosters a limited piecemeal review of the examiner’s adverse decision on patentability for alleged errors. Recently, BPAI panels frame the issue on appeal as whether the appellant has demonstrated “error” on the part of the examiner. Some BPAI panels have further limited their review of the examiner’s adverse decision on patentability to a review for “reversible error.” See, e.g., *Ex parte Mosbacher*, Appeal No. 2008-2971 (Decided: August 6, 2008), slip op. at 4, (“At issue is whether Appellants have shown reversible error by the Examiner in any one or more of the remaining twelve rejections under § 103.”). Some panels now limit their review of an examiner’s adverse decision on patentability to a review for “harmful error.” See, e.g., *Ex parte Pospichal*, Appeal No. 2009-002772 (Decided: January 11, 2010), slip op. at 7. In contrast to the limited review the new presumption of examiner correctness creates, the decisions in both *Morgan* and *American Hoist* were based upon all the testimony and evidence bearing on the issue. The type of review in *Morgan* and *American Hoist* is in accord with precedent that describes how patentability is to be determined by the PTO. As explained in *In re Oetiker*, 977 F.2d 1443, 1445 (Fed. Cir. 1992) (citations omitted):

As discussed in *In re Piasecki*, 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 that burden is met, the burden of coming forward with evidence or argument shifts to the applicant.

After evidence or 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.

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.

It appears that under the new presumption of examiner correctness the BPAI will review the examiner's rejection only to the limited extent the appellant assigns errors and in some cases only "reversible" or "harmful" errors. Such a review does not appear to meet the standard set forth in *Oetiker*. Without independently considering the entire position of the examiner instead of only those portions the appellant alleges to be in error, the BPAI will not determine patentability based on the "totality of the record, by a preponderance of evidence with due consideration to persuasiveness of argument." *Oetiker, supra*.

The limited review proposed by the rule is similar to the review of rebuttal evidence by the BPAI that the court in *In re Piasecki* 745 F.2d 1468 (Fed. Cir. 1984) found to be improper, stating:

the Board's treatment of the rebuttal documents impels us to the conclusion that the Board did exactly that which *Rinehart* warns against: they viewed each piece of rebuttal evidence solely "on its knockdown ability". Under the Board's approach the *prima facie* case took on a life of its own, such that each fact presented in rebuttal, when it was evaluated at all, was evaluated against the conclusion itself rather than against the facts on which the conclusion was based. The *prima facie* case remained "set in concrete".

Piasecki, 745 F.2d at 1473 (citation omitted). The new presumption of examiner correctness in similar fashion allows the examiner's rejection to take on a life of its own.

The 2008 commentary cites *In re Kahn*, 441 F. 3d 977, 985-86 (Fed. Cir. 2006) for the proposition that on appeal to the BPAI, an appellant can overcome a rejection by showing insufficient evidence of a *prima facie* case or rebutting any *prima facie* case with appropriate evidence. 73 FR at 32960. However, the portion of *Kahn* relied upon is a quotation from *In re Rouffet*, 149 F.3d 1350, 1355 (Fed. Cir. 1998) indicating that the BPAI is to review the entire position of the examiner, not just those portions that may be alleged to be in error. To put the cited proposition from *Kahn* in proper context, the entire referenced section of *Rouffet* must be considered. That portion reads:

To reject claims in an application under *section 103*, an examiner must show an unrebutted *prima facie* case of obviousness. See *In re Deuel*, 51 F.3d 1552, 1557, 34 U.S.P.Q.2D (BNA) 1210, 1214 (Fed. Cir. 1995). ***In the absence of a proper prima facie case of obviousness, an applicant who complies with the other statutory requirements is entitled to a patent.*** See *In re Oetiker*, 977 F.2d 1443, 1445, 24 U.S.P.Q.2D (BNA) 1443, 1444 (Fed. Cir. 1992). On appeal to the Board, an applicant ***can*** overcome a rejection by showing insufficient evidence of *prima facie* obviousness or by rebutting the *prima facie* case with evidence of secondary indicia of nonobviousness. See *id.*

While this court reviews the Board's determination in light of the entire record, an applicant *may* specifically challenge an obviousness rejection by showing that the Board reached an incorrect conclusion of obviousness or that the Board based its obviousness determination on incorrect factual predicates.

Id. (emphases added) Just as the court reviews the BPAI's determination in light of the entire record, the BPAI should similarly review the examiner's adverse determination in light of the entire record, taking into account the arguments and evidence that the appellant may provide.

Neither *Kahn* nor *Rouffet* stand for the proposition that the BPAI should review an *ex parte* appeal with the presumption the examiner's fact finding and/or conclusions are correct and, thus, only review the examiner's position to the extent assertions of error are contained in an Appeal Brief.

If the new rules are premised upon interference practice, we note that a party presenting a motion in an interference bears the burden of establishing its case, similar to the examiner's initial burden to establish a *prima facie* case of unpatentability in *ex parte* examination. In an interference, the BPAI's practice appears to be to initially review a motion in and of itself without reviewing the opposition and reply. If, upon the initial review, the merits panel determines the moving party did not sustain its burden, the motion will be denied without the merits panel reviewing the opposition and reply.

If this practice were followed in *ex parte* appeals, the BPAI would initially review the examiner's statement of rejection and determine whether the facts and reasons relied upon by the examiner established a *prima facie* case of unpatentability without any presumption that any part of the rejection was correct and without reviewing the Appeal Brief or Reply Brief. This practice would be in accord with that set forth in *Oetiker*, which noted that "[i]n the absence of a proper *prima facie* case of obviousness, an applicant who complies with the other statutory requirements is entitled to a patent." Adoption of this standard would inject new rigor into the preparation of a final rejection and/or an Examiner's Answer and minimize appeals.

As set forth in *Oetiker*, the ultimate question of patentability in *ex parte* examination is "determined on the totality of the record, by a preponderance of evidence with due consideration to persuasiveness of argument." Under the proposed new standard of examiner correctness, the BPAI would be determining – before conducting any review of the record -- that the examiner's facts and conclusions are "persuasive." That is not the standard. Rather, the BPAI should review an appeal objectively without assuming any portion of the examiner's or the appellant's position is correct or incorrect. In some cases the BPAI may find errors on both sides, both factually and legally. That is why the ultimate decision is phrased by the court to be "determined on the totality of the record, by a preponderance of evidence with due consideration to persuasiveness of argument."

In *ex parte* appeals involving obviousness issues, the Federal Circuit reviews the ultimate legal determination of obviousness without deference and the BPAI's fact finding for substantial evidence. *In re Gartside*, 203 F.3d 1305, 1311-16 (Fed. Cir. 2000). This standard of review indicates the BPAI should independently review the totality of the examiner's fact finding and conclusions without a presumption of correctness.

The new presumption of examiner correctness is also inappropriate because examiners do make errors during *ex parte* examination. The narrow review some BPAI merits panels take in reviewing adverse decisions for error, "reversible error" or "harmful error" on the part of examiners indicates the BPAI understands that examiners make factual and legal mistakes. An example is found in *In re Portola Packaging*, 100 F.3d 786 (Fed. Cir 1997) where the court decided it was improper for the PTO to base a substantial new question of patentability in an *ex parte* reexamination solely on references the examiner considered in the original examination. The PTO argued to the court there was no direct evidence the two references forming the basis of the obviousness rejection under review had been considered together in the context of § 103 by the original examiner. *Id.*, 100 F.3d at 788. The court rejected that argument stating "it must be presumed that the original examiner considered the ... patents, both alone and in combination with each other and with all of the other cited references, before allowing the original claims." *Id.*, 100F.3d at 790. Since the reexamination examiner instituted a rejection over the combination of references, the PTO understood that the original examiner made factual and legal mistakes. In other words, the PTO did not argue for a presumption of examiner correctness that would be created by the proposed rules.

Subsequently 35 U.S.C. § 303(a) was amended to legislatively overrule *In re Portola Packaging*. In considering the legislation, Congress recognized that examiners make "mistakes" during patent examinations. *See, e.g.*, 147 CONG. REC. H5359 (2001) (statement of Rep. Howard Berman). To address this issue and improve patent quality, Congress instituted the reexamination process to serve as "an important quality check." H.R. REP. NO. 107-120, at 12 (2001) (statement of Rep. Howard Coble). In overruling *In re Portola Packaging*, Congress recognized that decision "prevent[ed] reexaminations from correcting mistakes made by examiners." 147 CONG. REC. H5359 (2001) (statement of Rep. Howard Berman).

Like *Portola Packaging*, a presumption of examiner correctness during *ex parte* appeals limits the BPAI's ability to correct mistakes by examiners. The presumption undermines an important quality check.

Further, implementation of this provision will lead to appeal briefs that contain challenges to numerous statements by the examiner that are believed to be in error. Under this new provision, appellants that allow statements by an examiner to go unchallenged do so at their own peril. Examiners make findings that appear to be in

error but are not currently seen as important and may not be challenged on the record so as not to burden the record. Under the proposed rule, letting such statements go unchallenged may be short sighted because the BPAI, instead of independently reviewing such statements and arriving at its own determination of accuracy and correctness, will simply presume such statements to be correct and take such statements into account in a manner that cannot be foreseen when the appeal brief is prepared.

If the BPAI adopts the standard that any unchallenged finding or conclusion is presumed to be correct, to be consistent the BPAI should adopt the counterpart standard that any fact of record not relied upon by the examiner is presumed not to be relevant to patentability. For example, if the examiner relies only upon Figure 1 of a reference in rejecting a claim for anticipation under 35 U.S.C. § 102, the BPAI should confine its review of the reference only to the cited figure on the presumption the examiner is correct in determining only Figure 1 of the reference is relevant, i.e., no other facts set forth in the reference adversely affect the patentability of the rejected claim(s).

IPO recommends that this provision of the rules be withdrawn. IPO also recommends that the PTO ensure that *ex parte* appeals are decided consistent with the statutory presumption that the applicant is entitled to a patent unless the PTO establishes a *prima facie* case of unpatentability. Rather than shifting the burden to the appellant to establish error, reversible error or harmful error on the part of the examiner, the BPAI should independently review the examiner's statement of rejection and determine whether there was any need for the appellant to respond by way of argument and/or evidence. If the BPAI determines that the examiner did establish a *prima facie* case of unpatentability, the BPAI can then review the appellant's position on appeal and proceed to determine patentability based upon the record as a whole, taking into account the relative persuasiveness of argument. Adoption of such a process will instill new rigor in the examination process and minimize appeals.

Proposed Board Rule 41.37(o)(2) Waiver of Argument

This provision provides:

Only those arguments which are presented in the argument section of the appeal brief and that address claims set out in the claim support and drawing analysis section in the appendix will be considered. Appellant waives all other arguments in the appeal.

IPO asks the PTO to review this provision in light of the comments made above in regard to the proposed presumption of examiner correctness. The absolute waiver now provided by this rule limits the BPAI's ability to independently review the examiner's rejection and base its decision upon the entire record, taking into account the relative persuasiveness of argument. Further, this absolute waiver is unfair unless the PTO adopts a similar provision in regard to the Examiner's Answer. If the BPAI is going to limit its review of the appellant's position, it should similarly review the examiner's

position by limiting its review to the facts and reasons that are properly set forth in the Examiner's Answer.

The current commentary relies upon several Federal Circuit decisions in support of the proposed absolute waiver. 74 FR at 67993. However, the cited cases concerned circumstances where a party to an appeal to the Federal Circuit raised an issue for the first time to the Federal Circuit that was not raised in front of the BPAI. Missing from the PTO's analysis of this issue is that the PTO is similarly prohibited from raising new arguments before the court. The proposed rule sets the stage for a very limited, piecemeal review of the examiner's rejection by the BPAI by prohibiting review of any aspect of the examiner's position that is not directly challenged by the appellant in the argument section of the appeal brief.

IPO recommends that if the PTO believes that such provisions are needed that rules be proposed that govern both the appellant and the examiner and provide the public a further opportunity to consider and comment upon any such proposal.

Proposed Board Rules 41.37 (r) and (s) Claim Support Section

These new provisions provide a rigid, one size fits all format for explaining the subject matter of the claims. While the various commentaries note that this format is used in interference proceedings, this format is the only format that can effectively be used. For example, a columnar claim chart that is widely used in various proceedings can be clearer to read and understand than a copy of a claim that is interspersed with citations to the specification and drawings as proposed.

IPO recommends that the PTO not adopt a single format. Rather, IPO recommends that the PTO allow various formats to accomplish this purpose. The PTO could provide various preferred formats, including a columnar claim chart, for compliance with this provision and provide a safe harbor for appellants that used one of the preferred formats. In this manner, each appellant could explain the basis for the claims in the manner which it believed provides the most clarity and was most cost effective.


The current commentary expresses concern with claim language that does not find explicit correspondence in the specification. 74 FR at 67994. In those circumstances, the rules should provide a format where the appellant can explain why the claim language in issue is supported by the specification and/or drawings. Such an explanation may not readily conform to the format set forth in the proposed rule. A narrative explanation may be beneficial in addition to citation to specific portions of the disclosure.

The PTO should clarify that this provision of the rules is only an aid to understanding the claimed subject matter and that an individual claim will be construed by the examiner and the BPAI based upon the entire disclosure of the application, taking into account the relevant standards for claim construction.

INTELLECTUAL PROPERTY OWNERS ASSOCIATION

Thank you for the opportunity to submit these comments.

Sincerely,

A handwritten signature in black ink that reads "Douglas K. Norman". The signature is written in a cursive style with a large initial 'D'.

Douglas K. Norman
President