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UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEVADA

GILBERT P. HYATT and AMERICAN ASSOCIATION FOR EQUITABLE TREATMENT, INC., **Plaintiffs,** **v.** **UNITED STATES PATENT AND TRADEMARK OFFICE and MICHELLE K. LEE, in her official capacity as Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office,** **Defendants.**	Civil Case No. 2:16-cv-01490-APG-PAL **EXHIBITS A-D TO COMPLAINT FOR DECLARATORY AND INJUNCTIVE RELIEF**

Attachment

A

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

PETITION FOR RULEMAKING PURSUANT TO 5 U.S.C. § 553(e) OR FOR OTHER RELIEF PURSUANT TO 37 C.F.R. § 1.182 TO REPEAL PARTS OF MPEP §§ 1204 AND 1207

Office of the Deputy Commissioner
for Patent Examination Policy
Mail Stop Petition, Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

This is a petition for repeal of MPEP § 1207.04, "Reopening of Prosecution After Appeal" or for a declaration by the Director that the provision is unenforceable. Petitioner also seeks conforming changes to MPEP §§ 1204, 1207, 1211. Petitioner requests expedited decision, as discussed in Section I.B.

STATEMENT OF FACTS AND INTRODUCTION

MPEP § 1207.04 was added to the MPEP (8th ed., rev. 3) in August 2005. It purports to grant an examiner the authority to reopen prosecution after an appellant files an appeal brief, without the consent of the appellant, to enter a new ground of rejection. MPEP § 1207.04 is invalid for two basic reasons. First, it is inconsistent with the statutory scheme established in 35 U.S.C. § 6, and with 37 C.F.R. § 41.39. Those provisions make clear that a patent examiner has no power to cut short an appeal by reopening prosecution once an applicant has initiated an appeal before the Patent Trial and Appeal Board ("Board"). To the contrary, when a patent examiner wishes to add new grounds of rejection after an applicant has appealed a final rejection,

the examiner's sole procedural option is to include the new grounds of rejection in an examiner's answer. *See* 37 C.F.R. § 41.39(a)(2). The *applicant* then has the option of reopening prosecution (or not); the regulations do not authorize *the examiner* to do so. *See id.* § 41.39(b)(1). The consequence of reopening against the wishes of the applicant may be to severely delay examination and review by the Board and to impose impermissible procedural obligations on the applicant.

Second, the procedural rule articulated in MPEP § 1207.04 could not, even if lawful, be adopted as guidance in the MPEP; rather, it would have to be adopted as a "regulation[] . . . govern[ing] the conduct of proceedings in the [PTO]." 35 U.S.C. § 2(b)(2)(A). Such regulations must be adopted in accordance with the notice-and-comment rulemaking requirements of the Administrative Procedural Act. *See id.* § 2(b)(2)(B). Because the United States Patent and Trademark Office ("PTO") did not comply with those requirements in adding § 1207.04 to the MPEP, it is void.

Accordingly, the PTO should repeal MPEP § 1207.04, publish a notice in the Federal Register and Official Gazette announcing the repeal, and establish a procedure whereby patent applicants may recover appeals that were cut short by the PTO's illegal reopening of prosecution after appeal. In addition, the PTO should likewise repeal or reword other provisions as necessary to clarify that the examiner has no independent authority to reopen prosecution after the applicant has filed a "written appeal."[1]

I. PTO Has Jurisdiction To Decide This Issue

A. Jurisdiction to decide this petition is conferred by statute

The PTO has authority to decide this petition for repeal of MPEP § 1207.04 pursuant to 5 U.S.C. § 553(e) of the Administrative Procedure Act ("APA"), which provides that "[e]ach agency shall give an interested person the right to petition for the issuance, amendment, or repeal of a rule."

[1] These include MPEP § 1204.01, § 1204.02, § 1207(A), § 1207.01, § 1207.02, § 1207.03, § 1207.03(I), § 1207.03(II), and the last sentence of § 1211.01.

In the alternative, petitioner seeks relief not otherwise provided for under the PTO's rules, pursuant to 37 C.F.R. § 1.182, and authorizes charge of the appropriate fee pursuant to 37 C.F.R. § 1.17(f) to Petitioner's deposit account (see the last paragraph of this petition).

B. Petitioner requests expedited decision

The issues presented in this petition are related to issues pending in *Hyatt v. PTO*, Case No. 2:14-cv-00311 (D. Nev. filed Feb. 27, 2014). Expedited decision on this petition will potentially clarify the issues in that case, thus benefiting both parties and the court.

II. MPEP § 1207.04 Is Invalid Because It Conflicts With the Statute and Existing Regulation

The PTO should repeal MPEP § 1207.04 or declare the provision unenforceable because it conflicts with the statutory scheme for appeal of adverse examination decisions and with the PTO's duly promulgated regulation. MPEP § 1207.04 states that an "examiner may, with approval from the supervisory patent examiner, *reopen prosecution* to enter a new ground of rejection after [an] appellant's brief or reply brief has been filed." *Id.* (emphasis added). Not only does nothing in the statute or the PTO's regulations grant an examiner any such authority, but also such a procedure would conflict with governing law.

First, MPEP § 1207.04 conflicts with 35 U.S.C. § 6(b)(1), which provides that the Board "shall . . . on written appeal of an applicant, review adverse decisions of examiners upon applications for patents pursuant to section 134(a)." In permitting applicants to bring such administrative appeals and authorizing the Board to decide them, Congress would have understood that, as in comparable judicial and administrative appeals, the examiner—the party whose decision is appealed from—would have no power to cut short an appeal without the approval of the other party or the tribunal. Rather, in those cases where an appellee chooses not to defend a decision on the grounds contained therein and prefers to have the matter remanded to the first decision-maker, the expected procedure would be for the appellee to seek that remedy from the appellate tribunal, with or without the consent of the appellant. *Cf., e.g., SKF USA Inc. v. United States*, 254 F.3d 1022 (Fed. Cir. 2001) (granting motion to remand to agency); *In re Hester*, 838 F.2d 1193 (Fed. Cir. 1988) (denying PTO's motion to remand). By purporting to arrogate to the examiner the power to determine that an appeal should be cut short for purposes of bolstering what may be an indefensible rejection, the MPEP provision impermissibly

encroaches on authority that Congress delegated to the Board as part of the Board's obligation to "review adverse decisions." 35 U.S.C. § 6(b)(1).

Second, MPEP § 1207.04 also conflicts with 37 C.F.R. § 41.39, which authorizes examiners to add new grounds of rejection to their answers to an applicant's opening brief before the Board and then gives the *applicant*—not the examiner—the choice whether to maintain the appeal or instead to reopen prosecution to address the new grounds. *See* 37 C.F.R. § 41.39(a)(2) & (b)(1). That provision states that, in the written answer to an "appeal brief," the examiner may, with the approval of the Director, "include a new ground of rejection." *Id.* § 41.39(a)(2). In that event, the appellant must, "exercise one of the following two options": "[r]equest that prosecution be reopened" or "[r]equest that the appeal be maintained by filing a reply brief." *Id.* § 41.39(b)(1) &(2).

Section 41.39 thus expressly governs the applicable procedure when an examiner seeks to add new grounds: while such grounds may be included in the answer, it is for the applicant to choose, in the first instance, whether to proceed with the appeal or instead to reopen prosecution. The clear implication of this regulation is that an *examiner* may not simply bypass the procedure set up in § 41.39 and reopen prosecution against the wishes of the applicant and without the authorization of the Board. Otherwise, the right of the applicant to maintain the appeal—expressly provided for under § 41.39—would be eliminated in any case where the examiner prefers to avoid review.

The consequences of allowing the examiner to cut short an appeal may be severe. For one thing, such a procedure threatens significant delay. That is especially true where the examiner purports to reopen prosecution after the applicant has filed the reply brief; in such cases, reopening deprives the Board of the ability to decide an appeal that is already ripe for decision. Second, and at least as important, reopening prosecution allows an examiner to attempt to impose obligations on the applicant that could not be imposed after an appeal from an adverse decision is filed. For example, an examiner might, after reopening, impose requirements on the applicant or otherwise demand submission of new evidence or amended claims as a condition of avoiding rejection or abandonment. An examiner has no such power in the context of an appeal. Rather, the examiner is limited to identifying and seeking to justify any new grounds for rejection in the examiner's answer; the applicant has the option of maintaining the appeal and

challenging, before the Board, the legal sufficiency of the new grounds, thereby avoiding the need for further significant delay. Moreover, if the applicant prevails, the examiner would have no basis for imposing additional obligations on the applicant.

Third, for applications filed after May 2000, reopening deprives applicants of an important guarantee granted by Congress. Congress intended to protect applicants from delays by protracted PTO proceedings and errors, by providing patent term adjustment to compensate for delays during appeals. *See* 35 U.S.C. § 154(b)(1)(B)(ii) & (C)(iii); 37 C.F.R. §§ 1.701(a)(3) & 1.702(e). When an examiner withdraws an application from appeal, reopening to institute new grounds, an applicant is deprived of the patent term that Congress sought to guarantee. The entire time from the first notice of appeal until the second is simply lost, where term adjustment would continue to accrue under the procedure of 37 C.F.R. § 41.39.

Statistics published by the PTO in 2010 show that the number of applications from 2001 to 2010 in which prosecution is reopened after an appeal brief is filed range from 23% to 35%.[2] This demonstrates that reopening of prosecution substantially impairs the Board's ability to review decisions that are appealed to it. The power that examiners have purported to claim in MPEP § 1207.04 thus gives rise to potential for serious abuse.[3]

III. MPEP § 1207.04 Was Not Promulgated With the Procedures Required By the APA

A. The PTO omitted the procedures required under 35 U.S.C. § 2(b)(2)(B) and 5 U.S.C. § 553

MPEP § 1207.04 is invalid because the PTO cannot adopt such a rule of procedure without complying with the procedural requirements of the APA, 5 U.S.C. § 553.

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[2] Patent and Trademark Office, *Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals; Proposed Rule*, 75 Fed. Reg. 69828, 69831 (Nov. 15, 2010).

[3] Concerns over such abuse led the Intellectual Property Section of the American Bar Association to urge the PTO to adopt rules providing that "after an appeal has been lodged and the appellant has placed the appeal before the Board in accordance with all applicable regulations, the Board shall promptly decide the appeal on its merits unless the appeal is subsequently abandoned by the appellant or the appellant has requested (or consented to) a remand of the appeal to the examiner for further action." Ltr. from Marylee Jenkins, Section Chairperson, ABA Section of Intellectual Property Law to Hon. David J. Kappos, Under Sec'y of Com. for Intellectual Prop. & Dir., PTO, at 2 (July 11, 2011), *available at*, http://www.uspto.gov/ip/boards/bpai/procedures/rules/rule_comment_nov2010_aba_jul11.pdf (attached as Exhibit 1).

The Patent Act gives the PTO authority to "establish regulations" that "shall govern the conduct of proceedings" and that "shall be made in accordance with section 553 of title 5." 35 U.S.C. § 2(b)(2)(A) & (B). MPEP § 1207.04 purports to establish an alternative procedure in cases where an examiner wishes to add new grounds for rejection after an applicant has initiated an appeal. Such a rule (if valid) thus constitutes a "regulation . . . govern[ing] the conduct of proceedings" within the plain meaning of the statute. 35 U.S.C. § 2(b)(2)(A). Accordingly, the PTO can establish such a binding rule *only* if it follows the applicable procedures under the APA. Although the PTO has no obligation to adopt regulations—that authority is permissive ("may establish regulations")—it has no authority to do so *without* following APA-mandated procedures: that is what the statute plainly says when it provides that procedural regulations "*shall* be made in accordance" with the APA. *Id.* § 2(b)(2)(B) (emphasis added).

The Patent Act makes clear that the notice-and-comments procedures applicable to agency rule-making also apply to PTO procedural regulations. Section 553(b) of Title 5 sets out the general requirements for rule-making by an administrative agency. These include publication of a notice of proposed rule making in the Federal Register, *see id.* § 553(b), and the opportunity for comment by "interested persons" and incorporation in the rules adopted of "a concise general statement of . . . basis and purpose," *id.* § 553(c). Although § 553(b)(3)(A) creates an exemption for "rules of agency . . . procedure," that exemption is itself subject to an exception "when notice . . . is required by statute." The statement in 35 U.S.C. § 2(b)(2) of the Patent Act that the PTO adopt regulations "in accordance with section 553" makes plain that Congress intended notice-and-comment requirements to apply.[4] In addition, § 552 separately requires publication of "rules of procedure" in the Federal Register. *Id.* § 552(a)(1)(C). MPEP § 1207.04 was not so published.

The PTO has not complied with these APA requirements, and MPEP § 1207.04—independent of its substantive infirmities—is therefore unenforceable. Indeed, the PTO

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[4] *See Tafas v. Dudas*, 541 F. Supp. 2d 805, 812, 86 U.S.P.Q. 2d 1623, 1628 (E.D. Va. 2008) ("[T]he structure of [35 U.S.C. § 2(b)(2)] makes it clear that the USPTO must engage in notice and comment rule making when promulgating rules it is otherwise empowered to make—namely, procedural rules."), *district court decision reinstated*, *Tafas v. Kappos*, 586 F.3d 1369 (Fed. Cir. 2009).

acknowledges that the MPEP simply provides guidance, and has no force of law. *See* MPEP, Foreword ("The Manual does not have the force of law or the force of the rules in Title 37 of the Code of Federal Regulations."). Yet, in the absence of appropriate action by the PTO, an applicant may face abandonment or other adverse procedural consequences if he fails to comply with actions taken by an examiner after an unlawful reopening of prosecution purportedly authorized by MPEP § 1207.04.

B. The PTO may not use guidance to attenuate rights granted by statute or regulation, or to impose any obligation or burden on the public

An agency may not rely on guidance to impose obligations on the public, nor may it use guidance to carve out exceptions to procedural obligations of the agency to the public pursuant to statute or regulation.[5] An agency may not use guidance as an end-run around the rulemaking obligations of the APA. Agencies may not use guidance to raise additional limits on rights granted to the public by statute.[6]

The D.C. Circuit explained why agencies may not promulgate binding rules through guidance:[7]

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

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[5] *Lopez v. Federal Aviation Admin.*, 318 F.3d 242, 246-47 (D.C. Cir. 2003) (explaining that guidance documents, such as the MPEP, bind only the agency, but not the public, unless promulgated with statutorily-required procedures); *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1425, 7 U.S.P.Q. 2d 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.") (emphasis added; internal quotations omitted).

[6] *Southern Rehab. Grp., P.L.L.C. v. Sec'y of Health and Human Servs.*, 732 F.3d 670, 686 (6th Cir. 2013).

[7] *Appalachian Power Co. v. EPA*, 208 F.3d 1015, 1020 (D.C. Cir. 2000).

The court's statement applies to PTO actions such as MPEP § 1207.04. A precursor to MPEP §1207.04, MPEP § 1208.02—as it stood in the Eighth Edition in August 2001—provided that an applicant could reinstate an appeal by a simple request, accompanied by a supplemental appeal brief replying to any new grounds. *See id.* § 1208.02(b)(2)(ii). MPEP § 1208.02 was perhaps the outer limit of permissible implementation of the statute, *so long as it is stated in a C.F.R. regulation*. The substantial attenuation of appellant's rights, without notice and comment, is an example of the regulation-by-guidance forbidden by the court.

Through MPEP § 1207.04, the PTO purports to claim the authority to divert applications under appeal back to the examiner. Even if such authority had a statutory or regulatory basis (which, as shown in Section II of this petition, it does not), MPEP § 1207.04 is at most guidance. It cannot attenuate the right to have an appeal "reviewed" by the Board. The PTO's failure to promulgate it as a C.F.R. regulation renders it procedurally illegal.

IV. Conclusion

The PTO should adopt a rule repealing MPEP § 1207.04 or, in the alternative, the Director should declare the provision void and unenforceable. The PTO should also make conforming changes to other sections of the MPEP. Please charge any required fees due under 37 C.F.R. § 1.182 and § 1.17(f), or credit any overpayment, to Deposit Account No. 08-3626.

Respectfully submitted,

Dated: July 16, 2014

By: _____

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Attorney for Gilbert P. Hyatt

Exhibit 1 to

Petition for Rulemaking, Repeal of MPEP § 1207.04

Letter of American Bar Ass'n (ABA)

Defending Liberty
Pursuing Justice

AMERICAN BAR ASSOCIATION

Section of Intellectual Property Law
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Chicago, IL 60654-7598
(312) 988-5598
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Via Electronic Mail
BPAI.Rules@uspto.gov

July 11, 2011

The Honorable David Kappos
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office
Mail Stop Comments –Patents
P.O. Box 1450
Alexandria, VA 22313–1450

Attn: Linda Horner, BPAI Rules

Re: Comments on Proposed Rules Bd. R. 41.35(c) and 41.50(a) published in *Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals*, 75 Fed. Reg. 69828 (November 15, 2010).

Dear Under Secretary Kappos:

Further to my letter of February 10, 2011, I am writing on behalf of the American Bar Association Section of Intellectual Property Law (the "Section") to provide comments in response to the request the United States Patent and Trademark Office (the "Office") published in the Federal Register on November 15, 2010 (PTO-P-2009-0021). In particular, the Section submits the following comments on Proposed Rules Bd. R. 41.35 (c) and 41.50(a) published in the *Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals*, 75 Fed. Reg. 69828. Please note, these comments have not been approved by the ABA House of Delegates or Board of Governors, and should not be considered to be views of the American Bar Association.

Under the 2004 Appeal Rules in effect today, a panel of the Board of Patent Appeals and Interferences (the "Board") can remand an *ex parte* appeal to the examiner on its own authority. 37 C.F.R. § 41.50(a)(1), MPEP § 1211. The November 2010 proposal for Bd.R. 41.50(a) would eliminate the Board's independent authority to remand an application to an examiner insofar as the Board would be required to decide the appeal on the merits and only with the Director's approval may the Board remand an application back to the examiner (proposed Bd.R. 41.35(c)).

The Section recognizes the efforts of the Office to address concerns raised in comments in response to its previously proposed rule to revise the current rule so that only the Chief Administrative Patent Judge had the authority to remand an application to the examiner. The Office received a wide range of comments (including contradictory comments) from the public ranging from "the Chief Administrative Patent Judge should not have sole authority over merits remands" to "allowing the Chief Administrative Patent Judge to issue remand orders would improve [and would not] the appellate process before the Board." 75 Fed. Reg. 69828, 69841.

The Section is concerned that the current rule (namely, 37 C.F.R. § 41.50(a)(1)) and the Proposed Rules Bd. R. 41.35(c) and 41.50(a) do not provide an adequate mechanism which would ensure that the Board decides each appeal on the merits, once properly before the Board, and provides the appellant with a final decision in a prompt and timely manner.

Accordingly, the Section encourages the Office to enact rules that would provide for the following:

(1) after an appeal has been lodged and the appellant has placed the appeal before the Board in accordance with all applicable regulations, the Board shall promptly decide the appeal on its merits unless the appeal is subsequently abandoned by the appellant or the appellant has requested (or consented to) a remand of the appeal to the examiner for further action;

(2) in lieu of a remand, the Board may order the examiner to supplement the record in an appealed application and require that the examiner so act on the appealed application within a reasonable period of time, not to exceed three months;

(3) once an application on appeal has been subject to an order to supplement, the appeal shall not be subject to a further delay and, once the time set for the examiner to act has expired, shall be thereafter decided by the Board with special dispatch; and

(4) if an examiner has supplemented the record on appeal, the appellant shall have the right to file a response to any action taken by the examiner.

In closing, the Section acknowledges with appreciation the willingness of the Office to consider public comments regarding the proposed changes to the current rules governing practice before the Board.

If you have any questions or would wish for us to further explain any of our comments, please do not hesitate to contact me. Either I or another member of the leadership of the Section will respond to any inquiry.

Very truly yours,

Marylee Jenkins
Section Chairperson
American Bar Association
Section of Intellectual Property Law

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

PETITION FOR RULEMAKING PURSUANT TO 5 U.S.C. § 553(e) OR FOR OTHER RELIEF PURSUANT TO 37 C.F.R. § 1.182 TO REPEAL PARTS OF MPEP §§ 1204 AND 1207

Office of the Deputy Commissioner
for Patent Examination Policy
Mail Stop Petition, Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

POWER OF ATTORNEY FOR PETITION FOR RULEMAKING

I, Gilbert P. Hyatt, appoint Aaron Panner and the firm of Kellogg, Huber, Hansen, Todd, Evans & Figel, P.L.L.C. to represent me in all matters relating to petitions for rulemaking and petitions for relief not otherwise provided for under 37 C.F.R. § 1.182. This appointment does not include the power to prosecute any patent application.

Please charge any required fees due under 37 C.F.R. § 1.182 and § 1.17(f), or credit any overpayment, to Deposit Account No. 08-3626 in all matters relating to such petitions for rulemaking and petitions for relief not otherwise provided for under 37 C.F.R. § 1.182.

Respectfully submitted,

Dated: July 15, 2014

By: Gilbert P. Hyatt
Gilbert P. Hyatt

Attachment

B

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE
PATENT TRIAL AND APPEAL BOARD

DECISION ON PETITION

The United States Patent and Trademark Office (USPTO) acknowledges receipt of a petition, dated July 16, 2014, filed on behalf of Gilbert P. Hyatt and requesting that the provisions in section 1207.04 of the Manual of Patent Examining Procedure (MPEP) for reopening prosecution in an application on appeal be removed.[1] The petition alleges specifically that the provisions in MPEP § 1207.04: (1) are inconsistent with 35 U.S.C. § 6 and 37 C.F.R. § 41.39, and (2) were not promulgated under notice-and-comment rulemaking procedures, citing *Tafas v. Dudas*, 541 F. Supp. 2d 805 (E.D. Va. 2008) for the proposition that all USPTO rulemaking is subject to the notice-and-comment requirement of 5 U.S.C. § 553. The petition is being treated as a petition for rulemaking under 5 U.S.C. § 553(e)[2] and is before the Chief Administrative Patent Judge of the Patent Trial and Appeal Board ("the Board") for a decision.

This is a decision denying the petition.

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[1] The petition also requests conforming changes to MPEP §§ 1204, 1207, and 1211.

[2] The petition is styled as a petition for rulemaking pursuant to 5 U.S.C. § 553(e) or for other relief pursuant to 37 C.F.R. § 1.182 to repeal parts of MPEP §§ 1204 and 1207. Any general complaint that a provision of the MPEP is inconsistent with law or otherwise inaccurate may be addressed to the MPEP staff at Mail Stop MPEP, Commissioner for Patents, P.O. Box 1450, Alexandria, Virginia 22313-1450.

ANALYSIS

Initially, it is noted that the petition requests "expedited treatment" because of the possible impact of a change to MPEP § 1207.04 in a pending litigation. The USPTO's handling of a petition for rulemaking under 5 U.S.C. § 553(e), however, is unlikely to have an impact on currently pending litigation as: (1) the rulemaking process can be a time-consuming process[3] that does not have a predetermined outcome, and (2) changes made through rulemaking are generally prospective only. *See* 5 U.S.C. § 551(4). Moreover, a petition challenging the application of a provision of the MPEP in a particular application or patent should be filed as a petition in that application or patent.

The provisions of MPEP § 1207.04 are not inconsistent with 35 U.S.C. § 6 or any other law. The U.S. Court of Customs and Patent Appeals, the predecessor of the U.S. Court of Appeals for the Federal Circuit ("Federal Circuit"), has indicated that 35 U.S.C. § 7 (now 35 U.S.C. § 6)

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[3] For example, recent revisions of the rules pertaining to *ex parte* appeals began with a notice of proposed rulemaking published in 2007 and concluded with a final rule published in November of 2011. *See* Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals, 72 Fed. Reg. 41472 (July 30, 2007) (proposed rule), Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals, 73 Fed. Reg. 32938 (June 10, 2008) (final rule), Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals, 73 Fed. Reg. 74972 (Dec. 10, 2008) (delay of final rule), Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals, 74 Fed. Reg. 67987 (Dec. 22, 2009) (advance proposed rule), Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals, 75 Fed. Reg. 69828 (Nov. 15, 2010) (proposed rule), and Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals, 76 Fed. Reg. 72270 (Nov. 22, 2011) (final rule).

provides in general terms a vehicle for review of adverse decisions. This provision appears in Chapter 1 of Title 35, which relates to the establishment of the USPTO. On the other hand, 35 U.S.C. § 134 appears in Chapter 12 of Title 35, which relates to examination of applications, and provides for the statutory right of an applicant to appeal an examiner's decision during the patent examination process. *See In re Volk*, 634 F.2d 607, 609 (CCPA 1980) (citing *In re Hengehold*, 440 F.2d 1395, 1404 (CCPA 1971)). Therefore, 35 U.S.C. § 6(b) is viewed more appropriately as a provision that describes the functions of the Board, which is the organization within the USPTO that is responsible for reviewing adverse decisions of examiners, rather than a provision which entitles any applicant to have review of any adverse decision of an examiner by the Board by filing a written appeal.

Additionally, the provisions of MPEP § 1207.04 have been promulgated consistent with the requirements of 5 U.S.C. § 553. Notably, the statement by the district court in *Tafas* that the USPTO must engage in notice-and-comment rulemaking for any rule change was rejected by the Federal Circuit shortly after the district court decision in *Tafas*. *See Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1336-37 (Fed. Cir. 2008) (stating that 5 U.S.C. § 553, and thus 35 U.S.C. § 2(b)(2)(B), does not require notice and comment rulemaking for "interpretative rules, general statements of policy, or rules of agency organization, procedure, or practice") (quoting 5 U.S.C. § 553(b)(3)(A)).[4] In any event, the current procedures for adding a new ground of rejection by reopening prosecution or by including the new

[4] *See also Mikkilineni v. Stoll*, 410 Fed. App'x 311, 313 (Fed. Cir. 2010) (finding USPTO's 2009 guidelines concerning 35 U.S.C. § 101 are interpretive, rather than substantive, and are thus exempt from the notice and comment requirements of 5 U.S.C. § 553).

ground of rejection in the examiner's answer were adopted in a notice-and-comment rulemaking. *See* Rules of Practice Before the Board of Patent Appeals and Interferences, 68 Fed. Reg. 66648, 66653 (Nov. 26, 2003) (proposing to permit examiners to enter a new ground of rejection either in an examiner's answer or by reopening prosecution) and Rules of Practice Before the Board of Patent Appeals and Interferences, 69 Fed. Reg. 49960, 49980 (Aug. 12, 2004) (permitting examiners to enter a new ground of rejection either in an examiner's answer or by reopening prosecution). The provisions of MPEP § 1207.04 in question simply memorialize the practice adopted in the 2003-04 notice-and-comment rulemaking.

The USPTO appreciates that reopening prosecution of an application after the filing of an appeal brief may place an imposition on the applicant. Ideally, the issues are crystalized before there is a final rejection and before an appeal brief is filed. There are situations, however, in which the issues are not fully formed before an appeal brief is filed, either because an applicant raises new issues in the appeal brief or because the examiner uncovers a better ground of rejection after the appeal brief is filed. In these situations, simply requiring that an application be forwarded to the Board for decision once an appeal brief is filed has adverse consequences for the patent system and places ultimately a greater imposition on the applicant.

Specifically, barring examiners from introducing any new ground of rejection at the appeal stage has resulted in instances in which applications proceed to the Board with second-best rejections. *See* Rules of Practice Before the Board of Patent Appeals and Interferences, 68 Fed. Reg. at 66653 (explaining that the former appeal rules resulted in examiners forwarding applications to the Board without addressing the new arguments by the applicant). This may result in the need to reopen prosecution in the event

that the suboptimal rejection is not affirmed, and may have the consequence of wasting Board resources by placing ultimately a far greater imposition on applicants than simply reopening prosecution before the application is sent to the Board. Thus, the USPTO has adopted procedures under which an examiner, with supervisory approval, may add a new ground of rejection by reopening or including the new ground of rejection in the examiner's answer.

Recently, the USPTO revised the *ex parte* appeal rules and considered reopening patent prosecution once again during rulemaking. *See* Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals, 76 Fed. Reg. at 72287 (discussing the level of supervisory approval necessary to reopen prosecution). The USPTO also considered this issue in 2012-13 when revising patent fees, and revised the *ex parte* appeal fee structure to permit applicants to avoid paying the majority of the appeal fee in situations in which the examiner reopens prosecution or allows an application after an appeal brief is filed. *See* Setting and Adjusting Patent Fees, 78 Fed. Reg. 4212, 4230-31 (Jan. 18, 2013). Thus, the issue of reopening prosecution in an application on appeal has been considered in three, separate rulemakings within the last fifteen years.

Accordingly, the provisions in MPEP § 1207.04: (1) are not inconsistent with 35 U.S.C. § 6 or any other law or regulation, and (2) have been promulgated consistent with the requirements of 5 U.S.C. § 553. In addition, a rulemaking to propose removing or revising the provisions in MPEP § 1207.04 for reopening prosecution in an application on appeal would reconsider an issue that has been considered in three rulemakings within the last fifteen years. Accordingly, the USPTO has determined that a

rulemaking to remove the provisions in MPEP § 1207.04 for reopening prosecution in an application on appeal is not warranted.

DECISION

In view of the foregoing, the present petition is DENIED.

James Donald Smith
Chief Administrative Patent Judge

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Attachment C

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

**PETITION TO THE ACTING DIRECTOR HERSELF
FOR REVIEW OF A PETITION DECISION BY CHIEF APJ SMITH AND
FOR RULEMAKING PURSUANT TO 5 U.S.C. § 553(e)
TO REPEAL PARTS OF MPEP §§ 1204 AND 1207**

Acting Director Michelle K. Lee
U.S. Patent and Trademark Office
Mail Stop Petition, Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

This is a petition for review of an undated decision issued by Chief Administrative Patent Judge ("APJ") James Donald Smith, received by undersigned counsel on September 9, 2014 (the "Decision"). The underlying petition seeks repeal of MPEP § 1207.04, "Reopening of Prosecution After Appeal," or for a declaration by the Director that the provision is unenforceable, with conforming changes to MPEP §§ 1204 and 1207. The Decision ignores the plain terms of the regulation of the United States Patent and Trademark Office ("PTO") governing procedure in cases where an examiner wishes to add new grounds of rejection, 37 C.F.R. § 41.39, and rests on the faulty premise that MPEP § 1207.04 is itself a regulation promulgated pursuant to notice-and-comment procedures, which it is not. For the reasons set forth below, the Director should declare MPEP § 1207.04, which conflicts with a governing regulation adopted pursuant to informal rulemaking, unenforceable.

STATEMENT OF FACTS AND INTRODUCTION

MPEP § 1207.04 was added to the MPEP (8th ed., rev. 3) in August 2005. Section 1207.04 purports to grant an examiner the authority, after an applicant files an appeal

brief, to unilaterally withdraw an applicant's appeal to the Patent Trial and Appeal Board ("Board") and to reopen prosecution, all without the consent of the appellant.

MPEP § 1207.04 is invalid for two basic reasons. First, it is inconsistent with the statutory scheme established in 35 U.S.C. § 6, and with 37 C.F.R. § 41.39. Those provisions make clear that a patent examiner has no power to derail an appeal by reopening prosecution after an applicant has initiated an appeal before the Board. To the contrary, when a patent examiner wishes to add new grounds of rejection after an applicant has filed an appeal brief, the examiner's sole procedural route for raising new grounds is to do so in an examiner's answer that allows the appeal to progress. *See* 37 C.F.R. § 41.39(a)(2). The *applicant* then has the option of reopening prosecution (or not); the regulations do not authorize *the examiner* to do so. *See id.* § 41.39(b)(1). The consequence of reopening against the wishes of the applicant may be to severely delay examination and review by the Board and to impose impermissible procedural obligations on the applicant.

Second, a procedural rule of the type purportedly articulated in MPEP § 1207.04 cannot be adopted as guidance in the MPEP or in a "response to comments"; rather, any rule that the PTO wishes to promulgate to bind applicants must be adopted as a "regulation[] . . . govern[ing] the conduct of proceedings in the [PTO]." 35 U.S.C. § 2(b)(2)(A). Such regulations must be adopted in accordance with the publication and notice-and-comment rulemaking requirements of the Administrative Procedural Act ("APA"). *See id.* § 2(b)(2)(B), 5 U.S.C. §§ 552, 553. Because the PTO did not comply with those requirements in adding § 1207.04 to the MPEP, it is void.

On July 16, 2014, petitioner filed a "Petition for Rulemaking . . . or for Other Relief . . . To Repeal Parts of MPEP §§ 1204 and 1207." That petition sought repeal of MPEP § 1207.04, with conforming changes to MPEP §§ 1204 and 1207. Chief APJ Smith issued an undated decision received on September 9, 2014 denying the petition. The Decision rejects the argument that MPEP § 1207.04 is inconsistent with 35 U.S.C. § 6, stating that that provision is "viewed more appropriately as a provision that describes the functions of the Board . . . rather than a provision which entitles any applicant to have review of any adverse decision." Decision at 3.

The Decision does not question that § 1207.04 conflicts with 37 C.F.R. § 41.39, and it likewise does not contest that such a rule would have to be adopted pursuant to notice-and-comment rulemaking. Instead, the Decision states that "the provisions of MPEP § 1207.04 [were] promulgated consistent with the requirements of 5 U.S.C. § 553," specifically, in the rulemaking proceeding that led to the adoption of 37 C.F.R. § 41.39 in 2004. Decision at 4.

The Decision's claim that MPEP § 1207.04 is a duly promulgated rule is plainly incorrect. The Director should accordingly overrule the Decision and declare that examiners are not permitted to reopen prosecution after the filing of an appeal; rather, any new ground must be raised using the procedures of 37 C.F.R. § 41.39.

I. The PTO Has Jurisdiction To Decide This Issue, but It Should Not Have Been Decided by the Board's Chief Administrative Patent Judge

A. The PTO has authority to decide this petition for repeal of MPEP § 1207.04 pursuant to 5 U.S.C. § 553(e) of the APA, which provides that "[e]ach agency shall give an interested person the right to petition for the issuance, amendment, or repeal of a rule."

In the alternative, petitioner seeks relief not otherwise provided for under the PTO's rules, pursuant to 37 C.F.R. § 1.182, and authorizes charge of the appropriate fee pursuant to 37 C.F.R. § 1.17(f) to petitioner's deposit account (see the last paragraph of this paper).

Because a declaration that MPEP § 1207.04 is unlawful and unenforceable would affect pending litigation, petitioner seeks expedited treatment of this petition.

B. The earlier petition, however, should not have been decided by the Chief APJ. The authority to decide certain specific petition matters is delegated by the Director to the Chief APJ, as enumerated in MPEP § 1002.02(f), but no delegation covers the underlying petition. Section 1002.02(f)(4)(b) delegates to the Board authority to decide "[r]equests related to superintending the functions of the Board," but the petition does not involve the "functions of the Board"; it involves the actions of the examining operation. Neither the Board nor the Chief APJ has supervisory authority over the actions of the examining corps.[1]

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[1] "The board does not exercise supervisory authority over examiners," not even with respect to appeal-related matters such as appeal briefs. Board of Patent Appeals, *Frequently Asked Questions*, Answer to Question 8, Part One,

II. MPEP § 1207.04 Is Invalid Because It Conflicts with the Statute and Existing Regulation and Was Not Adopted Pursuant to Lawful Procedures

The PTO should repeal MPEP § 1207.04 because it conflicts with the statutory scheme for appeal of adverse examination decisions and with the PTO's duly promulgated regulation, 37 C.F.R. § 41.39. MPEP § 1207.04 states that an "examiner may, with approval from the supervisory patent examiner, ***reopen prosecution*** to enter a new ground of rejection after [an] appellant's brief or reply brief has been filed." *Id.* (emphasis added). Nothing in the statute or the PTO's regulations grant an examiner any such authority, and this procedure conflicts with governing law.

A. MPEP § 1207.04 Conflicts with the Statute

MPEP § 1207.04 conflicts with 35 U.S.C. § 6(b)(1), which provides that the Board "shall … on written appeal of an applicant, review adverse decisions of examiners upon applications for patents pursuant to section 134(a)." In permitting applicants to bring such administrative appeals and appointing a duty to the Board to decide them, Congress would have understood that, as in comparable judicial and administrative appeals, the examiner – the party whose decision is appealed from – would have no power to cut short an appeal without the approval of the other party or the tribunal. Rather, in cases where an appellee chooses not to defend an underlying decision on its own grounds and prefers to have the matter remanded for further consideration, the expected procedure would be for the appellee to seek that remedy from the appellate tribunal, with or without the consent of the appellant. *Cf., e.g., SKF USA Inc. v. United States*, 254 F.3d 1022 (Fed. Cir. 2001) (granting motion to remand to agency); *In re Hester*, 838 F.2d 1193 (Fed. Cir. 1988) (denying PTO's motion to remand). By purporting to arrogate to the examiner the power to cut short an appeal for purposes of bolstering what may be an indefensible rejection, the MPEP provision impermissibly encroaches on the remand authority that Congress

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http://www.uspto.gov/web/offices/dcom/bpai/bpaifaq.htm (version of May 2010, archived at http://web.archive.org/web/20100415000000*/http://www.uspto.gov/web/offices/dcom/bpai/bpaifaq.htm).

The Decision notes (at 1 n.2) that "[a]ny general complaint that a provision of the MPEP is inconsistent with law or otherwise inaccurate may be addressed to the MPEP staff." The Chief APJ has no authority over the MPEP staff either.

delegated exclusively to the Board itself, as part of the Board's obligation to "review adverse decisions." 35 U.S.C. § 6(b)(1).

The Decision does not respond to this point, but instead states that because § 6(b) "describes the functions of the Board" it should not be read to "entitle[] any applicant to have review of any adverse decision of an examiner." Decision at 3. But the question is not whether a petitioner is entitled to an appeal; the question is whether an examiner has the unilateral power to remove an appeal from the Board's purview by reopening prosecution after the appeal has been filed. By conferring the obligation on the Board to review adverse decisions, the Patent Act forecloses a procedure whereby an examiner can, after appeal is taken, short-circuit that review.

B. MPEP § 1207.04 Conflicts with 37 C.F.R. § 41.39

MPEP § 1207.04 also conflicts with 37 C.F.R. § 41.39, which authorizes examiners to add new grounds of rejection to their answers to an applicant's opening brief before the Board and then gives the *applicant* – not the examiner – the choice whether to maintain the appeal or instead to reopen prosecution to address the new grounds. *See* 37 C.F.R. § 41.39(a)(2) & (b)(1). That provision states that, in the written answer to an "appeal brief," the examiner may, with the approval of the Director, "include a new ground of rejection." *Id.* § 41.39(a)(2). In that event, the *appellant* must, "exercise one of the following two options": "[r]equest that prosecution be reopened" or "[r]equest that the appeal be maintained by filing a reply brief." *Id.* § 41.39(b)(1) & (2).

When an examiner seeks to add new grounds, § 41.39 governs the applicable procedure: while such grounds may be included in the answer, it is for the *applicant* to choose whether to proceed with the appeal or instead to reopen prosecution. This regulation delegates no authority to an *examiner* to reopen prosecution against the wishes of the applicant and without the authorization of the Board. Otherwise, the right of the applicant to maintain the appeal – expressly provided for under § 41.39 – would be eliminated in any case where the examiner prefers to avoid review.

The Decision does not contest that MPEP § 1207.04 is inconsistent with § 41.39; indeed, it does not address § 41.39 at all. Instead, the Decision takes the position that MPEP § 1207.04 was adopted pursuant to notice-and-comment procedures such that (presumably) the additional

procedure authorized under that provision stands on an equal footing with 37 C.F.R. § 41.39. As explained below, that assertion is incorrect; by effectively conceding that MPEP § 1207.04 is indefensible *except* as a procedural regulation adopted pursuant to notice-and-comment rulemaking, the Decision confirms that it is unlawful.

C. MPEP § 1207.04 Is Not a Regulation and Was Not Adopted Pursuant to Rulemaking Procedures Required by § 2(b)(2)

MPEP § 1207.04 is also invalid because the PTO did not adopt it as a procedural regulation in accordance with the notice-and-comment rulemaking requirements of the APA, 5 U.S.C. §§ 552 and 553.

1. The PTO cannot treat MPEP § 1207.04 as a binding rule, first of all, because it is not a "regulation." The MPEP "does not have the force of law or the force of the rules in Title 37 of the Code of Federal Regulations." MPEP, Forward. Instead, the MPEP provides "instructions to examiners" and thus guidance to the public as to the procedures that examiners will follow. But the PTO may not rely on guidance to impose obligations on the public, nor may it use guidance to carve out exceptions to procedural obligations of the agency to the public pursuant to statute or regulation.[2] Agencies may not use guidance to raise additional limits on rights granted to the public by statute or regulation. *See Southern Rehab. Grp., P.L.L.C. v. Secretary of Health and Human Servs.*, 732 F.3d 670, 686 (6th Cir. 2013).

The D.C. Circuit explained why agencies may not promulgate binding rules through guidance, *see Appalachian Power Co. v. EPA*, 208 F.3d 1015, 1020 (D.C. Cir. 2000):

> The phenomenon we see in this case is familiar. Congress passes a broadly worded statute. The agency follows with regulations containing broad language, open-ended phrases, ambiguous standards and the like. Then as years pass, the agency issues circulars or guidance or memoranda, explaining, interpreting, defining and often expanding the commands in regulations. One guidance document may yield another and then another and so on. Several words in a

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[2] *See Lopez v. Federal Aviation Admin.*, 318 F.3d 242, 246-47 (D.C. Cir. 2003) (explaining that guidance documents, such as the MPEP, bind only the agency, but not the public, unless promulgated with statutorily-required procedures); *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1425 (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.") (emphasis added; internal quotations omitted).

> regulation may spawn hundreds of pages of text as the agency offers more and more detail regarding what its regulations demand of regulated entities. Law is made, without notice and comment, without public participation, and without publication in the Federal Register or the Code of Federal Regulations.

The court's statement applies to PTO guidance such as MPEP § 1207.04.

Through MPEP § 1207.04, the PTO purports to claim the authority to divert applications under appeal back to the examiner. But MPEP § 1207.04 is at most guidance. Guidance is only enforceable against the agency, not the public; an agency may not use guidance to attenuate appeal procedural rights established under 37 C.F.R. § 41.39. The Decision ignores this point, treating MPEP § 1207.04 as if it were a regulation duly "promulgated consistent with the requirements of 5 U.S.C. § 553." Decision at 3. That statement cannot be squared with the basic understanding that the MPEP does not have the status of a regulation.

2. Further, contrary to the Decision, the rule that an examiner may reopen prosecution after an appeal is filed was not duly promulgated after notice and comment and is therefore unenforceable.

The Patent Act gives the PTO authority to "establish regulations" that "shall govern the conduct of proceedings" and that "shall be made in accordance with section 553 of title 5." 35 U.S.C. § 2(b)(2)(A) & (B). MPEP § 1207.04 purports to establish an alternative procedure in cases where an examiner wishes to add new grounds for rejection after an applicant has initiated an appeal. Such a rule (if valid) thus constitutes a regulation "govern[ing] the conduct of proceedings" within the plain meaning of the statute. *Id.* § 2(b)(2)(A). Accordingly, the PTO can establish such a binding rule only if it follows the applicable procedures under the APA to promulgate a regulation. The PTO's authority to do so is subject to APA-mandated procedures: that is what the statute plainly says when it provides that procedural regulations "shall be made in accordance" with the APA. *Id.* § 2(b)(2)(B).

The Patent Act makes clear that the notice-and-comment procedures apply to PTO procedural regulations. Section 553(b) of Title 5 sets out the general requirements for rulemaking by an administrative agency. These include publication of a notice of proposed rulemaking in the Federal Register, *see id.* § 553(b); the opportunity for comment by "interested persons" and incorporation in the rules adopted "a concise general statement of . . . basis and

purpose," *id.* § 553(c). Although § 553(b)(3)(A) creates an exemption for "rules of agency . . . procedure," that exemption is itself subject to an exception "when notice . . . is required by statute." The statement in § 2(b)(2) of the Patent Act that the PTO adopt regulations "in accordance with section 553" makes plain that Congress intended notice-and-comment requirements to apply.[3]

The Decision notes that there are certain types of rules – namely "interpretative rules, general statements of policy, or rules of agency organization, procedure, or practice" – that may not be subject to the APA's requirements. Decision at 3. But under § 2(b)(2)(B), rules to govern proceedings must be adopted pursuant to notice-and-comment rulemaking – otherwise, the reference to § 553 would be meaningless – and the Decision cites no holding to the contrary. *Cooper Technologies Company v. Dudas*, 536 F.3d 1330 (Fed. Cir. 2008), involved an "interpretative rule," the interpretation of the statutory term "original application"; it did not involve (as here) a rule "governing the conduct of proceedings" adopted pursuant to § 2(b)(2). *See id.* at 1331. And (as the Decision concedes) *Mikkilineni v. Stoll*, 410 F. App'x 311, 313 (Fed. Cir. 2010), likewise concerns the "interpretative rule" exception to § 553's notice-and-comment requirement, not the exception for "rules of agency . . . procedure," and is thus irrelevant.

3. Furthermore, the PTO has not complied with the requirements of § 552 of the APA, which requires publication of rules of procedure in the Federal Register. *See* 5 U.S.C. § 552(a)(1)(c). MPEP § 1207.04 was not so published. The Decision contains no response to this argument.

4. The purported rule that examiners may reopen prosecution is accordingly invalid because it was not adopted pursuant to notice-and-comment rulemaking but was instead included in the course of revisions to the MPEP. The Decision insists that "[t]he provisions of MPEP

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[3] *See Tafas v. Dudas*, 541 F. Supp. 2d 805, 812, 86 USPQ2d 1623, 1628 (E.D. Va. 2008) ("[T]he structure of [35 U.S.C. § 2(b)(2)] makes it clear that the USPTO must engage in notice and comment rulemaking when promulgating rules it is otherwise empowered to make – namely, procedural rules."), *district court decision reinstated*, *Tafas v. Kappos*, 586 F.3d 1369 (Fed. Cir. 2009).

§ 1207.04 in question simply memorialize the practice adopted in the 2003-04 notice-and-comment rulemaking," Decision at 4, but that is incorrect. The Federal Register publications that the Decision cites are all addressed to 37 C.F.R. § 41.39, and do not propose or adopt any rule permitting *examiners* to reopen prosecution unilaterally after appeal.

Contrary to the Decision (at 4), the notice of proposed rule published on November 26, 2003, did not "propos[e] to permit examiners to enter a new ground of rejection . . . by reopening prosecution." To the contrary, the purpose of proposed § 41.39(a)(2) was to "permit a new ground of rejection to be included in an examiner's answer eliminating the current prohibition of new grounds of rejection in examiner's answers." *See* Rules of Practice Before the Board of Patent Appeals and Interferences, 68 Fed. Reg. 66,648, 66,653 (Nov. 26, 2003). This would allow "inclusion of the new grounds of rejection in an examiner's answer *without* having to reopen prosecution." *Id.* (emphasis added). And the notice further stated that proposed § 41.39(b) "would specify the options available *to an appellant* who has received a new grounds of rejection, including the option to request and have prosecution reopened." *Id.* (emphasis added). The notice does not propose adopting any procedure whereby an examiner could reopen prosecution during the pendency of an appeal. Likewise, the notice of adoption of final rules, including § 41.39, does not state that an examiner may reopen prosecution and thereby divest the Board of jurisdiction over an appeal.

To be sure, the notice contemplates that an examiner might "as currently set forth in MPEP 1208.02 . . . reopen prosecution" in certain circumstances. *Id.* But that provision, did *not* permit an examiner to way-lay an appeal by reopening prosecution. To the contrary, the then-current version of the MPEP made clear that when an examiner reopened prosecution to add a new ground of rejection, the applicant had the option of continuing with the appeal by "request[ing] reinstatement" and filing a supplemental appeal brief. MPEP § 1208.02 (8th ed. rev.1 2003). Accordingly, nothing in the Federal Register publications from 2003-04 would have provided notice to interested parties that the PTO anticipated adopting a new procedure

whereby examiners could indefinitely delay the consideration of any appeal simply by reopening prosecution.[4]

No one contests that examiners may, under § 41.39, introduce a "new ground of rejection at the appeal stage." Decision at 4. But that has nothing to do with whether an examiner may end an appeal by reopening prosecution without giving the applicant the option of continuing with a duly filed appeal. Because no PTO procedural rule allows that, and because it conflicts with the procedure anticipated under § 41.39 and with the statute, MPEP § 1207.04 is invalid.

D. The Delay of MPEP § 1207.04 Is Impermissible

The Decision acknowledges (at 4) that "reopening prosecution of an application after the filing of an appeal brief may place an imposition on the applicant," but it fails to address the consequences of MPEP § 1207.04. For one thing, the procedure contemplated by that section threatens significant delay. That is especially true where the examiner purports to reopen prosecution after the applicant has filed the reply brief; in such cases, reopening deprives the Board of the ability to decide an appeal that is already ripe for decision. Second, and at least as important, reopening prosecution allows an examiner to attempt to impose obligations on the applicant that could not be imposed after an appeal from an adverse decision is filed. For example, an examiner might, after reopening, impose requirements on the applicant or otherwise demand submission of new evidence or amended claims as a condition of avoiding rejection or

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[4] The Decision notes (at 5), that the USPTO has revised its *ex parte* appeal rules several times over the last fifteen years, and that "the current procedures for adding a new ground of rejection by reopening prosecution or by including the new ground of rejection in the examiner's answer were adopted in a notice-and-comment rulemaking," citing Federal Register notices of 2003 and 2004, *see* Decision at 3-4. But the product of that rulemaking activity was § 41.39, not MPEP § 1207.04. Reopening by the *examiner* (the only issue in MPEP § 1207.04 and this petition) is only discussed in responses to comments.

Furthermore, as noted in the text, at the time, reopening by the examiner under § 1208.02 did not prevent an applicant for continuing to pursue the appeal.

Finally, responses to comments are not regulations. The PTO presented a near-identical issue to the Federal Circuit only three years ago – the PTO attempted to rely on a response to comments, and the Federal Circuit pointed out the well-established principle that responses to comments are not regulations, and may not be enforced against the public. *See Benedict v. Super Bakery, Inc.*, 665 F3d 1263, 1267-68 (Fed. Cir. 2011) ("The PTO 'comment' is not stated in the rule as adopted; the Rule does not state [the PTO's interpretation].").

abandonment. An examiner has no such power in the context of an appeal. Rather, the examiner is limited to identifying and seeking to justify any new grounds for rejection in the examiner's answer; the applicant has the option of maintaining the appeal and challenging, before the Board, the legal sufficiency of the new grounds, thereby avoiding the need for further significant delay. Moreover, if the applicant prevails, the examiner would have no basis for imposing additional obligations on the applicant.

For applications filed after May 2000, reopening deprives applicants of an important guarantee granted by Congress. Congress intended to protect applicants from delays by protracted PTO proceedings and errors, by providing patent term adjustment to compensate for delays during appeals. *See* 35 U.S.C. § 154(b)(1)(B)(ii) & (C)(iii); 37 C.F.R. §§ 1.701(a)(3) & 1.702(e). When an examiner withdraws an application from appeal, reopening to institute new grounds, an applicant is deprived of patent term that Congress sought to guarantee. The entire time from the first notice of appeal until the second is simply lost, where term adjustment would continue to accrue under the procedure of 37 C.F.R. § 41.39.

Statistics published by the PTO in 2010 show that the number of applications from 2001 to 2010 in which prosecution is reopened after an appeal brief is filed range from 23% to 35%.[5] This demonstrates that reopening of prosecution substantially impairs the Board's ability to review decisions that are appealed to it. The power that examiners have purported to claim in MPEP § 1207.04 thus gives rise to potential for serious abuse.[6]

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[5] PTO, *Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals; Proposed Rule*, 75 Fed. Reg. 69,828, 69,831 (Nov. 15, 2010).

[6] Concerns over such abuse led the Intellectual Property Section of the American Bar Association to urge the PTO to adopt rules providing that "after an appeal has been lodged and the appellant has placed the appeal before the Board in accordance with all applicable regulations, the Board shall promptly decide the appeal on its merits unless the appeal is subsequently abandoned by the appellant or the appellant has requested (or consented to) a remand of the appeal to the examiner for further action." Ltr. from Marylee Jenkins, Section Chairperson, ABA Section of Intellectual Property Law to Hon. David J. Kappos, Under Sec'y of Com. For Intellectual Prop. & Dir., PTO, at 2 (July 11, 2011), *available at*, http://www.uspto.gov/ip/boards/bpai/procedures/rules/rule_comment_nov2010_aba_jul11.pdf (attached as Exhibit 1).

III. Conclusion

The PTO should adopt a rule repealing MPEP § 1207.04 or, in the alternative, the Director should declare the provision void and unenforceable. Please charge any required fees due under 37 C.F.R. § 1.182 and § 1.17(f), or credit any overpayment, to Deposit Account No. 08-3626.

Respectfully submitted,

Dated: September 22, 2014

By: _____

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Exhibit 1 to

Petition for Rulemaking to Repeal MPEP § 1207.04

Letter of American Bar Association

Defending Liberty
Pursuing Justice

AMERICAN BAR ASSOCIATION

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Via Electronic Mail
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July 11, 2011

The Honorable David Kappos
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office
Mail Stop Comments –Patents
P.O. Box 1450
Alexandria, VA 22313–1450

Attn: Linda Horner, BPAI Rules

Re: Comments on Proposed Rules Bd. R. 41.35(c) and 41.50(a) published in *Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals,* 75 Fed. Reg. 69828 (November 15, 2010).

Dear Under Secretary Kappos:

Further to my letter of February 10, 2011, I am writing on behalf of the American Bar Association Section of Intellectual Property Law (the "Section") to provide comments in response to the request the United States Patent and Trademark Office (the "Office") published in the Federal Register on November 15, 2010 (PTO-P-2009-0021). In particular, the Section submits the following comments on Proposed Rules Bd. R. 41.35 (c) and 41.50(a) published in the *Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals,* 75 Fed. Reg. 69828. Please note, these comments have not been approved by the ABA House of Delegates or Board of Governors, and should not be considered to be views of the American Bar Association.

Under the 2004 Appeal Rules in effect today, a panel of the Board of Patent Appeals and Interferences (the "Board") can remand an *ex parte* appeal to the examiner on its own authority. 37 C.F.R. § 41.50(a)(1), MPEP § 1211. The November 2010 proposal for Bd.R. 41.50(a) would eliminate the Board's independent authority to remand an application to an examiner insofar as the Board would be required to decide the appeal on the merits and only with the Director's approval may the Board remand an application back to the examiner (proposed Bd.R. 41.35(c)).

The Section recognizes the efforts of the Office to address concerns raised in comments in response to its previously proposed rule to revise the current rule so that only the Chief Administrative Patent Judge had the authority to remand an application to the examiner. The Office received a wide range of comments (including contradictory comments) from the public ranging from "the Chief Administrative Patent Judge should not have sole authority over merits remands" to "allowing the Chief Administrative Patent Judge to issue remand orders would improve [and would not] the appellate process before the Board." 75 Fed. Reg. 69828, 69841.

The Section is concerned that the current rule (namely, 37 C.F.R. § 41.50(a)(1)) and the Proposed Rules Bd. R. 41.35(c) and 41.50(a) do not provide an adequate mechanism which would ensure that the Board decides each appeal on the merits, once properly before the Board, and provides the appellant with a final decision in a prompt and timely manner.

Accordingly, the Section encourages the Office to enact rules that would provide for the following:

(1) after an appeal has been lodged and the appellant has placed the appeal before the Board in accordance with all applicable regulations, the Board shall promptly decide the appeal on its merits unless the appeal is subsequently abandoned by the appellant or the appellant has requested (or consented to) a remand of the appeal to the examiner for further action;

(2) in lieu of a remand, the Board may order the examiner to supplement the record in an appealed application and require that the examiner so act on the appealed application within a reasonable period of time, not to exceed three months;

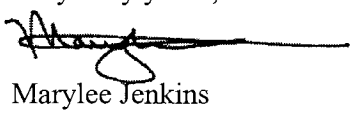
(3) once an application on appeal has been subject to an order to supplement, the appeal shall not be subject to a further delay and, once the time set for the examiner to act has expired, shall be thereafter decided by the Board with special dispatch; and

(4) if an examiner has supplemented the record on appeal, the appellant shall have the right to file a response to any action taken by the examiner.

In closing, the Section acknowledges with appreciation the willingness of the Office to consider public comments regarding the proposed changes to the current rules governing practice before the Board.

If you have any questions or would wish for us to further explain any of our comments, please do not hesitate to contact me. Either I or another member of the leadership of the Section will respond to any inquiry.

Very truly yours,



Marylee Jenkins
Section Chairperson
American Bar Association
Section of Intellectual Property Law

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

PETITION FOR RULEMAKING PURSUANT TO 5 U.S.C. § 553(e) OR FOR OTHER RELIEF PURSUANT TO 37 C.F.R. § 1.182 TO REPEAL PARTS OF MPEP §§ 1204 AND 1207

Office of the Deputy Commissioner
for Patent Examination Policy
Mail Stop Petition, Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

POWER OF ATTORNEY FOR PETITION FOR RULEMAKING

I, Gilbert P. Hyatt, appoint Aaron Panner and the firm of Kellogg, Huber, Hansen, Todd, Evans & Figel, P.L.L.C. to represent me in all matters relating to petitions for rulemaking and petitions for relief not otherwise provided for under 37 C.F.R. § 1.182. This appointment does not include the power to prosecute any patent application.

Please charge any required fees due under 37 C.F.R. § 1.182 and § 1.17(f), or credit any overpayment, to Deposit Account No. 08-3626 in all matters relating to such petitions for rulemaking and petitions for relief not otherwise provided for under 37 C.F.R. § 1.182.

Respectfully submitted,

Dated: July 15, 2014

By: Gilbert P. Hyatt
Gilbert P. Hyatt

Attachment

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UNITED STATES PATENT AND TRADEMARK OFFICE

DEPUTY UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND
DEPUTY DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE

MAILED
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OFFICE OF PETITIONS

PETITION TO THE ACTING DIRECTOR HERSELF FOR REVIEW OF A PETITION DECISION BY CHIEF APJ SMITH AND FOR RULEMAKING PURSUANT TO 5 U.S.C. § 553(E) TO REPEAL PARTS OF MPEP §§ 1204 AND 1207

DECISION

United States Patent and Trademark Office
Decision on Petition

I. Introduction

In July 2014, Gilbert P. Hyatt filed a "Petition for Rulemaking Pursuant to 5 U.S.C. § 553(e) or for Other Relief Pursuant to 37 C.F.R. § 1.182 to Repeal Parts of MPEP §§ 1204 and 1207" ("Petition for Rulemaking"). On September 5, 2014, in a decision ("Decision") signed by the Chief Administrative Patent Judge of the Patent Trial and Appeal Board ("Board"), the USPTO denied Mr. Hyatt's Petition for Rulemaking. Mr. Hyatt now requests review of the Decision in a "Petition to the Acting Director Herself for Review of a Petition Decision by Chief APJ Smith and for Rulemaking Pursuant to 5 U.S.C. § 553(e) to Repeal Parts of MPEP §§ 1204 and 1207" ("Petition for Review"). Mr. Hyatt asserts, first, that Chief APJ Smith did not have authority to decide the Petition for Rulemaking and, second, that the Decision was incorrect because MPEP § 1207.04 is inconsistent with the USPTO's statutes and regulations, and invalid for failure to comply with the APA's notice-and-comment procedures. With respect to the first issue, Mr. Hyatt's Petition for Review is **moot** in light of the underlying decision here. With respect to the second issue, because MPEP § 1207.04 is consistent with the statutes and regulations (having even been discussed in the USPTO's rulemaking process), Mr. Hyatt's Petition for Review is **denied**.

II. Authority to Decide the Initial Petition for Rulemaking

Mr. Hyatt argues that his Petition for Rulemaking "should not have been decided by the Chief APJ." Petition for Review, at 3. MPEP § 1002 does not specifically delegate decisions on Petitions for rulemaking like the one filed by Mr. Hyatt to a particular USPTO official. Thus, the fact that MPEP § 1002.02(f)—which lists petitionable matters delegated to the Board for a decision—does not include petitions under 5 U.S.C. § 553(e) is irrelevant. *See id.* And even if decisions on petitions under 5 U.S.C. § 553(e) had been delegated to a particular USPTO official

in MPEP § 1001, that would not have "confer[red] a right to have a matter decided by" that particular official. MPEP § 1001.01 (Mar. 2014).

Equally unavailing is Mr. Hyatt's contention that the Chief APJ could not decide his Petition for Rulemaking because the Petition did "not involve[] the 'functions of the Board; it involve[d] the actions of the examining operation." Petition for Review, at 3. Mr. Hyatt's Petition for Rulemaking sought either repeal of MPEP § 1207.04, or a declaration from the Director that MPEP § 1207.04 is "unenforceable." Petition for Rulemaking, at 1. MPEP § 1207.04 resides in MPEP § 1200 titled "Appeals," making the Petition for Rulemaking one that the Chief APJ of the Board was qualified to address. Whether or not the Board or the Chief APJ has "supervisory authority over the actions of the examining corps" (Petition for Review, at 3) is irrelevant since the relief that Mr. Hyatt sought in his Petition for Rulemaking did not seek to compel or review a particular action by an Examiner; thus, no "supervision" was sought. While, for reasons discussed herein, the USPTO agrees with Mr. Hyatt that MPEP § 1207.04 involves the actions of the examining corps before an appeal reaches the jurisdiction of the Board, that does not mean that an official from within the examination ranks had to decide his Petition for Rulemaking. In short, it was not improper to have the Chief Administrative Patent Judge of the USPTO Patent Trial and Appeal Board decide the Petition for Rulemaking. In any event, Mr. Hyatt's argument is **moot** in view of this decision.

III. Propriety of MPEP § 1207.04

Mr. Hyatt argues that MPEP § 1207.04—which provides guidance to examiners regarding reopening prosecution after a Board appeal brief has been filed—should be declared invalid or unenforceable because the USPTO lacks such authority. Specifically, first, Mr. Hyatt argues that MPEP § 1207.04 conflicts with 35 U.S.C. § 6(b)(1). Petition for Review, at 4-5. Second, Mr. Hyatt argues that MPEP § 1207.04 conflicts with 37 C.F.R. § 41.39 ("Rule 39").

Id., at 5-6. Third, Mr. Hyatt makes a number of policy-based arguments why MPEP § 1207.04 should be repealed. *Id.*, at 10-12. Additionally, Mr. Hyatt argues that even if the USPTO has the authority to reopen prosecution after the appeal brief, the authority represents a procedural regulation that must be promulgated through notice-and-comment (although Mr. Hyatt does not actually request that the USPTO undertake such a promulgation). Mr. Hyatt asserts that because MPEP § 1207.04 did not undergo notice-and-comment, it is invalid. *Id.*, at 6-10. As discussed below, MPEP § 1207.04 will neither be repealed nor declared unenforceable.

a. Background

Current MPEP § 1207.04, titled "Reopening of Prosecution After Appeal," explains that the

> examiner may, with approval from the supervisory patent examiner, reopen prosecution to enter a new ground of rejection in response to appellant's brief. A new ground as used in this subsection includes both a new ground that would not be proper in an examiner's answer . . . and a new ground that would be proper (with appropriate supervisory approval).

MPEP § 1207.04 (Mar. 2014). If the examiner elects not to reopen prosecution after seeing the applicant's appeal brief, the examiner may file an examiner's answer in response to the appeal brief. *See* 37 C.F.R. § 41.39. Rule 39, titled "Examiner's answer," provides some information about the content of the examiner's answer, including that it may include a new ground of rejection. *Id.* at § 41.39(a)(2). It then provides the procedural choices available to the applicant if the examiner's answer includes a new ground, specifically that the applicant can either (1) request that prosecution be reopened or (2) maintain the appeal by filing a reply brief responding to the new ground. *See id.* at § 41.39(b).

Thus, the examiner may choose the route for entering a new ground of rejection after the Board appeal brief is filed if deemed necessary and subject to approval. MPEP § 1207.04 provides guidance to the examiner "[i]n deciding whether to reopen prosecution or to add a new

ground of rejection to an examiner's answer." MPEP § 1207.04 explains that there may be circumstances in which reopening prosecution to enter a new ground of rejection instead of the examiner's answer is the correct route to take, whether because the new ground would not be proper in an examiner's answer or the new ground would be proper but there are other reasons why it would make more sense to reopen prosecution. MPEP § 1207.04 also directs examiners to the USPTO's interpretation of what constitutes a "new ground of rejection" in deciding how to exercise the examiner's discretion. *See* MPEP § 1207.04 (Mar. 2014) (citing MPEP § 1207.03 subsections II and III).

Critically, while MPEP § 1207.04 and Rule 39 both relate to reopening of prosecution, they do so for different purposes at different stages. MPEP § 1207.04 reflects the examiner's discretion to reopen prosecution after considering the applicant's appeal brief but before issuing an examiner's answer. *See* MPEP § 1207.04 (reopening is "in response to appellant's brief"). If the examiner deems it advisable instead to file an answer, Rule 39 addresses the contents of that answer and defines the options available to the applicant to respond to any new ground included therein, including reopening of prosecution. Rule 39, then, does not discuss the possible examiner actions that might <u>precede</u> filing an examiner's answer.

The MPEP guidance regarding reopening of prosecution to enter a new ground of rejection predates 37 C.F.R. § 41.39. Rule 39 was enacted pursuant to notice-and-comment rulemaking; it was first proposed on November 26, 2003, and became final on August 12, 2004. A version of MPEP § 1207.04, which is substantively similar to the current version, was issued soon after that in August 2005. *See* MPEP § 1207.04 (Aug. 2005). Even before Rule 39 was proposed and adopted, however, MPEP § 1208.02 explained that an "examiner may, with approval from the supervisory patent examiner, reopen prosecution to enter a new ground of

rejection after appellant's brief or reply brief has been filed." *See, e.g.,* MPEP § 1208.02 (Feb. 2003); MPEP § 1208.02 (Aug. 2001).[1] MPEP § 1208.02—the predecessor to MPEP § 1207.04—was substantively similar to current MPEP § 1207.04.[2]

Not surprisingly, then, the notice-and-comment period leading to the adoption of Rule 39 discussed the examiner's ability to reopen prosecution within the boundaries of that Rule. *See Rules of Practice Before the Board of Patent Appeals and Interferences*, 68 Fed. Reg. 66648, 66653 (Nov. 26, 2003) (Notice of Proposed Rulemaking); *Rules of Practice Before the Board of Patent Appeals and Interferences*, 69 Fed. Reg. 49960, 49979-80 (Aug. 12, 2004) (Final Rulemaking). The USPTO explained in the Notice of Proposed Rulemaking that examiners could include new grounds of rejection in an answer under then-proposed Rule 39. But, according to the Notice, "[w]here, for example, a new argument(s) or new evidence cannot be addressed by the examiner based on the information then of record, the examiner may need to reopen prosecution rather than apply a new ground of rejection in an examiner's answer to address the new argument(s) or new evidence." 68 Fed. Reg. at 66653. The USPTO provided examples to illustrate its interpretation of Rule 39, including one in which the examiner would be

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[1] The MPEP has contained the same or similar guidance going back to at least 1953. *See* MPEP § 1208.01 (Nov. 1953) ("A new ground of rejection (new reference or otherwise) may be introduced after appeal either by reopening the prosecution or by including the rejection in the Examiner's Answer ...."). Given that the guidance challenged here by Mr. Hyatt has been publicly available for decades, it seems beyond debate that the issues raised now could have been raised long ago. Nonetheless, the USPTO will address the merits of the petition. *See* 5 U.S.C. §§ 553, 555(e).

[2] Mr. Hyatt asserts that MPEP § 1208.02 substantively changed when it became MPEP § 1207.04. Petition for Review, 9-10. Although, as Mr. Hyatt notes, the MPEP no longer allowed an applicant to request to reinstate an existing appeal with a required accompanying supplemental appeal brief, the applicant could effectively do the same thing by filing a new notice of appeal and appeal brief without paying a new fee. *Compare* MPEP § 1208.02 (Feb. 2003) *with* MPEP § 1207.04 (Aug. 2005). In either case, the applicant would have to address the examiner's new ground, in either the supplemental appeal brief or the revised appeal brief.

expected to reopen prosecution rather than issuing a new ground of rejection in an examiner's answer. *See id.* (Example 2). That example cited MPEP § 1208.02, titled "Reopening of Prosecution After Appeal," which later became § 1207.04.

The USPTO then received comments in response to the 2003 Notice of Proposed Rulemaking.[3] Several of the comments about proposed Rule 39 addressed the issue that the examiner now had a choice within the boundaries of the proposed Rule between reopening prosecution, and issuing new grounds of rejection in an examiner's answer. For example, "[o]ne comment suggest[ed] that allowing the examiner to institute a new ground of rejection in the examiner's answer is unfair to the appellant and the examiner should be required to reopen prosecution." 69 Fed. Reg. at 49979 (Comment 65) (emphasis added). In response, the USPTO did not dispute that the examiner could still reopen prosecution, but explained that the applicant also could request that prosecution be reopened, mooting the commenter's criticism. *Id.* In response to another comment, the USPTO explained that "in general, if an appellant has previously submitted an argument during prosecution of the application and the examiner has ignored that argument, the examiner will not be permitted to add a new ground of rejection in the examiner's answer to respond to that argument but would be permitted to reopen prosecution, if appropriate." *Id.* at 49979-80 (Answer to Comment 68) (emphasis added).

The USPTO thus issued a Final Rulemaking demonstrating its interpretation of Rule 39. Specifically, the USPTO indicated its position that while Rule 39 had been amended to remove

[3] Although Mr. Hyatt had many applications pending during the notice-and-comment period, and although he has been known to comment on proposed rule changes (*see* Comments on July 2007 Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals *available at* http://www.uspto.gov/ip/rules/comments/bpai1.jsp), Mr. Hyatt did not comment on proposed Rule 39.

the previous prohibition against including new grounds of rejection in the answer, the already-existing ability to reopen prosecution to issue a new ground of rejection remained unchanged.

The USPTO has since repeated its interpretation that Rule 39 did not change the examiner's preexisting ability to reopen prosecution after an appeal brief. Specifically, in July 2007, the USPTO issued a notice of proposed rulemaking relating to the Board appeal rules that concluded in November 2011 with a final rule. *See Rules of Practice Before the Board of Patent Appeals and Interferences in* Ex Parte *Appeals*, 72 Fed. Reg. 41472 (July 30, 2007) (proposed rule); *Rules of Practice Before the Board of Patent Appeals and Interferences in* Ex Parte *Appeals*, 73 Fed. Reg. 32938 (June 10, 2008) (final rule); *Rules of Practice Before the Board of Patent Appeals and Interferences in* Ex Parte *Appeals*, 73 Fed. Reg. 74972 (Dec. 10, 2008) (delay of final rule effective date); *Rules of Practice Before the Board of Patent Appeals and Interferences in* Ex Parte *Appeals*, 74 Fed. Reg. 67987 (Dec. 22, 2009) (advance proposed rule); *Rules of Practice Before the Board of Patent Appeals and Interferences in* Ex Parte *Appeals*, 75 Fed. Reg. 69828 (Nov. 15, 2010) (proposed rule); *Rules of Practice Before the Board of Patent Appeals and Interferences in* Ex Parte *Appeals*, 76 Fed. Reg. 72270 (Nov. 22, 2011) (final rule).

That rulemaking included proposed changes to Rule 39. *Compare* 72 Fed. Reg. at 41487 *with* 37 C.F.R. § 41.39 (2005) *and* 37 C.F.R. § 41.39 (2012). In response to the proposed changes, two comments discussed the examiner's option "to reopen prosecution after filing an appeal brief," suggesting that Rule 39 should require a Technology Center Director's approval for the examiner to reopen prosecution at that point. 76 Fed. Reg. at 72287. The USPTO declined to adopt that suggestion because it was

> outside the scope of the proposed rules. The proposed rules do not address reopening of prosecution by the examiner after filing an appeal brief. Rather, subparagraph (a)(2) of proposed and final Bd.R. 41.39 addresses only new grounds of rejection raised in an examiner's answer, and subparagraph (b)(1) of final Bd.R. 41.39 addresses the

> appellant's right to reopen prosecution in this instance. MPEP § 1207.04 already requires approval from the supervisory patent examiner to reopen prosecution after an appellant's brief or reply brief has been filed.

76 Fed. Reg. at 72287. The USPTO thus repeated its interpretation that Rule 39 did not address or otherwise abridge the examiner's preexisting authority to reopen prosecution after an appeal brief discussed in MPEP § 1207.04. USPTO rulemaking on other subjects reflects the same interpretation. *See, e.g.*, *Setting and Adjusting Patent Fees*, 78 Fed. Reg. 4212, 4230-31 (Jan. 18, 2013) (revising *ex parte* appeal fee structure to permit applicants to avoid paying the majority of the fee in situations where the examiner reopens prosecution, or allows an application, after an appeal brief is filed).

b. MPEP § 1207.04 Does Not Conflict With 35 U.S.C. § 6(b)(1)

35 U.S.C. § 6(b)(1) provides that the Board "shall . . . on written appeal of an applicant, review adverse decisions of examiners upon applications for patents pursuant to section 134(a)." Mr. Hyatt asserts that § 6 "appoint[s] a duty to the Board to decide" an applicant's appeal once brought. Petition for Review, at 4. Elsewhere, Mr. Hyatt states that "[b]y conferring the obligation on the Board to review adverse decisions, the Patent Act forecloses a procedure whereby an examiner can, after appeal is taken, short-circuit that review." Petition for Review, at 5. No conflict exists.

The basis for Mr. Hyatt's argument that a conflict exists is unclear. On the one hand, Mr. Hyatt seems to be arguing that § 6 creates an unavoidable duty on the part of the Board to "review adverse decisions of examiners" once an applicant files a notice of appeal; thus, because the MPEP discusses the ability of the examiner to reopen prosecution before the case reaches the Board, MPEP § 1207.04 conflicts with 35 U.S.C. § 6. However, § 6 only "provides in general terms an organization or vehicle for review of adverse decisions." *In re Hengehold*, 440 F.2d 1395, 1404 (CCPA 1971) (referring to predecessor version 35 U.S.C. § 7). That § 6 provides

only a vehicle for review of adverse examiner decisions is confirmed by its presence in Chapter 1 of Title 35, providing generally for USPTO organization and personnel.

Moreover, § 6 does not even provide for an applicant's right to appeal; 35 U.S.C. § 134(a) provides that right. *Hengehold*, 440 F.2d at 1404 (explaining that "Section 134 . . . is among the sections establishing the statutory rights an applicant has during the examination proceeding."). But even if Mr. Hyatt had based his argument upon 35 U.S.C. § 134(a), it would fail. Section 134(a) simply affords an applicant the right to file an appeal to the Board; it does not compel any particular result in that appeal, let alone create an unavoidable duty on the Board to review the rejections that form the basis for the appeal.

Mr. Hyatt's interpretation also fails to account for other portions of the Patent Act and related implementing regulations, which place various requirements on an applicant in order to have an appeal heard by the Board. In particular, § 134(a) requires that the applicant have claims that have been twice rejected and that the applicant have "once paid the fee" for an appeal. Indeed, § 134(a)'s recognition that the applicant need only have "once paid the fee" for an appeal recognizes that an applicant's appeal might be reinstated later, after further action by the USPTO, but that the applicant in that situation need not pay the fee again for that particular appeal. *See, e.g.*, MPEP § 1207.04; 37 C.F.R. § 41.31(c) ("Questions relating to matters not affecting the merits of the invention may be required to be settled before an appeal can be considered."); *see also* 78 Fed. Reg. at 4230-31 (revising *ex parte* appeal fee structure to permit applicants to avoid paying the majority of the appeal fee if the examiner reopens prosecution after an appeal brief is filed). Thus, even § 134(a) contemplates that the Board may not reach the merits of an appeal even though one has been filed.

Moreover, the Patent Act and USPTO regulations impose time limits, requirements for the contents of an applicant's brief, and mandatory fees that must accompany appeals. *See, e.g.*, 35 U.S.C. § 133 (mandatory time limit); 35 U.S.C. § 41(a)(6) (requiring USPTO to charge specific appeal fees); 35 U.S.C. § 2(b)(2)(A) & (B); 37 C.F.R. § 41.4 (indicating that late filings will result in abandonment); 37 C.F.R. § 41.35(b)(5); 37 C.F.R. § 41.37 (setting out contents for brief and, in subsections (b) and (d), explaining that appeal will be dismissed if timely brief is not filed with all of the required content); 37 C.F.R. § 41.45 (fee to be paid following entry of examiner's answer in order to forward appeal to Board). An applicant's failure to comply with these requirements prevents an applicant from having an appeal heard by the Board, even if the applicant has filed a "written appeal" as specified in 35 U.S.C. § 6(b)(1). Mr. Hyatt does not address these statutes or regulations, or otherwise challenge the validity of the USPTO regulations.

Consistent with these requirements, Federal Circuit precedent recognizes that the Board may adjudicate an appeal without "review[ing] adverse decisions of examiners." *See, e.g.*, *In re Riggs*, 457 F. App'x 923, 925 (Fed. Cir. 2011) (discussing approvingly the rules that require that an appeal be "properly prepare[d]" before it reaches the Board, and dismissing appeal for lack of jurisdiction over Board action relating to procedural rules and compliance); *In re James*, 432 F.2d 473, 475-76 (CCPA 1970) (observing and holding that the court lacked jurisdiction to review Board action disposing of appeal on procedural matters); *In re Voss*, 557 F.2d 812, 816 (CCPA 1977). The CCPA observed in *James* that § 6 (then, § 7) only confers <u>authority</u> on the Board to review the merits of "adverse decisions of examiners," recognizing that a Board appeal may be disposed of without conducting such a review. *See James*, 432 F.2d at 475-76 (Rich, J., dissenting).

Lastly, Mr. Hyatt's argument fails to recognize that the Board does not take jurisdiction over an appeal until either the applicant files his reply brief or the time for filing one passes. *See* 37 C.F.R. § 41.35(a). The examiner remains the USPTO individual responsible for considering the merits of the application when an appeal is filed with the Board. The examiner's obligation to consider the patentability of the proposed claims does not terminate because an applicant has filed a Board appeal. *See Butterworth v. Hoe*, 112 U.S. 50, 67 (1884) ("That it was intended that the Commissioner of Patents, in issuing or withholding patents … should exercise quasi-judicial functions, is apparent from the nature of the examinations and decisions he is required to make."); *W. Elec. Co. v. Piezo Tech., Inc.*, 860 F.2d 428, 431-32 (Fed. Cir. 1988) ("Patent examiners are *quasi*-judicial officials."). Examiners thus possess an inherent ability to revisit their earlier patentability decisions, particularly in light of the arguments advanced in the appeal brief (which are often new to the proceedings). *See, e.g.*, *Tokyo Kikai Seisakusho, Ltd. v. United States*, 529 F.3d 1352, 1360-61 (Fed. Cir. 2008) ("[T]he courts have uniformly concluded that administrative agencies possess inherent authority to reconsider their decisions, subject to certain limitations, regardless of whether they possess explicit statutory authority to do so."); *Last Best Beef, LLC v. Dudas*, 506 F.3d 333, 340-41 (4th Cir. 2007) (as a federal agency, USPTO possesses "inherent discretion to correct its own errors and to manage its own docket"); *see Macktal v. Chao*, 286 F.3d 822, 825-26 (5th Cir. 2002) (collecting cases). That legal principle has particularly strong application in the patent examination context, given that the Director "has an obligation to refuse to grant a patent if [s]he believes that doing so would be contrary to law." *In re Alappat*, 33 F.3d 1526, 1535 (Fed. Cir. 1994); *see BlackLight Power, Inc. v. Rogan*, 295 F.3d 1269, 1273-74 (Fed. Cir. 2002) (observing that "the PTO's responsibility for issuing sound and reliable patents is critical to the nation" and "[t]he object and policy of the patent law require

issuance of valid patents"); *see also In re Gould*, 673 F.2d 1385, 1386 (CCPA 1982) (recognizing that USPTO can reopen prosecution to enter new grounds of rejection even after federal judicial review of previous rejections); *In re Fisher*, 448 F.2d 1406, 1420 (CCPA 1971) ("After our decision in an ex parte patent case, the Patent Office can always reopen prosecution and cite new references, in which limited sense our mandates amount to remands."). Nothing in § 6 precludes the examiner from reopening prosecution where necessary to exercise the USPTO's statutory duty to assess patentability.

Alternatively, Mr. Hyatt appears to be arguing that § 6 commands that the Board take jurisdiction immediately upon the filing of a notice of appeal such that the examiner must first request remand from the Board in order to reopen prosecution. Petition for Review, at 4. But nothing in § 6 requires that the Board immediately take jurisdiction over an appeal once a notice is filed. And, as just discussed, USPTO regulations make clear that jurisdiction over the appeal does not pass to the Board until a reply brief is filed by the applicant or the time for such filing passes; until that point, jurisdiction remains with the examiner. *See* 37 C.F.R. § 41.35(a). Mr. Hyatt does not acknowledge, let alone challenge, 37 C.F.R. § 41.35(a).

c. MPEP § 1207.04 Does Not Conflict with 37 C.F.R. § 41.39

Mr. Hyatt asserts that Rule 39 precludes MPEP § 1207.04 because Rule 39 defines the only scenario in which the Examiner can add a new ground of rejection after a Board appeal is filed, and allows the applicant to reopen prosecution but does not mention the examiner's ability to reopen prosecution. But nothing in the plain language of Rule 39 addresses the examiner's discretionary ability to reopen prosecution after the appeal brief is filed. It has no need to; as discussed above, Rule 39 addresses actions that happen during and after the examiner files an answer, not before filing the answer. *See* 76 Fed. Reg. at 72287 (issues relating to examiner action before filing answer are outside the scope of Rule 39).

Mr. Hyatt incorrectly assumes that the examiner's ability to reopen prosecution to enter a new ground of rejection before filing his answer was eliminated, *sub silentio*, when Rule 39 extended his discretion to enter new grounds to the answer and, concomitantly, provided applicants with the ability reopen in response. Nothing in Rule 39 purports to have eliminated the USPTO's already-existing guidance in the MPEP that examiners could reopen prosecution to enter new grounds of rejection.[4] Similarly, granting applicants the ability to reopen prosecution in certain scenarios did not somehow divest examiners of the same ability.

To the contrary, as the notice-and-comment activity surrounding Rule 39 discussed above makes clear, the USPTO has consistently explained that Rule 39 does not prevent the examiner from reopening prosecution after an appeal brief has been filed under guidance pre-dating Rule 39 and existing today. The USPTO explained that, in practice, barring examiners from introducing new grounds of rejection at the appeal stage resulted in instances in which applications proceeded to the Board with less-than-optimal rejections. *See* 68 Fed. Reg. at 66653 (explaining that the former appeal rules resulted in examiners forwarding applications to the Board without addressing the new arguments by the applicant). This resulted in the need to reopen prosecution in the event that the suboptimal rejection was not affirmed, with the consequence of wasting Board resources and placing ultimately a far greater imposition on applicants than simply reopening prosecution before the application is sent to the Board. Similarly, in promulgating Rule 39, the USPTO noted that "[m]any appellants are making new arguments for the first time in their appeal brief (apparently stimulated by a former change to the appeal process that inserted the prohibition on new grounds of rejection in the examiner's

[4] Indeed, in light of the law discussed above, examiners would arguably possess authority to reopen prosecution if that step was deemed necessary to carry out the USPTO's statutory duty to assess patentability and issue rejections as applicable even without MPEP 1207.04.

answer)." *Id.*; *see also* 69 Fed. Reg. at 49963. The Notice observed that as a result of the combination of these factors, "some examiners have allowed cases to go forward to the Board without addressing the new arguments." 68 Fed. Reg. at 66653; *see also* 69 Fed. Reg. at 49963.

Thus, Rule 39 was proposed and ultimately enacted to "improve the quality of examiner's answers and reduce pendency by providing for the inclusion of the new ground of rejection in an examiner's answer without having to reopen prosecution." 68 Fed. Reg. at 66653; *see also* 69 Fed. Reg. at 49963; *id.* at 49979. But the USPTO made clear from the outset that there would be situations where reopening prosecution was advisable. 68 Fed. Reg. at 66653 ("Where, for example, a new argument(s) or new evidence cannot be addressed by the examiner based on the information then of record, the examiner may need to reopen prosecution rather than apply a new ground of rejection in an examiner's answer to address the new argument(s) or new evidence."); *see id.* (giving examples "when the Office may or may not consider a factual scenario suitable for introducing new grounds of rejection in the examiner's answer"); 69 Fed. Reg. at 49963. Clearly, then, Rule 39 did not divest the examiner of the ability to reopen prosecution to address issues where appropriate. MPEP § 1207.04 reflects that notice-and-comment discussion, pointing out there may be scenarios where it is advisable to reopen prosecution to enter a new ground rather than entering one in the answer.

In short, the particular MPEP provision at issue here was addressed during notice-and-comment rulemaking, and the rulemaking was done in view of that procedural background. The USPTO and commenters all agreed and assumed that the examiner could reopen prosecution to issue new grounds of rejection based on the existing MPEP provisions. The only question was whether Rule 39 should *also* allow the examiner to issue new grounds of rejection without reopening prosecution; the USPTO determined that both should be options, as shown in the

promulgated Rule and accompanying discussion, detailed above. Mr. Hyatt is therefore incorrect that Rule 39 conflicts with MPEP § 1207.04, and he has not justified eliminating the latter.

d. Mr. Hyatt's Policy Arguments Have Largely Been Considered and Rejected in the Context of Notice-and-Comment Rulemaking

Mr. Hyatt's assertion that the examiner's reopening of prosecution is a vehicle for "derail[ing] an appeal" (Petition for Review, at 2) is simply untrue. As an initial matter, there are procedural checks against an examiner simply "derailing" an applicant's appeal; the supervisor must agree to reopening, and an applicant may petition for further review of such a reopening. And, as discussed extensively above, the USPTO has considered and rejected the same concerns about delay with respect to Rule 39 and MPEP § 1207.04 (and its predecessors) in the context of notice-and-comment rulemaking. As that discussion makes clear, the USPTO concluded that allowing the examiner to reopen prosecution after an appeal brief (with approval of a supervisor) promotes the overall efficiency of examination. Board appeals often present changed circumstances that make reopening prosecution the more efficient course, whether because the applicant raises new issues in the appeal brief, or the examiner determines that the existing rejections should be modified or additional rejections should be made. In those situations, and other situations in which the examiner determines that a change of circumstances has rendered the existing rejection(s) not useful, it would not make sense to require the applicant, the examiner, and the Board to undergo an entire appeal instead of simply reopening prosecution.

Mr. Hyatt's own applications are a case in point. The USPTO has attempted to implement a consolidated approach to resolving Mr. Hyatt's voluminous application and claim filing strategy, which included reopening prosecution for some applications in which Mr. Hyatt

had filed Board appeals in order to enter new grounds of rejection.[5] In other words, the USPTO determined that the current rejections did not completely capture the patentability problems. Under those circumstances, it would be nonsensically wasteful to nevertheless require the examiner to push forward with an answer, and then force the Board to issue a decision, when the examiner will eventually have the option (subject to supervisor approval) of reopening prosecution again to apply the USPTO's consolidated approach to addressing the patentability of Mr. Hyatt's claims in those applications. At a minimum, such an approach would simply cause additional unwarranted delay in patent applications in which final resolution has proven difficult to obtain.

In a footnote, Mr. Hyatt cites a letter that was filed by the Intellectual Property Section of the American Bar Association during the course of the rulemaking that included Rule 39, arguing that "[c]oncerns over" examiner abuse of the ability to reopen prosecution led to the letter. Petition for Review, at 11 n.6. But the letter actually expresses the opposite concern, namely that the Board misuses its own power over cases within its jurisdiction to remand to the examiner for additional prosecution. *Id.*; Petition for Review Ex. 1, at 2. Thus, the letter proposes rule changes that would curtail the Board's ability to remand an appealed application to the examiner on its own authority. The letter does not complain about delay by examiners before the Board has obtained jurisdiction, and it does not address the "power that examiners have purported to claim" or the "potential for serious abuse" of that power as Mr. Hyatt alleges. Petition for Review, at 11. Ironically, accepting Mr. Hyatt's position that examiners lack discretion to reopen prosecution after an appeal brief is filed would exacerbate the problem

[5] Mr. Hyatt does not expressly cite or otherwise challenge the reopening of prosecution in a particular application in the underlying petitions here.

addressed by the letter; the Board, forced to adjudicate cases in which the issues are not fully crystallized, would be forced to remand more appeals to examiners.

Mr. Hyatt also incorrectly asserts that the examiner's reopening of prosecution somehow differs from the applicant's reopening of prosecution in terms of how much patent-term adjustment is available to an applicant under 35 U.S.C. § 154.[6] Petition for Review, at 11. Section 154 certainly provides for patent-term adjustment for delays by the USPTO both before and during appeals. *See* 35 U.S.C. § 154. The Board obtains jurisdiction over an appeal after a reply brief has been filed or the time for filing a reply brief has run. 37 C.F.R. § 41.35(a). The patent-term adjustment that applies before the Board has obtained jurisdiction falls under 35 U.S.C. §§ 154(b)(1)(A) & (B). *See* 37 C.F.R. § 1.703(b)(4). The only statute and regulation sections that Mr. Hyatt cites refer to the patent-term adjustment that applies *after* the Board has jurisdiction. Mr. Hyatt does not cite any provision regarding the patent-term adjustment that applies before the Board has jurisdiction, and the USPTO can think of no scenario in which the patent-term adjustment would vary depending on whether the applicant or the examiner has reopened prosecution after an appeal brief was filed.

e. Notice-and-Comment Procedures Are Not Necessary For MPEP § 1207.04

Mr. Hyatt argues that MPEP § 1207.04 is "invalid because the PTO did not adopt it as a procedural regulation in accordance with the notice-and-comment rulemaking requirements of the APA, 5 U.S.C. §§ 552 and 553." Petition for Review, at 6; *see* Petition for Review at 1, 6-10. MPEP § 1207.04 was not subject to the notice-and-comment provisions of 5 U.S.C. § 553 because it falls within the exceptions provided in § 553(b)(A) from its notice-and-comment procedures for "rules of agency organization, procedure, or practice." Courts recognize that "the

[6] The USPTO notes that patent-term adjustment is not relevant to applications filed before June 8, 1995, which, if granted, would receive a term of seventeen years from issuance.

'critical feature' of the procedural exception [under § 553] 'is that it covers agency actions that do not themselves alter the rights or interests of parties, although it may alter the manner in which the parties present themselves or their viewpoints to the agency." *JEM Broad. Co. v. FCC*, 22 F.3d 320, 326 (D.C. Cir. 1994) (quoting *Batterton v. Marshall*, 648 F.2d 694, 707 (D.C. Cir. 1980); *see Inova Alexandria Hosp. v. Shalala*, 244 F.3d 342, 349-50 (4th. Cir. 2001) (endorsing and applying *JEM*). MPEP § 1207.04 is a rule of procedure that does not alter the substantive rules for patentability, but recognizes that there may be instances where having an applicant continue to express his "viewpoint" to the examiner makes sense for efficiency reasons. *See JEM*, 22 F.3d at 327 (recognizing that "APA's procedural exceptions embrace cases, such as this one, in which the interests 'promoted by public participation in rulemaking are outweighed by the countervailing considerations of effectiveness, efficiency, expedition and reduction in expense'.") (quoting *Guardian Fed. Savings & Loan Ass'n v. FSLIC*, 589 F.2d 658, 662 (D.C. Cir. 1978)).

Mr. Hyatt agrees that MPEP § 1207.04 is a "rule of agency … procedure," but asserts that 35 U.S.C. § 2 nonetheless obligates use of notice-and-comment procedures. Petition for Review, at 7-8. Section 2 of the Patent Act <u>authorizes</u> the USPTO to "establish regulations" that "govern the conduct of proceedings in the Office." *See* 35 U.S.C. § 2(b)(2) ("The Office— … (2) <u>may</u> establish regulations, not inconsistent with law, which—(A) shall govern the conduct of proceedings in the Office") (emphasis added). Written permissively, § 2 does not <u>command</u> the Agency to establish <u>all</u> procedure as "regulations." Furthermore, 35 U.S.C. § 2(b)(2)(B) states that when the USPTO elects to exercise its rulemaking authority to "establish regulations … [to] govern the conduct of proceedings in the Office," such regulations "shall be made in accordance with section 553 of title 5." The explicit text in 5 U.S.C. § 553 excepts "rules of agency …

procedure" from notice-and-comment rulemaking. In short, accepting Mr. Hyatt's statutory reading would impermissibly read out the exceptions in 5 U.S.C. § 553. *See Animal Legal Defense Fund v. Quigg*, 932 F.2d 920, 931 (Fed. Cir. 1991) (observing that not "every action taken by an agency pursuant to statutory authority [is] subject to public notice and comment," since such a requirement "would vitiate the statutory exceptions in section 553(b) itself").

Thus, the exception to notice-and-comment procedures in § 553 applies with full force to the procedural rule reflected in MPEP § 1207.04. *See id.* at 930-31; *Cooper Techs. v. Dudas*, 536 F.3d 1330, 1336-37 (Fed. Cir. 2008) (quoting 5 U.S.C. 553(b)(A) and citing *Animal Legal Def. Fund*); *Actelion Pharm. v. Kappos*, 972 F.Supp.2d 51, 58 n.9 (D.D.C. 2013) (explaining that USPTO was not "required to use notice-and-comment rulemaking" to issue its procedures relating to patent-term-adjustment calculation because they are "a procedural rule, not a substantive rule") (citing 5 U.S.C. § 553(b)(A)), *aff'd*, 565 F. Appx. 887 (Fed. Cir. 2014). That the provisions in MPEP § 1207.04 did not need to undergo notice-and-comment is further strengthened by the fact that the USPTO elected not to exercise its authority to "establish regulations" under § 2 for the procedural guidance reflected in MPEP § 1207.04. *See* MPEP, Forward (acknowledging that MPEP "does not have the force of law or the force of the rules in Title 37 of the Code of Federal Regulations"); *Animal Legal Def. Fund*, 932 F.2d at 930-31 (§ 553 exceptions to notice-and-comment procedures applicable where nothing "suggests" USPTO purported to exercise rulemaking authority); Petition for Review, at 6 (agreeing that MPEP § 1207.04 is "not a regulation").

Mr. Hyatt argues that *Cooper Technologies* does not support application of § 553(b)(A)'s exception to notice-and-comment rulemaking for "rules of agency organization, procedure, or practice" to USPTO procedural rules. Petition for Review, at 8. The Federal Circuit in *Cooper*

Technologies held that the particular USPTO rule at issue there was an "exercise of the Patent Office's authority under 35 U.S.C. § 2" because it "govern[ed] the conduct of proceedings in the Patent Office." *Cooper Techs.*, 536 F.3d at 1336. The court similarly recognized that exercise of § 2 authority "is subject to its compliance with 5 U.S.C. § 553," citing 35 U.S.C. § 2(a)(2)(B). *Id.* Yet the court held that "[b]y its own terms, section 553 does not require formal notice of proposed rulemaking for 'interpretative rules, general statements of policy, or rules of agency organization, procedure, or practice'." *Id.* (quoting 5 U.S.C. § 553 (b)(A)) (emphasis added). The court accordingly concluded that the rule at issue "was therefore not subject to the formal notice-and-comment requirements of section 553." *Id.* at 1336-37 (citing *Animal Legal Def. Fund*, 932 F.2d at 931). While *Cooper Technologies* applied the "interpretative rules" exception in § 553, the court clearly recognized that the exceptions in 5 U.S.C. § 553 applied to USPTO rules, even in the exercise of 35 U.S.C. § 2. Mr. Hyatt identifies no basis to conclude that only some of those exceptions would apply, while others would not. *See* Pet. for Review, at 8. Furthermore, the plain language of 35 U.S.C. § 2 and 5 U.S.C. § 553 supports the USPTO's interpretation, one that the USPTO has previously expressed. *See, e.g.*, *Changes to Implement and Examination Guidelines for Implementing the First Inventor to File Provisions of the Leahy-Smith America Invents Act*, 78 Fed. Reg. 11024, 11047 (Feb. 14, 2013) (interpreting *Tafas* and *Cooper Techs.*, and rejecting argument that exception to notice-and-comment rulemaking for procedural rules in § 553 does not apply to USPTO); *Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents*, 77 Fed. Reg. 48680, 48710 (Aug. 14, 2012) (§ 553 exceptions apply to USPTO); *Changes to Implement Inter Partes Review Proceedings*, 77 Fed. Reg. 7041, 7047 (Feb. 10, 2012) (same).

In a footnote, Mr. Hyatt cites to the district court decision in *Tafas v. Dudas*, 541 F. Supp. 2d 805, 812 (E.D. Va. 2008), to support his assertion that all USPTO procedure must be embodied in a regulation issued using § 553 notice-and-comment rulemaking. Petition for Review, at 8 n.3. As an initial matter, the trial court did not have any issue before it regarding whether § 2 requires that notice-and-comment procedures must be used for all procedural rules or guidance; the district court in *Tafas* addressed only whether the reference in 35 U.S.C. § 2 to the notice-and-comment provisions of 5 U.S.C. § 553 empowered the USPTO with "substantive" rulemaking authority, since the notice-and-comment requirement ordinarily applies only to substantive rules. 541 F. Supp. 2d at 812. Further, the district court in *Tafas* did not hold that all rules relating to procedure must be promulgated through notice-and-comment rulemaking. The trial court observed only that notice-and-comment provisions apply to the USPTO "when promulgating rules it is otherwise empowered to make." *Id.* (emphasis added).[7]

Indeed, there would be little purpose for the USPTO to employ notice-and-comment procedures to establish MPEP § 1207.04 as a "regulation" in 37 C.F.R. *et seq.* While not required, notice-and-comment procedures can be useful for procedural rules by eliciting feedback from agency stakeholders that is taken into account in promulgating final rules, particularly rules governing applicant conduct. Thus, sometimes the USPTO elects to establish procedural rules using the APA's notice-and-comment rulemaking procedures. But that cannot possibly bind the USPTO to promulgate all of its procedural rules, currently reflected in the more-than-2600-page (excluding appendices) MPEP, through notice-and-comment rulemaking

[7] To the extent the district court decision in *Tafas v. Dudas* can be read as expansively as Mr. Hyatt suggests, the Federal Circuit observed on appeal that *Cooper Techs.*, 536 F.3d at 1336-37, "casts doubt" on such a view. *Tafas v. Doll*, 559 F.3d 1345, 1352 n.3 (Fed. Cir. 2009), *rehearing en banc granted and decision vacated*, 328 F. Appx. 658 (Fed. Cir. 2009), *appeal dismissed*, *Tafas v. Kappos*, 586 F.3d 1369 (Fed. Cir. 2009); *see also Tafas v. Doll*, 559 F.3d at 1369 (Radar, C.J., concurring-in-part and dissenting-in-part).

as a "regulation." *See Batterton*, 648 F.2d at 707 (exception for procedural rules ensures "that agencies retain latitude in organizing their internal operations"). And the considerations perhaps justifying the expense and effort of employing notice-and-comment procedures for procedural rules do not apply to MPEP § 1207.04, which does not regulate applicant conduct before the USPTO, but instead provides notice regarding possible discretionary procedural action by the USPTO. *See Refac Int'l, Inc. v. Lotus Dev. Corp.*, 81 F.3d 1576, 1584 n.2 (Fed. Cir. 1996) ("The MPEP does not have force and effect of law; however it is entitled to judicial notice as the agency's official interpretation of statutes and regulations, provided that it is not in conflict with the statutes or regulations."); Petition for Review, at 6 (Mr. Hyatt recognizing that the MPEP provides "'instructions to examiners' and thus guidance to the public as to procedures that examiners will follow"). MPEP § 1207.04 does not, as Mr. Hyatt asserts, "impose obligations on the public." Petition for Review, at 6. At most, it "impos[es] on them the incidental inconveniences of complying with an enforcement scheme," but "such derivative burdens hardly dictate notice and comment review." *Am. Hosp. Assn. v. Bowen*, 834 F.2d 1037, 1051 (D.C. Cir. 1987) (applying § 553 exception for procedural rules).

Alternatively, MPEP § 1207.04 reflects a "general statement of policy" exempted from notice-and-comment rulemaking by § 553(b)(A). A rule constitutes a "policy statement" when it (1) has only prospective effect, and (2) leaves the agency decision-makers free to exercise their discretion. *See Chrysler Corp. v. Brown*, 441 U.S. 281, 302 n.31 (1979) (policy statements under § 553 are "statements issued by an agency to 'advise the public prospectively of the manner in which the agency proposes to exercise a discretionary power'") (quoting ATTORNEY GENERAL'S MANUAL ON THE ADMINISTRATIVE PROCEDURES ACT 30 n.3 (1947)); *Chen Zhou*

Chai v. Carroll, 48 F.3d 1331, 1341 (4th Cir. 1995); *Catawba County, N.C. v. EPA*, 571 F.3d 20, 33-35 (D.C. Cir. 2009); *Am. Bus Assoc. v. United States*, 627 F.2d 525, 529 (D.C. Cir. 1980).

MPEP § 1207.04 does not impose any "obligations or prohibitions on regulated entities." *Nat'l Mining Assoc., v. McCarthy*, 758 F.3d 243, 252 (D.C. Cir. 2014) (finding EPA guidance document relating to issuance of Clean Water Act permits to be a "general statement of policy" under the APA for purposes of pre-enforcement review); *Am. Bus*, 627 F.2d at 529; *Pac. Gas & Elec. Co. v. Fed. Power Comm'n*, 506 F.2d 33, 38 (D.C. Cir. 1974) ("A general statement of policy, on the other hand, does not establish a 'binding norm'" but instead provides "public dissemination of the agency's policies prior to their actual application in particular situations") (citation omitted). Indeed, MPEP § 1207.04 does not expressly "require anyone to do anything or [] prohibit anyone from doing anything," even examiners. *Nat'l Mining Assoc.*, 758 F.3d at 252; *see Catawba County*, 571 F.3d at 34-35.

MPEP § 1207.04 also leaves discretion open to examiners and their supervisors to reopen prosecution on a case-by-case basis. *See Chen Zhou Chai*, 48 F.3d at 1341 (concluding that interim rule was general statement of policy because it "merely provided that the Attorney General <u>may</u> grant asylum to aliens" for particular reasons); *Am. Mining Cong. v. Mine Safety & Health Admin.*, 995 F.2d 1106, 1111 (D.C. Cir. 19930) ("[A] good rule of thumb is that a norm is less likely to be a general policy statement when it purports (or, even better, has proven) to restrict agency discretion ...."). MPEP § 1207.04 provides guidance to examiners and their supervisors "[i]n <u>deciding</u> whether to reopen prosecution or to add a new ground of rejection to an examiner's answer where proper under MPEP § 1207.03 et seq." *See* MPEP § 1207.04 (discussing various factors to consider in deciding how to proceed) (emphasis added).

Yet still, MPEP § 1207.04 fits comfortably within the exception for notice-and-comment procedures in § 553 for "interpretative rules." "Interpretative rules … clarify or explain existing law or regulation and are exempt from notice and comment under section 553(b)(A)" *Nat'l Org. of Veterans' Advocates, Inc. v. Sec'y of Veterans Affairs*, 260 F.3d 1365, 1375 (Fed. Cir. 2001) (citation omitted). Thus, the USPTO can adopt interpretive guidance, consistent with its statutes and regulations, to provide for Agency procedure. And that is what the USPTO has done in issuing the MPEP. *See Refac Int'l*, 81 F.3d at 1584 n.2. MPEP § 1207.04 embodies an "interpretative rule" because it clarifies the USPTO's authority in the context of Board appeals under 35 U.S.C. § 134 and related USPTO regulations (as reflected, for example, in the notice-and-comment discussions relating to Rule 39 discussed above). Indeed, MPEP § 1207.04 provides the USPTO's interpretation as to what constitutes a "new ground of rejection" under Rule 39 (with reference to other MPEP sections), as well as clarifies when a new ground should be included in the answer under Rule 39 or entered after reopening prosecution. More broadly, MPEP § 1207.04 also expresses the USPTO's interpretation of the general legal doctrine recognizing that an agency official can revisit prior decisions and take further action, as warranted, applied to the particular context of Board appeals. *See, e.g.*, *Tokyo Kikai*, 529 F.3d at 1360-61; *Last Best Beef*, 506 F.3d at 340-41; *Macktal*, 286 F.3d at 825-26. As such, MPEP § 1207.04 reflects the exceptions in § 553(b) to notice-and-comment procedures for "interpretative rules." *See, e.g.*, *Nat'l Org. of Veterans' Advocates*, 260 F.3d at 1375-76; *Animal Legal Def. Fund*, 932 F.2d at 927 ("[A] rule which merely clarifies or explains existing law or regulations is 'interpretative'" and exempt from 5 U.S.C. § 553 rulemaking requirements).

Lastly, Mr. Hyatt asserts that the USPTO "has not complied with the requirements of § 552 of the APA, which requires publication of rules of procedure in the Federal Register."

Petition for Review, at 8. "An agency pronouncement must be published if it is of such a nature that knowledge of it is needed to keep parties informed of the agency's requirements as a guide for their conduct." *D&W Food Centers, Inc. v. Block* 786 F.2d 751, 757 (6th Cir. 1986); *see United States v. Hayes*, 325 F.2d 307, 309 (4th Cir. 1963) (*per curiam*) (referencing early version of statute; publication not required if material does not "instruct [public] in regard to the presentation to the agency of any such subject to impartial consideration or action thereon"); *Hogg v. United States*, 428 F.2d 274, 280 (6th Cir. 1970) (holding that internal delegation of authority need not be published under § 552). MPEP § 1207.04 cannot be said to guide applicant conduct before the USPTO since it addresses possible examiner action in response to applicant conduct.

Even if § 552 requires that MPEP § 1207.04 be published in the Federal Register, Mr. Hyatt does not actually allege that any such failure supports invalidating MPEP § 1207.04. With good reason; courts recognize that the "purpose of publication in the Federal Register is public guidance." *Pitts v. United States*, 599 F.2d 1103, 1107-08 (1st Cir. 1979) (rejecting argument that failure to publish "Civilian Marine Personnel Instructions" in Federal Register invalidated particular provision under 5 U.S.C. § 552, characterizing it "is grasping at a straw"). Section 552 reflects that purpose by making clear that "actual and timely notice of the terms" of any unpublished guidance moots any concerns over non-publication when such guidance is applied against an individual. The MPEP has always been a publicly-accessible manual that applicants and practitioners—including Mr. Hyatt—have long been aware communicates "guidance to the public as to the procedures that examiners will follow." Petition for Review, at 6; *see* Title Page, MPEP (discussing various ways in which MPEP can be accessed). Indeed, the above discussion

of MPEP § 1207.04 in the Federal Register in the context of other rulemakings makes clear that the public has had widespread and continuous notice of its provisions.

IV. Conclusion

In view of the foregoing, the USPTO has determined that Mr. Hyatt's Petition for Rulemaking under 5 U.S.C. § 553(e), seeking either repeal of MPEP § 1207.04 or declaration that the provision is unenforceable, is **denied**. MPEP § 1207.04 will not be repealed or declared unenforceable. No additional filings from Mr. Hyatt on this matter will be entertained.

Russell Slifer
Deputy Under Secretary of Commerce for Intellectual Property
and Deputy Director of the United States Patent and Trademark Office

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