

## REPORT

CHANGES TO RULES OF PRACTICE IN *EX PARTE* PATENT APPEALS

June 24, 2008

**I. Introduction**

On June 10, 2008, the United States Patent and Trademark Office ("the USPTO") published revised rules regarding practice before the Board of Patent Appeals and Interferences ("the Board") in *ex parte* Appeals. These rules will apply to all *ex parte* Appeals in which an Appeal Brief is filed on or after December 10, 2008. The revised rules expand the requirements for the various filings in *ex parte* Appeals, revise procedural aspects of *ex parte* Appeals, and provide sanctions that may be imposed against an Appellant who fails to comply with the revised rules. This Special Report summarizes the more pertinent rule changes, and interprets the effects of these changes for consideration in pursuing *ex parte* Appeals before the Board.

**II. Overview**

The revised rules will mandate an increase in the amount of effort involved in preparing and filing Appeal Briefs and Reply Briefs. The USPTO has already dramatically increased its refusal to consider Briefs on the basis that they are allegedly non-compliant with the existing rules. We expect that this trend will increase, particularly in view of many of the new requirements that are apparently subject to interpretation. Significantly, the USPTO has indicated that the expected attorney time for preparing an Appeal Brief is estimated to be thirty hours. We hope that this estimate is excessive, but agree that the revised rules will require more hours of work for preparation of a compliant Appeal Brief. The USPTO also estimates that Reply Briefs will take five hours of attorney time to prepare. However, we believe that this latter estimate may prove to be unreasonably low based on the new requirements for Reply Briefs.

We will, of course, make every effort to effectively and efficiently produce Briefs that fully comply with the revised rules, when they go into effect. However, it will be difficult

or impossible to produce such documents without an increase in the costs associated with them, and in the associated costs that may arise from Examiner objections based on an evolving USPTO interpretation of the revised rules. Therefore, we encourage you to consider proceeding expeditiously in appropriate cases so that, if possible, Appeal Briefs can be filed before the December 10, 2008 effective date of the revised rules. It will also be necessary to consider the new burdens and costs in deciding whether to amend, file a Request for Continued Examination or continuing application, or Appeal, in the face of a Final Rejection.

**III. Background**

Proposed rule changes were published for comment in July, 2007. The USPTO broadly asserted that the proposed rule changes were necessary to enhance the Board's ability to resolve *ex parte* Appeals in a timely manner. The USPTO asserted that, in some instances, the rules were intended to adopt practices similar to those of the Court of Appeals for the Federal Circuit. This would supposedly provide Examiners and other USPTO reviewers with a more clear and complete statement of an Appellant's position at the time of filing an Appeal Brief, thus minimizing pendency of Appeals and making the decision-making process more efficient. In further support of the necessity of such changes, the USPTO noted recent increases in the number of Appeals, and speculated that this trend would continue at least for the next few years.<sup>1</sup>

<sup>1</sup> This trend toward more appeals is a natural consequence of the USPTO's new emphasis on a decreased allowance rate as a measure of "quality," and of the higher standard of nonobviousness imposed by the recent U.S. Supreme Court decision in the *KSR* case. In 2007, the Board received 4,639 *ex parte* appeals, an increase of more than 1,000 from the year before. The USPTO expects to receive over 6,000 *ex parte* appeals in 2008.

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The proposed rule changes were viewed by many as improperly placing the onus of solving backlogs caused by USPTO mismanagement solely on Applicants by increasing barriers to the Appeal process. The proposed rules were strongly opposed in public comments from our firm and from dozens of other individuals, firms and organizations. Although the revised rules have made some concessions by eliminating a few of the most clearly unnecessary provisions of the proposed rules, the revised rules still impose significant and onerous requirements that will increase the time and cost associated with preparing the necessary filings for an Appeal.

#### IV. Rule Changes

Several of the more significant changes to patent appeals practice are discussed below. However, this discussion is far from exhaustive. In view of their complexity, the rules will have to be carefully reviewed in their entirety each time an Appeal is pursued.

##### A. Non-Appealable Issues

The revised rules require that any necessary petitions on non-Appealable issues, such as entry of a response after final rejection, entry of evidence after final rejection, or withdrawal of a restriction requirement, must be filed within two months of the USPTO action that is the subject of the petition, and before a Notice of Appeal is filed, or the issues will be considered to be waived. The Office intends to strictly enforce the waiver with the view of making the appeal process "administratively efficient."

##### B. Jurisdiction Over Appeal

The revised rules provide that the Board first acquires jurisdiction when the Board mails a docket notice, after the Appellant has filed a Notice of Appeal and an Appeal Brief, the Examiner's Answer has been mailed, and the Appellant has filed a Reply Brief or the time for filing a Reply Brief has expired. This change may artificially reduce the time an application is considered to be "on Appeal," and thus improve the Board's backlog statistics, by delaying transfer of jurisdiction until after all of the formalities discussed herein are satisfied. However, this change will at best not change the total time for resolving an Appeal from the filing of the Notice of Appeal, and may in fact allow that time to lengthen by removing Board accountability for USPTO delays and errors in preparing the application for review by the Board.

##### C. Amendments and Evidence Filed After Appeal and Before Brief

The rules maintain the requirement that an Amendment filed after the date a Notice of Appeal is filed and before an Appeal Brief is filed may be admitted only as provided in existing after-final-rejection practice. They permit evidence filed after a Notice of Appeal is filed and before an Appeal Brief is filed to be admitted only if (1) the Examiner determines that the evidence overcomes at least one rejection under Appeal, and (2) Appellant shows good cause why the evidence was not earlier presented. The USPTO has indicated that the Office will strictly apply the good cause standard. As such, it will be difficult to obtain admission of such evidence absent extraordinary circumstances, without withdrawing the appeal in favor of a Request for Continued Examination (RCE) or continuing application.

##### D. Appeal Brief

The rules provide that an Appeal Brief must be in 14-point font, be double-spaced, meet a 30-page limit, and contain in the following order: (1) a statement of the real party in interest; (2) a statement of related cases; (3) a jurisdictional statement; (4) a table of contents; (5) a table of authorities; (6) a statement of the status of amendments; (7) identification of the grounds of rejection to be reviewed; (8) a statement of facts; (9) an argument; and (10) an Appendix. The Appendix must contain (a) a claims section, (b) a claim support and drawing analysis section, (c) a means- or step-plus-function analysis section, (d) an evidence section, and (e) a related cases section.<sup>2</sup> All pages of the Appeal Brief, including all pages of the Appendix, must be consecutively numbered beginning with the first page of the Appeal Brief. Although some of these items were previously required, several of the new requirements impose substantial additional burdens on Appellants.

For example, the new "statement of facts" requires Appellant to set out in an "objective and non-argumentative" manner the material facts relevant to the rejections on Appeal. Statements of fact "should be" set out in short declarative sentences, preferably numbered, and each sentence should address a single fact, with appropriate reference to the page number of the record, or, where

<sup>2</sup> Items (7)-(9) count against the 30-page limit, items (1)-(6) and (10) and the signature block do not count against that limit.

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appropriate, a specific line or paragraph, or drawing Figure and element number of the record.<sup>3</sup> Appellants must address every factual contention of the Examiner with which Appellants disagree, or waive the opportunity to contest such factual contentions in the Reply Brief and Oral Hearing. In addition, every argument must be supported by articulated statements of fact. Thus, the statement of facts section will likely be a substantial part of the Appeal Brief.

The argument section of the Appeal Brief must now also contain affirmative statements that identify the location in the record where any argument being made to the Board was made in the first instance to the Examiner. If an argument has not previously been made to the Examiner, the Appeal Brief must contain a statement that the argument has not previously been presented to the Examiner.

The rules provide that, with respect to each ground of rejection to be reviewed, any finding that has been made or conclusion that has been reached by the Examiner that is not challenged will be presumed throughout the appeal to be correct.<sup>4</sup> This will generally necessitate an extremely thorough statement of the facts and argument. In this regard, the rules also provide that the Board will only consider arguments that are presented in the arguments section of the Appeal Brief. All other arguments are waived. Appellants must also identify each point made by the Examiner that is being responded to and the page, line or paragraph of the Record where the point was made by the Examiner.

The rules also require a separate claim support and drawing analysis section that addresses each independent claim on appeal and each separately argued dependent claim. This section must identify by page and line numbers on an annotated copy of each such claim where each limitation is described in the specification as filed, and indicate by reference number each feature shown in the drawings.<sup>5</sup> A similar means- or step-plus-function analysis section requires Appellant to present an annotated version of each independent claim on appeal and each separately argued dependent claim that includes a means- or step-plus-function limitation. The annotation must identify the

specific portions of the specification and drawings that describe the structure, material or acts corresponding to each claimed function of each means- or step-plus-function limitation.

The evidence section of the Appendix must contain its own table of contents, copies of all affidavits and declarations that the Appellant has previously filed and relied upon before the Examiner, other evidence that the Appellant has filed and relied upon before the Examiner, and any evidence relied upon by the Appellant that has been admitted into the file after the Notice of Appeal was filed.

### **E. Examiner's Answer**

The rules do not specify any formal requirements for the Examiner's Answer, leaving its format to be recommended by the Manual of Patent Examining Procedure (MPEP). No font, spacing, page or other limitations corresponding to the requirements on Appellants are specified in the revised rules, and it is not apparent what the MPEP will require of Examiners.

The rules do establish that a new ground of rejection can no longer be made in the Examiner's Answer. Instead, the Examiner must re-open prosecution in order to impose a new ground of rejection.<sup>6</sup> What constitutes a new ground of rejection is evaluated on a case-by-case basis, and is subject to existing case law.

### **F. Reply Brief**

The revised rules require a Reply Brief to include a table of contents, a table of authorities, a statement of additional facts and an arguments section. In general, the form and content of a Reply Brief are governed by the requirements for an Appeal Brief. Thus, the formalities discussed above with respect to the statement of facts and argument will be applicable to the Reply Brief, making what has been a relatively informal brief now be subject to similarly stringent requirements. The Reply Brief must also be in 14-point font and double spaced, and is subject to a 20-page limit excepting the table of contents, table of authorities and signature block.

<sup>3</sup> E.g., Final Rejection Mailed [insert date], page x, lines y-z.

<sup>4</sup> Withdrawn statements and rejections need not be addressed, and the presumption will not apply in subsequent RCE's or continuing applications.

<sup>5</sup> This identification need not be exhaustive, as long as representative support is identified.

<sup>6</sup> The Board itself, however, can still impose a new ground of rejection.

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### G. Examiner's Response to Reply Brief

Examiners no longer have an opportunity to file an Examiner's response to an Appellant's Reply Brief. This should shorten the process in some Appeals by providing a finite number of briefs required to address the rejections of record.

### H. Oral Hearing

As is presently the case, the Board will issue a Notice setting the date of the oral hearing, and setting a date by which Appellant must confirm that its attorney or agent will attend the oral hearing. The rules newly require that, by the confirmation date, Appellant submit a list of technical terms "and other unusual words" that may be used at the hearing. The selection of terms for the list, which is to be used to assist the reporter who transcribes the hearing, is left to the discretion of the Appellant.

### I. Rehearing

The rules authorize an Appellant to file a single Request for Rehearing. A second or subsequent Request for Rehearing is not authorized, and will not be considered. A Request for Rehearing must include a table of contents, a table of authorities, and an argument section. New arguments may not be presented in a Request for Rehearing except in limited circumstances involving a new ground of rejection entered by the Board on Appeal, or involving a recent decision of a Court or the Board that is relevant to an issue decided in the Appeal.

### J. Sanctions

The rules provide that the Chief Administrative Patent Judge, or an expanded panel of the Board, may impose a sanction against an Appellant for misconduct, including failure to comply with an order entered in the Appeal or an

applicable rule, advancing or maintaining a misleading or frivolous request for relief or argument, or engaging in dilatory tactics. Sanctions will be applied by the Board against the Appellant rather than its attorney or agent, although the Board may refer an attorney or agent to the Office of Enrollment and Discipline (OED) for misconduct. Possible sanctions against the Appellant include entry of an order declining to enter a docket notice, an order holding certain facts to have been established in the Appeal, an order expunging a paper or precluding an Appellant from filing a paper, an order precluding an Appellant from presenting or contesting a particular issue, an order excluding evidence, an order holding an application on Appeal to be abandoned or a reexamination proceeding terminated, an order dismissing an Appeal, an order denying an Oral Hearing, or an order terminating an Oral Hearing.

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*Oloff & Berridge, PLC is a full-service Intellectual Property law firm based in historic Alexandria, Virginia. The firm specializes in patent, copyright, trademark, and antitrust law and litigation, and represents a large and diverse group of domestic and international clients, including businesses ranging from large multinational corporations to small privately owned companies, major universities, and individual entrepreneurs.*

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