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Nicholas A. Fraser
OMB Desk Officer for U.S. Patent and Trademark Office
Office of Information and Regulatory Affairs
Office of Management and Budget
Washington, DC 20503
VIA EMAIL: Nicholas_A._Fraser@omb.eop.gov

Re: Information Collection Request 0651-00xx, 73 Fed. Reg. 58943 (Oct. 8 2008)

Dear Mr. Fraser:

This is a comment in response to the notice entitled "Submission for OMB Review: Comment Request" published October 8, 2008 by the U.S. Patent and Trademark Office (the "PTO") in relation to the above-captioned Information Collection Request (the "ICR"). My comment is limited to paperwork burdens associated with Rule 41.56 promulgated at 73 Fed. Reg. 32938 (June 10, 2008, hereinafter "Appeals Rule")

I am writing solely on my own behalf, so please attribute these comments to me personally and not to my firm or its clients.

The ICR includes no burden estimates for new Rule 41.56. Nonetheless, Rule 41.56 has very large direct and indirect paperwork burdens. The PTO has not accounted for these burdens but must do so if it expects to require the public to comply.

I. Summary

Although it is difficult to state the new paperwork burden associated with Rule 41.56 with certainty, the paperwork burden imposed by Rule 41.56 is substantial. This paperwork burden will be at least in the tens of millions of dollars per year, and likely will exceed $100 million annually. This estimate *excludes* the paperwork burden of the many other components of the Appeals

Rule, which are also substantial. Also excluded is the indirect economic impact of this rule, which is certain to be much greater.

The principal source of this paperwork burden is the ambiguity in Rule 41.56. This rule is ambiguous in both content and scope. Rule 41.56 creates sanctions for "misconduct" in filing an appeal, but the PTO has not defined the nature of what might constitute Rule 41.56 misconduct.

Rule 41.56 is applicable only to appeals within the PTO. By the time an application reaches the appeal stage, applicants are represented by attorneys[1] in essentially every case.

Attorneys who practice before the PTO are governed by longstanding ethical rules. These ethical rules, which in most respects are similar to state attorney ethical rules, are reasonably well understood. The PTO has administered the existing ethical rules for many years without apparent difficulty. Despite this, Rule 41.56 now defines a new category of "misconduct" that goes beyond the ethical rules that already govern the practice of law. At proposal, the PTO did not justify any need for this new category. In the preamble to the final rule, the Office did not respond to numerous requests for clarification.

Because of this ambiguity, a body of law will need to develop concerning the interpretation and application of Rule 41.56. In representing an applicant in an PTO appeal, an attorney will be required to conform his or her conduct not only to the existing ethical rules, but also to the new standard of misconduct under Rule 41.56. I believe that attorneys who prosecute appeals before the PTO will need to maintain familiarity, as a continuous and generally ongoing effort, with this body of law. Beyond this general effort, the misconduct rule will also add costs in prosecuting individual appeals. These burdens will be substantial.

In Section II, I provide some background information useful for understanding the context of Rule 41.56, and why my experience and expertise is relevant for estimating burden. In Section III. I explain why Rule 41.56 is ambiguous. In Section IV, I provide a reasonable and informed estimate of paperwork burdens. The chief source of uncertainty in the estimate is that it is unknown how often the PTO expects to exercise the new authority it has given itself under Rule 41.56. I provide a range of estimates, assuming variously that a misconduct investigation will be had in 1%, 2%, or 4% of appeals will be subject to the rule.

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[1] Applicants may be represented at the PTO by attorneys or by "agents," who are registered professionals but who are not attorneys. Agents do not have the state bar reporting requirements of attorneys, but otherwise this discussion applies equally to attorneys and to agents.

In Section V, I point out that the PTO has not complied with the Paperwork Reduction Act. The PTO did not respond meaningfully to requests for clarification of Rule 41.56. It did not demonstrate why the rule is "necessary" or the "least burdensome." Nor did the PTO provide an objectively based estimate of burden – not in the notice of proposed rulemaking, which it was required by law to have done, and not in this ICR, either.

II. Background

By way of background, I am an intellectual property lawyer. I have been in practice since 1993. My firm, Banner & Witcoff, is one of the oldest, largest, and most respected intellectual property boutiques in the country. Banner & Witcoff is very active in prosecuting patents before the PTO, and we also are very active in patent litigation and counseling and ancillary matters. Our clients range from small start-ups to large corporations, and include a number of companies with very active patent prosecution dockets.

My firm and I have significant expertise in patent prosecution. At present, Banner & Witcoff is prosecuting over 5,000 patent applications before the PTO. In 2006, our firm's prosecution efforts resulted in the issuance of over 1,180 U.S. patents, including 593 utility patents. For the past few years, our firm has issued more design patents than any other firm in the country. We also are very experienced with appeals before the Board of Patent Appeals and Interferences ("Board"). In 2006, we filed 239 notices of appeal to the Board.

A significant portion of my personal practice is dedicated to patent prosecution, including appeals to the Board. Additionally, for the past several years, I have served as a lecturer for the Bar/Bri Patent Bar Review Program. This program is a bar review course for persons seeking to pass the PTO registration examination, and in this course I instruct lawyers and law students on the PTO's rules of practice.

I am on the Banner & Witcoff ethics committee and am a past co-chair of that committee. In this role, I have gained extensive experience advising other lawyers on compliance with ethical rules of the PTO and other tribunals.

This experience provides a sound basis on which to provide estimates of the incremental paperwork burden associated with Rule 41.56.

III. Rule 41.56 is Ambiguous

Rule 41.56 gives the Board the power, apparently in its unbridled discretion, to issue any sanctions it deems appropriate, with or without notice,

and with no standards for determining whether sanctions are warranted. It is unknown whether the rules provide for a standard of conduct beyond that specified in the ethical rules.

The rule reads as follows:

41.56 Sanctions

(a) Imposition of sanctions. The Chief Administrative Patent Judge or an expanded panel of the Board may impose a sanction against an appellant for misconduct, including:

(1) Failure to comply with an order entered in the appeal or an applicable rule.

(2) Advancing or maintaining a misleading or frivolous request for relief or argument.

(3) Engaging in dilatory tactics.

(b) Nature of sanction. Sanctions may include entry of:

(1) An order declining to enter a docketing notice.

(2) An order holding certain facts to have been established in the appeal.

(3) An order expunging a paper or precluding an appellant from filing a paper.

(4) An order precluding an appellant from presenting or contesting a particular issue.

(5) An order excluding evidence.

6) [Reserved.]

(7) An order holding an application on appeal to be abandoned or a reexamination proceeding terminated.

(8) An order dismissing an appeal.

(9) An order denying an oral hearing.

(10) An order terminating an oral hearing.

The PTO has long had in place ethical rules that govern all registered attorneys and patent agents. These rules are closely analogous to the American Bar Association's Model Rules of Professional Conduct (and earlier Model Code

of Professional Responsibility).[2] The ABA's ethical standards[3] serve as the basis for the rules of professional conduct in essentially every state. Every practicing attorney is generally familiar with these rules, and new lawyers are tested on them to gain admission to the bar. The PTO's ethical rules – which in their present form date from 1985[4] – are well understood by the patent bar, and are largely uncontroversial.

The legal profession has long recognized the importance of defining the metes and bounds of permissible attorney conduct, and substantial efforts have been made to define these metes and bounds with exacting precision and clarity. The ABA's ethical standards and the body of case law surrounding them have been in development for over one hundred years. The American Bar Association maintains a standing committee on professional conduct, and each state (and the PTO itself) maintains an attorney ethics and disciplinary board. The ABA's standing committee issues periodic advisory ethics opinions, as do many state bar associations.[5] Essentially all major law firms employ ethics committees or departments. Continuing legal education on the subject of the ethical rules is available and is a requirement in almost all states.

Even with this history, and even with the wealth of interpretive authority and other resources available to attorneys, ambiguities in the ethical rules remain. Difficult questions concerning the meaning and interpretation of the rules can arise, and do arise with some frequency. In some cases, attorneys are disciplined for failing to interpret the rules correctly.

In stark contrast to the wealth of interpretive guidance available under existing ethical rules, the PTO has provided no guidance at all on the intended meaning of "Rule 41.56 misconduct." In the preamble to the final Appeals Rule, the PTO did not respond to several requests for clarification, and in fact introduced yet more ambiguity.

A. It is not clear whether Rule 41.56 is intended to supplement or supplant the PTO's existing ethical rules. In other words, is there a sphere of activity that would be deemed ethical under the PTO's ethical rules but that nonetheless would constitute "Rule 41.56 misconduct"? Are attorneys held to two standards, one provided by the PTO's ethical rules and one provided by Rule

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[2] *See* http://www.abanet.org/cpr/mrpc/model_rules.html. The PTO's ethical rules are posted online at http://www.uspto.gov/web/offices/pac/mpep/consolidated_rules.pdf.

[3] The American Bar Association undertook great efforts in preparing its Model Rules in 1983 and its earlier Model Code of Professional Responsibility. The Model Code was preceded by the 1908 Canons of Professional Ethics.

[4] See 50 FR 5177 (Feb. 6, 1985); see generally 37 C.F.R. Section 10.

[5] For instance, the Illinois State Bar Association issues ethics opinions to its members. *See* http://www.illinoisbar.org/resources/ethics/index.html

41.56?[6] The PTO has not answered these questions. The PTO itself notes that "public notice" of the conduct that is to be regulated is crucial, 73 Fed. Reg. at 32968 col. 3, but then pointedly declines to give such notice.

On September 24, 2007, in response to the PTO's notice of proposed rulemaking,[7] I submitted a comment[8] pointing out this ambiguity:

> Does this proposed rule create ethical obligations for attorneys beyond those specified in 37 C.F.R. Chapter 10 and applicable state rules? In other words, might an attorney be found to have committed misconduct for activity that is appropriate and permissible under the ethical rules? The Notice does not say, and the matter is not clear. If so, the Office would be creating a new category of activity -- "ethical misconduct."[9]

In its response to comments contained in the preamble to the final rule, the PTO neither acknowledged this question nor provided an answer.[10]

B. It is not clear what types of activities would be deemed "Rule 41.56 misconduct." The Rule itself provides three purported examples, but they are vague. Also, the text of the rule and the discussion in the preamble leave open whether the grounds enumerated in the Rule are the only grounds for "Rule 41.56 misconduct," or whether other, unspecified grounds exist.

For example, one of the stated grounds for finding Rule 41.56 misconduct is "engaging in dilatory tactics." Given the structure of the PTO's appeals rules, it is unclear what this might mean. All deadlines in an *ex parte* appeal are set by regulation. It is unclear how one's conduct might be "dilatory" within this regulatory scheme. Would using all of the available time to file a brief be deemed "dilatory"? The rules allow for extensions of time to be granted upon paying a time extension fee. If an appellant availed himself of this opportunity, would he risk a finding of "Rule 41.56 misconduct"? What other possibilities exist? The PTO did not say, and we are left to guess.

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[6] *See* 37 C.F.R. § 10.23, entitled "Misconduct." Does this rule subsume Rule 41.56?

[7] Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals, published at 72 FR 41472-90 (July 30, 2007).

[8] This comment is available online at www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/a_hoover.doc.

[9] http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/a_hoover.doc at page 1

[10] Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals, published at 73 FR 32938-77 on June 10, 2008. See especially 73 Fed.Reg. at 32948 and 32968.

I raised these questions in my comments to the PTO:

> For instance, "engaging in dilatory tactics" is supposedly an example of misconduct. What would constitute "engaging in dilatory tactics"? Essentially all deadlines in an appeal are imposed by rule. If the appellant uses the full time permitted by rule to file a brief or other paper, is there a risk of being held to be "dilatory"?[11]

In its response to comments the preamble to the final rule, the PTO neither acknowledged my comment nor provided any response.

Another stated ground for finding Rule 41.56 misconduct is "advancing or maintaining a misleading or frivolous request for relief or argument." This is similarly unclear. What does the PTO mean by a frivolous "request for relief?" Essentially the only relief that can be requested in *ex parte* appeals is reversal of an examiner's rejection. 35 U.S.C. § 134. Similarly, a "frivolous argument" is one that the Board already has the authority to reject under current rules. We have no clue about what the PTO intends this new provision to accomplish, or what requested relief would be "frivolous." It is also unclear who would decide whether a particular argument was or was not "frivolous."

It is also unclear as to what would qualify the Board to determine whether a particular argument was or was not "frivolous." The Board is composed of individuals who are presumptive experts in patent law, but I am unaware of any requirement that a Board member be qualified in adjudging any form of "misconduct."

The PTO did not provide meaningful guidance in response to comments in the preamble to the final rule. One comment requested clarification of the terms "misleading" and "frivolous," and asked whether Rule 11 of the Federal Rules of Civil Procedure would provide guidance.[12] I asked a similar question:

> [W]hat would constitute "advancing or maintaining a misleading or frivolous request for relief"? Some arguments are rejected by the Board. Would any rejected argument be deemed "misleading" or "frivolous"?[13]

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[11] http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/a_hoover.doc at page 1

[12] 73 Fed.Reg. at 32968, col. 2, Comment 107.

[13] http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/a_hoover.doc at page 1.

The response to comments in the preamble to the final rule acknowledges these two questions,[14] but gives no answers. Cryptically, the PTO indicates that "precedent of a court [in the context of Rule 11 of the Federal Rules of Civil Procedure] may or may not be helpful." Circularly, the PTO also says these terms "will be interpreted in the context of the appeals rules."[15] But the appeals rules provide no other context for the terms "misleading" and "frivolous," as none of the other components of the final rule relates to misconduct. Likewise, the PTO did not explain how a patent attorney would know whether court precedent is or is not "helpful" in understanding the rule.

Finally, and perhaps most importantly, the PTO did not clarify whether the three grounds enumerated in the rule are the sole grounds under which "Rule 41.56 misconduct" may be found. It is unknown whether some other activity might be proscribed by this rule.

These questions are substantial and meaningful. They affect the preparation of *every* appeal within the PTO and are of concern to every attorney who prosecutes appeals. Because they affect every appeal, they increase the burdens associated with filing every appeal brief, including both initial appeal briefs and reply briefs.

C. The standards for a "Rule 41.56 misconduct" finding are undefined. The PTO's Notice of Proposed Rulemaking indicated that the imposition of sanctions is a matter "within the discretion of the Board."

This is an impermissibly vague standard, particularly for so serious a charge as misconduct. The existing ethical rules provide guidelines for attorney conduct that are reasonably clear and well defined, especially in the context of the thousands of decisions interpreting almost identical rules in the state courts and disciplinary authorities. In sharp contrast, Rule 41.56 provides the Board with the authority to impose sanctions simply because whoever is acting for the Board decides that sanctions are warranted.

In my comment on the notice of proposed rulemaking, I specifically noted this vagueness in the standard. In its response to comments in the preamble to the final rule, the PTO maintained its position without change: "Whether and what sanction, if any, should be imposed against an appellant in any specific circumstance would be a discretionary action."[16]

The PTO further indicated that that "Courts and other agencies have administered sanctions rules without any apparent difficulty." The interpretation

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[14] 73 Fed.Reg. at 32968, comment 107

[15] 73 Fed.Reg. at 32968, col. 2.

[16] Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals, Final Rule 72 Fed. Reg. at 32948 (June 10, 2008).

of ethic rules by the courts is not relevant to Rule 41.56. Attorney ethical rules administered by courts and other agencies are well defined, and thus administration is reasonably straightforward. Other tribunals, with the help of state bar ethics councils, provide specific guidance to attorneys as to what conduct is permissible and what is not when asked. These ethical rules have a long and well-developed history and are supported with a long line of case law in every state. The extensive body of precedent on the existing ethical rules stands in sharp contrast to the PTO's obscure statement that Rule 41.56 misconduct "will be interpreted in the context of the appeals rules."

Where does this leave the attorney? Suppose an attorney decides to request an extension of time to file an appeal brief. The PTO's rules long have permitted extensions of time to be purchased with payment of an associated fee. Nonetheless, would the attorney face a potential charge of Rule 41.56 misconduct, merely because someone on the Board believes that sanctions are appropriate as a "discretionary action"? Another attorney who obtains a similar extension of time might not be subject to a finding of conduct, if the Board so decided. It is easy to see that a subjective discretionary standard provides significant ambiguity in the rule.

D. Rule 41.56 fails to define the level of intent needed to trigger sanctions. In almost all ethics contexts, a tribunal must find some measure of intent before imposing sanctions. This intent requirement is missing from Rule 41.56, enabling the PTO to impose sanctions for innocent error. For instance, "failure to comply with . . . an applicable rule" is grounds for misconduct. The appeals rules are very complex, and submission of an appeal brief requires compliance with many procedural formalities. If an attorney inadvertently fails to comply with one of the requirements, is this grounds for "Rule 41.56 misconduct"? While "misconduct" ordinarily connotes intentional mischief or reckless disregard, the text of the rule expressly provides that no such intent is required.

In my comment on the notice of proposed rulemaking, I pointed out this ambiguity and raised the question of whether intent was required.[17] In its response to comments on the preamble to the final rule, the PTO did not address this question. It remains unclear as to whether the PTO will attempt to impose liability for unintentional error.

E. Sanctions may be imposed without warning and may be unspecified. In its final rulemaking notice, the PTO said, "*Generally*, sanctions are not applied without giving an appellant an opportunity to explain and justify its behavior."[18] This language expressly reserves the right to impose sanctions

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[17] http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/a_hoover.doc at page 2

[18] See 73 Fed. Reg. 32968 column 3 (June 10, 2008).

without notice to the applicant in a *particular* case: The PTO further indicated that "[o]ther sanctions *may* be appropriate depending on the situation, including sanctions not specifically listed in Bd.R. 41.56(b)." No limit on the nature of the sanctions is provided, nor is there any guidance concerning when they *may* be appropriate.

Again, these ambiguities are substantial and render Rule 41.56 extraordinarily vague and ill-understood. Attorneys are left with essentially no guidance as to how to anticipate every conceivable scenario. These ambiguities translate into significant new burden in the prosecution of every appeal.

It should be noted that Rule 41.56 suffers from a number of other defects, such as whether the PTO has the authority to impose the specified sanctions, and, if so, whether this authority properly rests with the Board or another division of the PTO.

IV. Paperwork burden of Rule 41.56

A finding of "misconduct" is a very serious matter, not only for the applicant, but for the applicant's *representative*. Most findings of misconduct will be attributed to the conduct of the representative, not conduct of the client itself. An attorney found to have committed "Rule 41.56 misconduct" possibly has a duty to bring the matter to the attention to the state bar authorities – indeed, in some cases it would be recommended to disclose even a charge of misconduct. At a minimum, an official finding that an attorney has engaged in misconduct would reflect poorly on the attorney's reputation.

For this reason, an attorney has a *personal* incentive, beyond the duty of zealous representation of the attorney's client, to see that any finding of misconduct is overturned. This personal incentive will motivate attorneys to seek to overturn every such finding, even where the client's dispute with the PTO is moot. For instance, it is sometimes the case that a patent applicant will be disappointed with a decision of the PTO, but, for cost reasons, decide not to prosecute an application further. However, when a finding of "Rule 41.56 misconduct" has been made, this finding will be challenged in essentially every case, even if the client is no longer interested in the patent application at issue, because the misconduct finding affects the attorney personally.

In some cases the Board may enter a finding of "Rule 41.56 misconduct," but nonetheless may side with the appellant on patentability. Here again, this will not end the matter, because the attorney will want for the finding of misconduct to be overturned. Thus, we would expect to see challenges to every "Rule 41.56 misconduct" finding *even where the PTO has granted the patent* at issue on the appeal. As set forth below, this will translate into a substantial general paperwork burden for attorneys who prosecute appeals, and also will translate into an extra paperwork burden in particular appeals.

The PTO proposes no process for appealing a finding of "Rule 41.56 misconduct" within the PTO. The PTO does have a "catchall" petition provision in its rules, 37 C.F.R. 1.182 (extraordinary petition to the Director). Additionally, the Board has the inherent authority to rehear matters it has decided. The Appeals Rules do not, however, provide a formal basis for appealing a finding of "Rule 41.56 misconduct." Any recourse for an aggrieved appellant therefore must be to the courts, through litigation. If the sanctions affect the merits of the appeal, the appellant can seek relief in the district court or on appeal to the Court of Appeals for the Federal Circuit. If not, the appellant can seek relief under the Administrative Procedure Act in the district court.

I believe these assumptions are supported by the facts disclosed by the PTO itself, and the practical observations of a number of attorneys, including myself:

- The PTO heard 3,500 appeals in FY 2007[19], and states that it expects this number to nearly double to 6,000 in FY 2008. 73 Fed.Reg. at 32938, col. 2. On the PTO's stated assumptions, even this extraordinary growth is far too low. The PTO currently has rules pending that would redirect most of the other options that applicants have for seeking correction of examiner errors into appeals.[20] The PTO has been enjoined from implementing these rules, but the PTO is appealing that injunction, and recently reiterated in a Federal Register notice that it intends to apply them if it wins the appeal. 73 Fed. Reg. 45999 (Aug. 7, 2008). Should the injunction be lifted as the PTO requests, alternative routes will be closed for tens of thousands of applications per year. One commenter on ICR 0651-0031 (under review since September 26, 2007), Richard Belzer, estimates the number of appeals at between 33,000 and 77,000.[21] The PTO, in its Information Collection Request, says over 23,000 appeals per year will be filed (but does not explain the origin of that figure). I will assume 28,000 appeals per year.

- In 2006, the median billing rate for intellectual property law firm partners was roughly $380.00 per hour. *AIPLA Report of the Economic Survey* (2007) at 13. In-house and junior counsel typically would bill at a lower rate (or have a lower cost per hour for the corporate employer). Appeals are typically prepared by more-senior-than-average attorneys. Patent

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[19] *See* the PTO's production reports, posted at http://www.uspto.gov/web/offices/dcom/bpai/docs/process/index.htm

[20] Changes To Practice for Continued Examination Filings, Patent Applications Containing Patentably Indistinct Claims, and Examination of Claims in Patent Applications; Final Rule, 72 Fed. Reg. 46716 (Aug. 21, 2007), *held to be illegal and enjoined* by *Tafas v. Dudas*, 541 F.Supp.2d 805 (E.D. Va. 2008)

[21] http://www.reginfo.gov/public/do/DownloadDocument?documentID=57744&version=1 "Alternative Burden Estimates" at pages 14-15, PDF pages 17-18.

attorney billing rates have increased at well above 5% per year for at least the last decade. Thus, over the three-year term for which PTO seeks approval, I estimate an average rate of $380 per hour.

- The PTO has provided no real justification for inventing "Rule 41.56 misconduct," so it is difficult to estimate the number of cases per year that might be subject to a finding. I will assume that 1%, 2% or 4% of appealed cases each year will be subjected to investigation of misconduct sufficient to require the attorney to mount a defense.

The paperwork burden of Rule 41.56 can be broken down into the several categories, including general educational paperwork burden; paperwork burden for costs incurred in every appeal to the board; paperwork burden for costs incurred during appeal after a finding of "Rule 41.56 misconduct"; and economic effect for costs incurred following appeal. Following are my estimates of the foregoing.

A. General educational paperwork burden

Title 5 C.F.R. § 1320.3(b)(1)(i) and (v) require that an agency account for and book the burden of "reviewing instructions" and "adjusting the existing ways to comply." The PTO did not account for or book this burden.

As discussed, resolution of the many uncertainties in Rule 41.56 will require the development of a unique body of case law. The fact that this case law does not now exist does not excuse the PTO from having to count as burden the cost to *every* patent attorney of becoming familiar with it. I would expect that the case law that develops under Rule 41.56 will arise through a complex blend of internal PTO decisions and Administrative Procedure Act litigation in federal court. The PTO designates only a handful of decisions per year as "precedential." The development of the case law in this area will take some time, particularly given the PTO's pronouncements that a misconduct sanction would be "a discretionary action," and given the lack of certainty as to whether there is a category of conduct that is ethical under the PTO's ethical standards.

Essentially every patent practitioner will be required to become at least generally familiar with this case law. 37 CFR §§ 10.76, 10.77 (2007). Moreover, every attorney who actively prosecutes appeals before the PTO will be required to become conversant with this body of case law. This will be in addition to the knowledge of ethics required to maintain practice under state law and all other practice before the PTO.

I assume that, given the complexity of the new rules, appeals will be handled by about 10,000 practitioners who would prosecute appeals before the PTO in any given year (an average of 2.5 appeals per year), and that each such

attorney would spend 15 hours per year studying the new misconduct rule and PTO decisions arising thereunder. This amounts to an annual paperwork burden of roughly $57 million for those attorneys.

Assuming that there are 10,000 other practitioners who spend an average of only three hours per year becoming familiar with the new body of case law, this would amount to an additional annual paperwork burden of roughly $11 million.

Therefore, for "reviewing instructions" and "adjusting the existing ways to comply," 5 C.F.R. § 1320.3(b)(1)(i) and (v), the total annual burden is about $68 million.

B. Paperwork burdens incurred when prosecuting an appeal

"Rule 41.56 misconduct" evidently may be found in matters relating to the nature of the arguments raised, to the specific formatting used in the appeal briefs, to the timing of the filing of briefs and other papers. It will be an incumbent on any attorney prosecuting an appeal to be sure that every aspect of the appeal is in compliance with the rule – even its ambiguous parts. This will entail additional costs beyond the general educational costs discussed above.

Again, these costs are difficult to estimate. There will be some cost incurred for perhaps every appeal, and, depending on the complexity of the appeal, additional costs. For some appeals, the additional burden will be substantial – the situation may require the attorney prosecuting the appeal to consult with ethics counsel and to perform legal research into Rule 41.56 misconduct. Based on my experience, I believe a reasonable estimate is that compliance efforts will add roughly 2 hours for every appeal (on average). With the above assumptions, the paperwork burden would be roughly $19 million.

C. Paperwork burden of costs incurred during a Rule 41.56 "misconduct" investigation

The PTO provides no internal mechanism for appealing a finding of "Rule 41.56 misconduct." Nonetheless, it is reasonable to assume that, once charged with misconduct, efforts would be made within the PTO to attempt to overturn such charge, perhaps by a request for rehearing and perhaps by a petition the to the Director pursuant to 37 C.F.R. § 1.182. Again, I must assume that in most cases attorneys would take one, and perhaps both, of these steps to attempt to overturn a "Rule 41.56 misconduct" finding, even if the client does not chose to appeal from the specific sanction imposed by the Board.

Preparing a request for rehearing by the Board or a petition to the Director for similar issues typically takes about 40 hours. This effort is time consuming

because it is typically recommended to bring a new partner or "fresh pair of eyes" to the rehearing, and because different standards are imposed on rehearing than on the initial argument. I estimate that anticipating the need for defending against "Rule 41.56 misconduct" charges will require similar work. The PTO states that these issues will typically blossom into both sanctions proceedings before the Board and attorney discipline proceedings before the Office of Enrollment and Discipline. Very conservatively, I estimate that the two parallel proceedings together will take 60 hours. In many cases, the proceeding will require a personal hearing, not only papers, and that will take further time not accounted for here.

It is fair to assume that at least 1/3 of these cases will often have to be referred to a senior partner or ethics specialist, with a higher billing rate (say, $500/hr), who will have to come up to speed on unfamiliar facts. Again, perhaps 60 hours of time will be required.

I will provide separate estimates of the paperwork burden assuming that a Rule 41.56 misconduct investigation is conducted in 1%, 2%, and 4% of appeals. The following tables summarize the estimated paperwork burden.

	Investigations per year (1%)	hours	hourly	total
2/3 of sanctions/Rule 41.56 misconduct investigations – attorney self-represents	150	60	380	$ 3.4 million
1/3 of sanctions/Rule 41.56 misconduct referred to senior partner or ethics counsel	75	40	500	$1.5 million
Total				~$ 5 million

	investigations per year (1%)	hours	hourly	total
2/3 of sanctions/Rule 41.56 misconduct investigations – attorney self-represents	300	60	380	$ 6.8 million
1/3 of sanctions/Rule 41.56 misconduct referred to senior partner or ethics counsel	150	40	500	$3 million
Total				~$ 10

	million

	investigations per year (1%)	hours	hourly	total
2/3 of sanctions/Rule 41.56 misconduct investigations – attorney self-represents	600	60	380	$ 13.6 million
1/3 of sanctions/Rule 41.56 misconduct referred to senior partner or ethics counsel	300	40	500	$6 million
Total				~$ 20 million

Thus, this component of the paperwork burden is perhaps from $5 million to $20 million.

D. Paperwork burdens incurred in proceedings after appeal

Litigation arising out of a finding of "Rule 41.56 misconduct" is arguably a "requirement of a person to obtain or compile information for the purpose of disclosure to [the court] ... [as] if the information were directly provided to the agency." 5 C.F.R. § 1320.3(c)(2) I will evaluate the paperwork burden of APA litigation on this basis.

Petitions to the Director historically have been granted sparingly, and I would assume that, should a "Rule 41.56 misconduct" finding be petitioned, only a few such petitions would be granted. Likewise, because petitions for rehearing are seldom granted by any tribunal, I would assume that only a few such petitions from a finding of "Rule 41.56 misconduct" would be granted. I likewise assume that virtually all attorneys accused of "Rule 41.56 misconduct" would appeal or initiate APA litigation, because such a finding can be a serious personal matter for the attorney.

Cost estimates for APA litigation are difficult to come by. It is conceivable that some APA challenges could be disposed with on summary judgment shortly after the instigation of a lawsuit, and one might estimate a cost (in terms of attorney time, even if unbilled to a client) of around $100,000 for such proceedings. It is conceivable that some APA proceedings will entail discovery or detailed briefing, either from the PTO or from the aggrieved party or attorney, thus making the costs significantly higher. I will assume an average cost of

$300,000 for each APA case filed, excluding the costs of any appeal to the Court of Appeals for the Federal Circuit.

Given these assumptions, the annual paperwork burden of new APA litigation is quite substantial. At present, it is difficult to determine how much APA litigation would be engendered by Rule 41.46, but the paperwork burden easily is in the many millions of dollars. Even if only 0.2% of appeals reached this stage, a fair estimate of the average the paperwork burden (at $300,000 per average case) would be almost $17 million. It is easy to envision far greater numbers given greater estimates of the number of appeals or the percentage of appeals subject to a misconduct finding.

E. The direct paperwork burden of Rule 41.56 easily approaches or exceeds $100 million per year

Given the foregoing, it is evident that the direct paperwork burden of Rule 41.56 can be estimated to be at least $100 million per year. Of necessity, this is a rough estimate, but it is indisputable that the new paperwork burden of Rule 41.56 is many tens of millions of dollars.

F. Indirect Economic Effect And Other Economic Effects

I have not attempted to calculate any indirect economic effect of Proposed Rule 41.56. I note, though, that substantial indirect economic effect would be incurred should the rule be adopted. For instance, there would be a substantial opportunity cost for attorney time in complying with this rule. There would be direct and opportunity costs to clients in complying with the rule. Additionally, the PTO itself and the federal courts would incur an increase in workload. This increase in workload would itself constitute an economic effect of the proposed rule. Moreover, the increased workload would cause delays for other patent applicants and litigants.

V. <u>The PTO Did Not Comply With Title 5</u>

Title 5 C.F.R. § 1320.8(a)(4) requires as follows:

> **§ 1320.8 Agency collection of information responsibilities.**
> The [agency] shall review each collection of information before submission to OMB for review under this part.

> (a) This review shall include:
>
> (4) A specific, objectively supported estimate of burden...

The PTO did not provide a "specific objectively supported estimate of burden" of Rule 41.56. It did not do so at the time the rule was proposed, at which time 5 C.F.R. § 1320.11(a) requires it to have published such an estimate and sought comment on it, and it did not do so in this ICR.

Similarly, title 5 C.F.R. § 1320.5(d)(1) reads, in relevant part:

> **§ 1320.5 General Requirements**
>
> (d)(1) To obtain OMB approval of a collection of information, an agency shall demonstrate that it has taken every reasonable step to ensure that the proposed collection of information:
>
> (i) Is the least burdensome necessary for the proper performance of the agency's functions to comply with legal requirements and achieve program objectives;

The Supporting Statement is silent on new Rule 41.56 – it makes no demonstration of why the rule is "necessary" or the "least burdensome." The PTO might claim that it is too late to raise this issue because the rule has been finalized, but in fact the PTO never sought public comment on the likely paperwork burdens in the proposed rule.

Finally, title 5 C.F.R. § 1320.9 reads, in relevant part:

> **§ 1320.9 Agency certifications for proposed collections of information.**
>
> As part of the agency submission to OMB of a proposed collection of information, the agency ... shall certify (and provide a record supporting such certification) that the proposed collection of information—
>
> (d) Is written using plain, coherent, and unambiguous terminology and is understandable to those who are to respond;

The PTO provided no record in support of its certification that Rule 41.56 is "unambiguous" and "understandable to those who are to respond." To the contrary, as discussed above, Rule 41.56 is very ambiguous. The PTO did not respond to comments on the proposed rule that requested clarification.

In summary, Rule 41.56 is a poor rule. The rationale for promulgating this rule is unclear. The rule is ambiguous. This rule alone creates an extensive paperwork burden, exclusive of the paperwork burden created by the rest of the Appeal Rule. The PTO did not comply with Title 5 in promulgating this rule.

Please contact me should you have any questions concerning the foregoing.

Very truly yours,

Allen E. Hoover

AEH:dps